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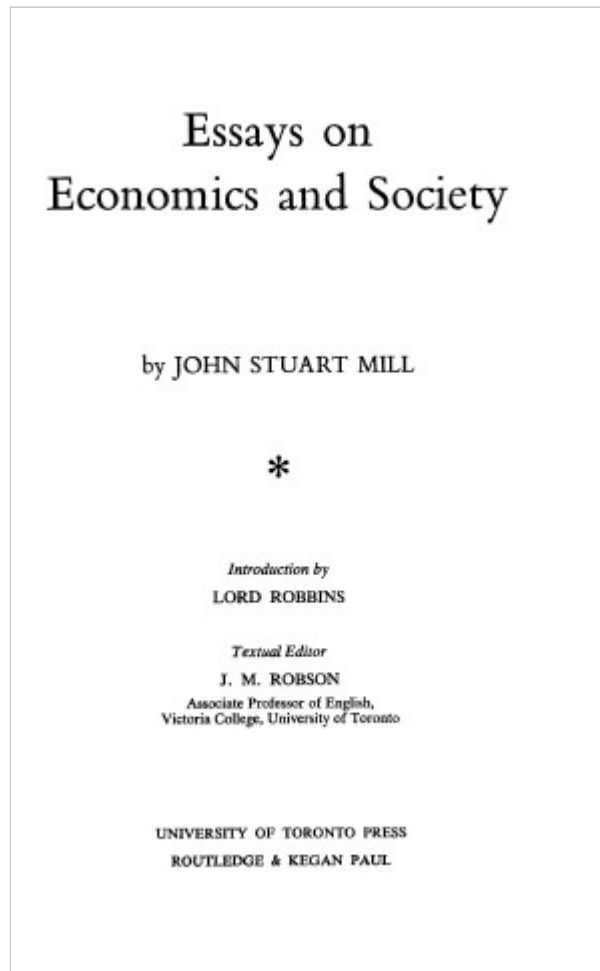
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Vol. 4 of the 33 vol. Collected Works contains a number of Mill's essays on economic topics, including the collection *Essays on Some Unsettled Questions of Political Economy*.

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The Collected Edition of the works of John Stuart Mill has been planned and is being directed by an editorial committee appointed from the Faculty of Arts and Science of the University of Toronto, and from the University of Toronto Press. The primary aim of the edition is to present fully collated texts of those works which exist in a number of versions, both printed and manuscript, and to provide accurate texts of works previously unpublished or which have become relatively inaccessible.

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Introduction

I.

NATURE OF THE COLLECTION

the papers collected in this volume have a twofold value. They provide important insights into the evolution of the views of their author on economic and social problems; and, since they come from one of the world's outstanding economists and social philosophers, they still possess great intrinsic interest. John Stuart Mill's *Principles of Political Economy* is one of the great synthetic works of classical economics; anything which throws light on its propositions and their development is therefore of considerable historical importance. The views of the author of *On Liberty* on any aspect of social and economic policy have still great significance at this stage of human history.

For good scholarly reasons the papers here reproduced are printed in chronological order. For purposes of discussion, however, they are better classified according to subject matter. From this point of view, they may be considered under six main headings: General Economic Theory (other than money and banking); Money and Banking; Public Finance; Labour; Property and Its Social Control; and Socialism. It is under these headings and in this order that they will be discussed in this Introduction.

II.

GENERAL ECONOMIC THEORY

JUVENILIA

the papers relating to non-monetary general economic theory begin with a set of three which may be regarded as exposition on the part of the youthful John Stuart of an outlook which he inherited from his father and Ricardo. Their chief value consists in their revelation of the position from which he set out. The review of McCulloch's *Discourse on the Rise, Progress, Peculiar Objects and Importance of Political Economy* (reprinted in an Appendix because it was jointly composed with William Ellis) is pure propaganda for the School; it is fairly clear that the eulogy of McCulloch would not have been written later on.¹ The paper on "The Nature, Origin, and Progress of Rent," a straightforward exposition of Ricardian theory, was written as an appendix to McCulloch's edition of Smith's *Wealth of Nations* and well explains the Ricardian critique of Adam Smith's views on rent. But the most notable thing about the reprint is the footnote on page 178 where Professor Robson reproduces a marginal note from Mill's copy, now at Somerville College, in which he shows dissatisfaction with the dogmatic insistence on the doctrine that rent does not enter into cost of

production, thus foreshadowing possibly the concessions in this respect appearing in the *Principles*.²

The article from the *Westminster Review*, “The Quarterly Review on Political Economy,” which is the earliest of the three, is also the most extensive. It is an episode in the war between the two Reviews. The article which it attacks—a review of McCulloch’s *Discourse*—was actually written by Malthus. But Mill’s review, which was obviously written with this knowledge, pretends that the article in the *Quarterly Review* was written with a view to making Malthus look ridiculous. As a piece of debating, it is excellent rough stuff. As usual, outside his writings on population, Malthus had put his points so poorly that it was not difficult to make logical mincemeat of them; and this the youthful reviewer does with great relish. The article contains no indication that he was yet aware of the vulnerable point in crude assertions of his father’s and Say’s arguments about the impossibility of general gluts. And to those who have read the thorough trouncing from Torrens, evoked by an earlier effort to sustain his father’s preposterous view that differences in the period of investment might all be reduced to labour,³ the attempt to minimize the differences between this view and Ricardo’s must have interest as almost the one instance in the whole corpus of his writings where Mill was not entirely ingenuous. For any who are interested in the finer shades of the disputes between Malthus and the Ricardians, this article is required reading. For the rest, it is chiefly notable as an exceptionally clear exposition of what the Ricardian theory of value really asserted.

PAPERS ON GENERAL THEORY WRITTEN BEFORE 1848

Next comes a central group of essays and reviews in which Mill is to be seen working out his own views on general theory in forms later to appear in the *Principles*. Of these, the five included in the separate volume entitled *Essays on Some Unsettled Questions of Political Economy* are by far the most important. Their actual publication did not take place until 1844 and seems to have been stimulated by a desire to set before the world a more systematic and temperate exposition of the rôle of demand in international trade theory than was being expounded with great debating brilliance, but considerable over-emphasis, by Torrens in the famous, or notorious, *Budget* letters. But they were written in 1829 and 1830 and therefore come first in chronological order as they do in the order of intellectual importance.

The first of the series is the most famous. The background is fairly well known. The theory of comparative cost, invented by Torrens and Ricardo and expounded by Mill’s father, had indicated the nature of the advantages of territorial division of labour and the limiting cost ratios (in a two-commodity model) between which exchanges advantageous to both parties could take place. But it did not decide at what rate these exchanges would actually take place and therefore the way in which the gains of trade would be divided. Indeed, in the first edition of James Mill’s *Elements* the exposition actually involved a double counting of the gain, only corrected in the third edition after representations by his son and his son’s friend, George Graham. It was doubtless in the course of attempts to fill this gap that there took place those conversations which, as Mill relates in his *Autobiography*,⁴ eventually resulted in the writing of the essay, “Of the Laws of Interchange Between Nations; and the

Distribution of the Gains of Commerce among the Countries of the Commercial World.”

This essay is surely one of the most powerful contributions ever made to the evolution of economic analysis. The idea of demand as a function of price was not, of course, entirely new: it is easy to find perceptions of this relationship in earlier literature. But this was the first case in which it was systematically set forth and made the analytical basis of important propositions. Moreover, there is involved in this essay the first systematic presentation of the classical theory of international trade in all its main implications. Ricardo, with the theory of comparative costs and the theory of the distribution of the precious metals, had provided two of the most basic ingredients. But until the demand element was explicitly introduced, the theory was necessarily incomplete. In this essay Mill not only meets this need, in models involving both barter and money, but he also provides a systematic working out of the corollaries as regards tariffs and the terms of trade, the export of machinery, the problem of two countries competing in a third, and the payment of international tribute. Not all the solutions are comprehensive. But for the first time the general outline of a comprehensive analysis is set forth; and, although there was some elaboration in the *Principles*, we have the authority of Edgeworth for the view that not all this was an improvement.⁵

The second essay, “Of the Influence of Consumption on Production,” is scarcely less remarkable. Classical teaching on this subject had hitherto been represented by Adam Smith’s proposition that “What is annually saved is as regularly consumed as what is annually spent, and nearly in the same time, too,”⁶ or by the even more doctrinaire Law of Markets, as it was thought to be propounded by J. B. Say and certainly was by Mill’s father, which flatly asserted the identity of aggregate supply and aggregate demand and flatly denied the possibility of general over-production—a principle which, as we shall see later, Mill himself, as a young man, was not unwilling to adduce in a dispute about war expenditure.⁷ Mill’s essay begins with an assertion of the broad principle that “What a country wants to make it richer, is never consumption, but production” (I.263). But in searching for “scattered particles of important truth” amid “the ruins of exploded error” he is led to reformulations which in fact amount both to a refutation of Say’s Law as usually applied to a money economy, and to a view of the operations of the speculative motive which affords what is in effect a theory of the trade cycle. “In order to render the argument for the impossibility of an excess of all commodities applicable to the case in which a circulating medium is employed, money must itself be considered as a commodity. It must, undoubtedly, be admitted that there cannot be an excess of all other commodities, and an excess of money at the same time.” He continues: “But those who have . . . affirmed that there was an excess of all commodities, never pretended that money was one of these commodities; they held that there was not an excess, but a deficiency of the circulating medium.” What this amounted to was “that persons in general, at that particular time, from a general expectation of being called upon to meet sudden demands, liked better to possess money than any other commodity. Money, consequently, was in request, and all other commodities were in comparative disrepute. . . . But the result is, that all commodities fall in price, or become unsaleable. When this happens to one single commodity, there is said to be a

superabundance of that commodity; and if that be a proper expression, there would seem to be in the nature of the case no particular impropriety in saying that there is a superabundance of all or most commodities, when all or most of them are in this same predicament.” (I.277.) For some reason or other this remarkable reconstruction of the classical position has seldom received explicit recognition. It can be detected between the lines in the treatment of speculation in the *Principles*, but it is nowhere so overtly developed; and from that day to this, the neat side-tracking of the crudities of Say’s Law has passed very little noticed. Yet, as Messrs. Baumol and Becker remark, in their excellent résumé of the historical treatment of the issues, “In reading it one is led to wonder why so much of the subsequent literature (this paper included) had to be written at all.”⁸

The remaining three essays in this collection are not of the same path-breaking importance, but they have considerable interest nevertheless. The third essay, “On the Words Productive and Unproductive,” is devoted to making clear that the use of these words, in the sense in which they had been employed by the English classical economists—as distinct from the Physiocrats—was to indicate the difference between the production of capital in some form or other, and pure services leaving directly or indirectly no lasting sources of enjoyment behind. Attention to such elucidations should have saved many purely semantic polemics in the literature of the hundred years after they appeared.

The fourth essay, “On Profits and Interest,” consists first of a clarification and amendment of the Ricardian proposition that profits depend upon wages, and then a discussion of the relation between profits and interest, and the influences on the determination of the latter independent of the influence of the former. This part is conspicuous for a very clear exposition of the process of “forced accumulation,” as Mill calls it, through inflationary movements of cash or credit—an exposition which is explicitly stated to be no palliation of the iniquity of the process. “Though A might have spent his property unproductively, B ought not to be permitted to rob him of it because B will expend it on productive labour.” (I.307.)

The subject matter of the last essay in this series is sufficiently indicated by its title, “On the Definition of Political Economy; and on the Method of Investigation Proper to It.” A scrutiny of earlier definitions and successive refinements of tentatives of his own eventually leads Mill to the conclusion that political economy is best defined as “The science which traces the laws of such of the phenomena of society as arise from the combined operations of mankind for the production of wealth in so far as those phenomena are not modified by the pursuit of any other object” (I.323); and what he calls the *a priori* method of reasoning from general assumptions is declared to be the only legitimate method of reaching general conclusions, although these conclusions need continually to be tested by reference to specific experience. These conceptions have sometimes been thought to have been discarded in the writing of the *Principles*. But it is doubtful if this is so. The essay makes it abundantly plain that, for purposes of practical recommendations, the use of the abstract propositions of the science as its author conceived it needed to be supplemented by other knowledge. In the world of reality there are many disturbing circumstances which do not fall within the province of political economy, “and here the mere political economist, he who has studied no

science but Political Economy, if he attempt to apply his science to practice, will fail” (I.331). The scope of the *Principles* was intended to cover not only theory but also applications, as is evident even in its full title, *The Principles of Political Economy with Some of Their Applications to Social Philosophy*, and it is difficult to believe that Mill would have admitted any incompatibility between this objective and his earlier discussion of scope and method. This is not the only time in the history of economic thought that attempts to clarify logical distinctions have been mistaken for prohibitions of catholicity of interest.

There are two other papers, published before the writing of the *Principles*, which are concerned with questions of general theory.

The first is a review of the concluding number of Harriet Martineau’s *Illustrations of Political Economy*, that entitled *The Moral of Many Fables*. Mill did not always speak kindly of this lady—he once referred to her as “a mere tyro”⁹—but here, while making plain its limited pretensions, he treats her little book with a measure of respect. But he brings against it the reproach which by that time (1834) he had begun to feel against the political economy he had inherited from his father and his father’s circle, namely that it took the existing institutional framework as a permanent feature of the human situation. “Thus, for instance, English political economists presuppose, in every one of their speculations, that the produce of industry is shared among three classes, altogether distinct from one another. . . . They revolve in their eternal circle of landlords, capitalists, and labourers, until they seem to think of the distinction of society into those three classes, as if it were one of God’s ordinances, not man’s, and as little under human control as the division of day and night.” (I.225-7.) It is easy to see in these strictures the beginnings of the distinction that plays such a predominant rôle in the *Principles* between the laws of production which were immutable and the laws of distribution which were contingent on human institutions.

The second paper is a review of De Quincey’s *Logic of Political Economy*. This was written very shortly before the commencement of the *Principles* and it can well be believed that, in the writing thereof, some of the stimulus of De Quincey’s lively exposition was still present in his mind. De Quincey’s politics were antipathetic to Mill, who candidly avows that he found it difficult “to reconcile this wretched party invective with the respect we sincerely wish to feel” (I.404). But he takes De Quincey’s discussions of the theory of value very seriously and reproduces at length the charming parable of alternative sales of a musical box in London and on a boat on Lake Superior with which De Quincey attempts to illustrate the respective influence of difficulty of attainment and usefulness.¹⁰ The paper is also noteworthy for a repudiation of the view, expressed by De Quincey and wrongly attributed by many (including no less an authority than Schumpeter) to Ricardo, that supply and demand are irrelevant to the determination of value.

PAPERS ON GENERAL THEORY WRITTEN AFTER 1848

Mill published very little on general economic theory once the *Principles* had appeared; his interest thereafter was focused upon more detailed applications. There are two papers appearing in this period which might legitimately be brought under

this heading, the review of Newman's *Lectures on Political Economy* of 1851 and the review of Thornton's *On Labour and its Claims* of 1869. Each of these, however, has its centre of gravity in another universe of discourse. The review of Thornton will accordingly be dealt with below under the heading of Labour, and that of Newman under Socialism.

III.

MONEY AND BANKING

mill's papers relating to money and banking fall into two clearly marked groups. There is a group dealing with the controversies and events of the twenties and early thirties—the left-overs, so to speak, of the great bullionist debate; and there is a group, dealing with banking policy and the conduct of the Bank of England, which is part of the controversy concerning the expediency and results of the Bank Act of 1844. As we shall see, there is some evidence of continuity of thought between the two groups. But there is sufficient difference in content to make it useful to deal with them separately.

PAPERS OF THE TWENTIES AND EARLY THIRTIES

The first paper of the earlier group is a review of the pamphlet, *Observations on the Effects Produced by the Expenditure of Government during the Restriction of Cash Payments*, by William Blake. At the height of the bullion controversy Blake had published a short treatise in which the main principles of bullionist orthodoxy were forcibly expressed,^{[11](#)} but he had changed his mind, and in the pamphlet under review had urged that the rise of prices during the war and the subsequent fall were all attributable to the increase and diminution of government expenditure. This pamphlet had been the subject of critical comment by Ricardo shortly before his death^{[12](#)} and had been the subject of an exchange of views between the author and McCulloch.^{[13](#)} It was only to be expected that it should be singled out for critical examination in the *Westminster Review*, which in this connection, through its association with James Mill and his circle, stood for the unqualified classical position; and it was in character with this position that the task should have been assigned to John Mill.^{[14](#)}

It is a crude article imbued with the youthful combativeness and occasional arrogance which we have already noticed in the review of Malthus of about the same period. It begins with a denial of general distress after the war—"We neither saw nor heard it, except in the cant of the agriculturists" (I.3)—and relies on Tooke's attempts^{[15](#)} to exhibit the Blakean thesis as wholly mistaken. "No general reasoning could have added to the conviction which everyone must feel, who has perused Mr. Tooke's detail of facts, that Mr. Blake's theory is totally erroneous." (I.21.) The attitude is not sympathetic to this modern reader. Historical scholarship, at the present day, would probably hold that Blake had overstated his case. Moreover, at times his arguments are muddled and do not carry conviction. But to contend that there was nothing in the view that the great variations in government expenditure played some part in the inflationary and deflationary movements of prices is implausible to the modern

outlook; and it must be admitted that there is something slightly repellent about the confidence with which the youthful reviewer asserts this point of view.

Moreover, Mill's own view at this stage cannot be regarded as free from error. He regards it as a fallacy to suppose that "expenditure, as contradistinguished from saving, can by any possibility constitute an additional source of demand"; and he similarly denounces the conception that "capital which being borrowed by government becomes a source of demand in its hands, would not have been equally a source of demand in the hands of those from whom it is taken" (I.13), neither of which views can in fact be taken to be inevitably fallacious. We have seen already that, in the essay "On the Influence of Consumption on Production," Mill was to break the impasse created by the proposition that all that is saved is consumed and in about the same time. It is clear that at the time of this early review he was still in the bondage of this kind of thinking. As a critique of Blake's general position his paper is radically inferior to the section devoted to that subject in Matthias Attwood's *Letter to Lord Archibald Hamilton*.¹⁶

The same spirit of somewhat combative dogmatism inspires the paper, written in 1833, entitled "The Currency Juggle." This is a violent polemic directed chiefly against the position of Thomas Attwood who, in a recent debate with Cobbett, had advocated currency depreciation as a means for lightening the burden of debt and increasing the volume of employment. It is clear from the opening paragraphs of the paper that the object in writing it was to disassociate the radical movement from this propaganda, which it was felt was likely to bring the cause of reform into discredit; and, given the facts that the restoration of a metallic standard had taken place more than twelve years before and that the country was tired of controversy about the currency, it is not difficult to understand this motive. It is not difficult, moreover, to understand the view that Cobbett's desire for an overt scaling down of debt, although in Mill's view a mistaken position, should have been regarded as morally superior to a proposal to bring about the same thing by measures which were likely to rob all existing holders of money, whether or not they were creditors, of some of the value of their holding. What, however, is more difficult to understand is the tone of the argument and the apparent unwillingness to admit any force or quality in the position of the writers attacked. After all, from the point of view of modern analysis, during the period before the restoration of the metallic standard when the economy was being crippled by deflation, the position of the Attwoods seems considerably more defensible than that of the contemporary classical orthodoxy; and although by 1833 the economic situation had changed and the balance of argument was then probably against unorthodox changes, it is difficult to regard all their arguments as being as contemptible as they are made to appear in Mill's attack. At first sight there is lacking the fairness, the willingness to do justice to opposing points of view, characteristic of Mill in his prime. But in fact, where any question of inconvertible paper was concerned, this attitude persisted till the end, as is shown not only by *obiter dicta* in the *Principles*, but also by the preservation of this particular effusion in *Dissertations and Discussions*. Apparently the traumatic experience of inconvertible paper during the Restriction period had left such a deep imprint on the members of the classical school that one and all seem to have been incapable of calm argument rather than of

denunciation in this connection—which was a pity, for it left a gap in the literature not well filled even at the present day.

The last paper in this group is the article on “Paper Currency and Commercial Distress” from the *Parliamentary Review* for the session of 1826. This paper, although somewhat prolix and rambling in form, is probably the most significant of the three, both as regards positive content and as an indication of the lines on which Mill’s future thought was to evolve.

The positive value of the paper consists in its explanation of the course of a speculative boom and its eventual collapse. The vivid account of the origin of such movements in anticipation of shortages of supply, their extension so that the “speculative purchases produce the very effect, in anticipation of which they were made” (I.75), the repercussions of this state of affairs on manufacture, the arrival of increased supplies, and the unloading of swollen stocks—all this is without parallel in the earlier literature; and it is possible to read into it some anticipation of the essay “On the Influence of Consumption on Production” with its masterly invocation of fluctuations in willingness to hold money rather than commodities. Certainly it contains the germs of much of the content of the chapter (III, xii) on the “Influence of Credit on Prices” in the *Principles*.

At the same time, in its criticisms of the government’s decision to prohibit the issue of pound notes and the arguments by which that decision was supported, there are to be discovered, at times in a somewhat extreme form, anticipations of Mill’s subsequent position in the controversy between the so-called Banking and Currency Schools. Thus, for instance, he maintains that until paper money has entirely displaced metal there can be no talk of excess. “So long as there remains a sovereign in the country, there has been no over-issue.” (I.83.) To the suggestion that such displacement takes time and that, in the interval, the total circulation may legitimately be described as excessive, he replies by a virtual denial of the existence of any appreciable lags. And he goes on to argue that if there were no paper circulation capable of depreciation in speculative periods, the same effect would be produced by the multiplication of other forms of credit. “It appears, that in periods of speculation, the addition to the circulating medium and the depreciation of its value, are no greater with a local bank paper than without it.” (I.96.) Finally he denies that the movement of interest rates had been in the least influenced by the increased issue of notes.

Certainly the main positions of the Banking School are all here in embryo. But this brings us to the papers bearing directly on the controversy concerned.

THE CONTROVERSY ABOUT THE PRINCIPLES OF THE BANK ACT OF 1844 AND ITS OPERATION IN PRACTICE

This controversy related specifically to the principles appropriate to the regulation of a convertible paper currency. Both the schools of thought involved repudiated any connection with propaganda for inconvertible paper and insisted on the need for convertibility. But, given this degree of common ground, they differed root and branch concerning the need for regulation beyond this requirement. The Currency

School, led by Overstone, Norman, and Torrens, argued that regulations were necessary in order that the movements of a mixed circulation might be similar to those which would take place if the currency were wholly metallic: to this end they proposed what was embodied in the famous Bank Act of 1844, a separation of the function of issue from the function of banking in the organisation of the Bank of England, and a rule which brought it about that, beyond a fixed fiduciary issue of an amount smaller than the minimum needs of trade, each note outstanding should be covered by an equivalent gold reserve. The Banking School argued that no such regulation was necessary and further that the separation of the departments imposed undesirable limitations on the proper discharge of the functions of the central bank.

Beyond these practical issues there lay deeper divisions of view regarding the working of the monetary mechanism and the objectives of monetary policy.¹⁷

Thus the Banking School regarded the size of the note issue as completely passive to the movement of prices. It did not determine prices; it was determined by them. They contended that it was impossible for bankers to bring about an increased circulation of notes: any attempt to do so was believed to be frustrated by the celebrated principle of reflux. They regarded bank credit as having exactly the same status as convertible notes, not only in relation to prices and incomes but also as part of the total system of circulating media. Their remedy for any menace to the convertibility of the note issue was to increase the central banking reserve. And they argued against the alleged desirability of a system which brought it about that the active circulation was influenced, as the plans of the Currency School held that it should be, by the state of the balance of payments.

Against this, their opponents planted themselves firmly on the norms indicated by the Ricardian theory of the distribution of the precious metals. They urged that the movements of a mixed circulation should be similar to those which would take place were it wholly metallic. They ridiculed the idea that prices were indifferent to the volume of convertible paper. They maintained that the banks could vary the circulation of notes by variations in the terms of lending and contended that, unless the reflux of notes was instantaneous, the fact of a time lag necessarily involved the possibility of temporarily increased issues. They argued that the possibility of variations in the note issue, other than those similar to what would take place if the currency was purely metallic, increased the possibility of adverse variations in bank credit. And they held that the use of a reserve to insulate the circulation from fluctuations which otherwise would be caused by variations in the state of the balance of payments were likely to delay readjustment and increase the danger to convertibility of a prolonged external drain. They denied the accusation that they regarded absolute increases in the note circulation as necessarily the initiating cause of fluctuations in prices and the external balance, contending that the focus of their precautions was on the prevention of *relative* over-issue—a state of affairs as likely to result from changes originating on the side of goods as from those on the side of money.

As happens so often, the verdict of time on this controversy has not been unequivocally in favour of one side or the other. It is clear that the Currency School

erred gravely in regarding control of the note issue as a sufficient control of the volume of credit: there are indications that Torrens at least was beginning to see this by the end of his career.¹⁸ The Banking School had more sense of contemporary reality in this respect. It is also clear that, having regard to the possibility of sudden movements on capital account, there was much weight in their plea for a larger reserve. But on matters of deeper analysis, in my judgment, the balance of merit is reversed. The Banking School were wrong about the passivity of issue and the significance of reflux; and they preached a perilous doctrine in urging that the internal circulation should be insulated from changes in the external position. And although it is easy to pick holes in the rigid prescriptions of the Currency School, focused on the current account and relying too heavily on control of the note issue, it is arguable that their assumption of a connection between the internal and external position, only to be violated at peril of continuing disequilibrium, is one which still has relevance to the problems of the present age.

In this dispute, Mill's general position was that of the Banking School. His connections with Tooke inclined him to a similar mode of approach; and although, as can be seen in "The Currency Question," he was not unaware of the vulnerability of some of Tooke's formulations vis-à-vis Torrens' expert guerilla warfare, he tended to accept the broad implications of his general position. The chapter in the *Principles*, "Of the Regulation of a Convertible Paper Currency" (III, xxiv) makes some concession to the Currency School in regard to the possibility of increasing note issues in times of buoyant speculation and therefore, in regard to the effectiveness of the Act of 1844, in arresting speculative extensions of credit. But in the main it is the pure milk of the Banking School. Thus, apart from the exception just noted, it minimizes throughout the importance of the note issue and its relation to the creation of credit in general. It endorses Fullerton's conception of the central rôle of "hoards" in the settlement of disparities of international indebtedness. And it disputes the desirability of arrangements which seek to make the general movements of the circulation vis-à-vis the outside world approximate to what would be the case were it entirely metallic. It was not by accident that it was singled out for a paragraph by paragraph critical examination in Torrens' major polemic.¹⁹

The three papers here reprinted afford useful insights into the evolution and consolidation of this attitude. The first, entitled "The Currency Question," which appeared in the *Westminster Review* when the controversy relating to Peel's proposals for the renewal of the Bank Charter was at its height, is in effect a defence of Tooke against Torrens. The pamphlet, *An Enquiry into the Currency Principle*, by the respected author of the *History of Prices*, which was a frontal attack on the whole intellectual basis of these proposals, had elicited a reply from Torrens, *An Enquiry into the Practical Working of the Proposed Arrangements for the Renewal of the Charter of the Bank of England*, and Mill's article was an attempt to defend Tooke's position from what was certainly a highly ingenious and resourceful attack. The main purport of the argument is to demonstrate that "it seems not easy to understand how an increased creation of the written evidences of credit called bank notes, can, of itself, create an additional demand or occasion a rise of price. . . . What does the person do who issues them, but take so much from the third element of purchasing power, namely credit, and add it to the first element, money in hand—making no

addition whatever to the total amount?" (I.354.) It protests that the separation of the departments will increase rather than diminish the violence of commercial fluctuations and reaches the conclusion that "the proposed changes in the mode of regulating the currency will be attended with none of the advantages predicted; that, so far as intended to guard against the danger of over-issue, they are precautions against a chimerical evil; that the real evil of commercial vicissitudes, of 'cycles of excitement and depression,' is not touched by them, nor by any regulations which can be adopted for bank notes or other mere instruments of credit; and that in what Mr. Tooke justly calls (next to solvency and convertibility) 'the main difference between one banking system and another,' namely, 'the greater or less liability to abrupt changes in the rate of interest and in the state of commercial credit,' the present arrangements, under the condition of a larger bank reserve, have a decided advantage over the new system" (I.361).

The two remaining papers, "The Bank Acts" (evidence before the Select Committee on the Bank Acts of 1857) and "Currency and Banking" (replies to the questions of the French Enquête sur les principes et les faits généraux qui régissent la circulation monétaire et fiduciaire) come from a date when the Peel Act had been some time in operation; and they exhibit the views and arguments characteristic of the chapter in the *Principles* which had remained and continued to remain substantially unaltered.

"The Bank Acts," which is much the longer and more important of the two, involves much repetition, as might be expected when the witness was cross-examined in turn by different members of the committee. But certain positions stand out. Mill is against the separation of the departments because he thinks it inhibits the flexibility of credit policy. He admits the usefulness of the Act in imposing a curb on the expansion of credit at times of speculative excitement. But he urges that in every other respect it is destabilizing. The right way to safeguard convertibility, he urges, is not the separation of the departments but, as Tooke had urged, the keeping of a larger reserve. As for the claim that the movements of a mixed system should conform to the movements which would take place if the currency were wholly metallic, he repudiates it: "no currency can be good of which the permanent average value does not conform to the permanent average value of a metallic currency; but I do not admit the inference that in order to enable it to do this, its fluctuations in value must conform to the fluctuations in the value of a metallic currency; because it appears to me, that fluctuations in value are liable to occur from anything that affects credit; and I think that a metallic currency is liable to more severe revulsions of credit, than a mixed currency, such as ours was before the Act of 1844; and therefore, that a paper currency of the permanent value of a metallic currency, and convertible, but without any other restriction, is liable to less fluctuation than we now have under the Act of 1844" (II.544). And, developing this point, he argues that the advantage of the absence of restriction is that the Bank "will not be obliged to contract credit in cases in which there had been no previous undue expansion of it" (II.544).²⁰

The replies to the questions of the Enquête add very little to all this. They are, however, notable for a particularly forceful statement of the case where, an external drain having been caused by excessive speculation, the authorities of the central bank are under an obligation to contract their issues to prevent a cumulative breakdown.

“L’écoulement ainsi produit n’a pas de limite naturelle, et n’a aucune raison de s’arrêter avant la cessation des causes qui l’ont amené. Il ne cesse et ne peut cesser que lorsque les hauts prix qui lui ont donné lieu ont pris fin par un mouvement de baisse, c’est-à-dire lorsque la spéculation a cédé à une réaction. En ce cas, l’écoulement du numéraire est le remède naturel et indispensable de la maladie, et parvinton à le retarder, on ne réussirait qu’à prolonger le mal et à aggraver la crise finale. Si, en ce cas, la Banque s’abstenait d’agir pour défendre son encaisse, si elle continuait d’escompter aussi largement qu’auparavant, en laissant s’écouler sa réserve métallique, les spéculateurs, trouvant à emprunter au cours ordinaire, ne seraient pas réduits à vendre: ils pourraient prolonger pendant quelque temps encore leur lutte contre les lois naturelles; les prix surhaussés ne baisseraient pas, et partant l’écoulement suivrait son cours jusqu’à ce que la réserve même la mieux fournie y eût passé tout entière. A l’approche de cette catastrophe, la Banque, pour ne pas faire faillite, serait dans la nécessité de produire d’un seul coup la réaction qu’elle aurait dû préparer graduellement. Une diminution des escomptes et une élévation du taux de l’intérêt, qui eussent suffi pour arrêter la spéculation dans les commencements de la sortie des métaux précieux, ne suffiraient plus: il faudrait une action non-seulement plus brusque, mais plus excessive et plus violente. De là, écoulement général du crédit, la panique et la peine, qui est loin de frapper seulement les spéculateurs dont l’imprudence a amené le mal.” (II.604.)

All of which would have delighted the hearts of Colonel Torrens and the others of his persuasion. But they would have added that there were other cases when to allow an external drain to continue without affecting the internal circulation might lead to equivalent dangers. And if we have regard to the possibility of adverse turns in the terms of trade and to the Ricardian Theory of the distribution of the precious metals, it is not at all certain that they would not have been right.

IV.

PUBLIC FINANCE

the papers on public finance in this collection fall into two entirely distinct groups: a group written in the twenties attacking various aspects of the protective duties of the day, and a group chiefly consisting of evidence on income and property taxation tendered to government committees in the years after the publication of the *Principles*.

PROTECTIVE DUTIES

The two principal papers in the first group are both concerned with the Corn Laws and may be regarded as a repository of the classical doctrine on these duties. The first, taking for granted the interest of the community as a whole in cheap imports, makes great use of standard Ricardian analysis to isolate the interests of the landlords in this respect from those of all other classes. It might be thought that protection to agriculture benefited the farmers. But, in so far as the farmer is a capitalist, in the long run he suffers with the rest, other than the landlords: a high price of corn means

higher wages to cover the higher costs of subsistence, and this in turn leads to a lower rate of profit. Moreover, a lower rate of profit, it is noted, means a lower rate of accumulation; and “it is on the accumulation of capital that the advancement of the national wealth is *wholly* dependant” (I.50; italics added). It is therefore only the landlords who gain from this kind of protection, and the high rents they receive are not merely a transfer from other classes. In order that they may receive this kind of benefit, the community has to suffer the losses due to using resources to produce high-cost corn rather than importing it from lower-cost areas abroad. It would clearly be better to impose direct taxes to provide the subsidy to the landlords.

The second paper, written three years later apropos of the New Corn Law with its sliding scales, continues the attack. The first article had elaborated the proposition that the existing duties aggravated price fluctuations. This one argues that the sliding scales which were intended to deal with this evil will not do so, and that “the benefit intended to be conferred upon our own consumers by the gradually decreasing scale of duties from 12s. downwards, will be reaped principally, if not wholly, by foreigners” (I.146). It goes on to develop a frontal attack on the whole position that there is something especially sacrosanct about agriculture. “Before we offer up our substance to an allegorical idol, let us hear what title it has to our worship. What is this ‘agriculture,’ of which you speak? When you say that no country was ever prosperous without agriculture, do you mean, that no country was ever prosperous without procuring food? If this be all, the truth of the proposition is not very likely to be disputed. But if you mean that no country was ever prosperous unless it procured food by digging and ploughing, instead of procuring it by spinning and weaving, your assertion is altogether destitute of truth: since the Dutch republic, which procured the greater part of its food without digging or ploughing was one of the most prosperous communities which the world ever saw.” (I.149-50.)

He then asks: “when you speak of the necessity of protecting agriculture, do you mean the necessity of protecting the mere turning up of the ground? or the necessity of protecting the procuring of food for the people? If you mean the first, show us, if you can, any reason for desiring to procure food by turning up the ground, when we can procure more with the same quantity of labour in any other way. But if, by protection to agriculture, you mean protection to procuring food, there is no dispute about that. We are as desirous as you are, to afford protection to the procuring of food; provided always, that the procuring of food needs protection. But what is this contrivance of yours for protecting it? Simply this: to force the people to obtain ten bushels of corn by turning up the ground, when with the same degree of labour they might obtain twelve by growing it in their looms and in their cotton mills. If this be *protection* (which it is not, but *privilege*) it is protection only to the owners of the ground. A prohibition of gas-lights might be called, without any great impropriety, protection to the oil-companies; but would the oil-companies be permitted to term it protection for lighting? Yes; if lighting be protected by being rendered more expensive and more difficult. No, if this be, as it evidently is, the very reverse of protection. If agriculture means only turning up the ground, it deserves no protection. Turning up the ground is not a *bonum per se*. If it means procuring food, it is protected by excluding cheap corn, precisely in the same manner as the lighting of the streets of London would be protected by imposing a heavy duty upon gas.” (I.150.)²¹

The remaining papers in this group, the article on “The Silk Trade” and the “Petition on Free Trade,” have not the same intellectual interest. The “Petition” exemplifies Mill’s capacity for lucid and forceful draftsmanship; the disquisition on the silk duties, his capacity for bringing general principles to bear on the argument of particular instances. The only addition to the general position developed in the papers on the Corn Laws is the argument in the paper on the silk trade that “the high rate of wages occasioned by our corn laws, though highly prejudicial to all classes of capitalists, by lowering the general rate of profit, is not more prejudicial to those who are exposed to foreign competition than to those who are not; and that nothing, therefore, can be more utterly unwarranted than the claim of the silk manufacturers to peculiar protection on account of it” (I.135).

INCOME AND PROPERTY TAXATION

The bulk of the material in this collection which relates to income and property taxation is in the form of evidence before the two parliamentary committees of 1852 and 1861—the review of Baer of 1873, although valuable as evidence of Mill’s continued capacity to consider new ideas, is not of great significance. This material is intensely interesting as providing a spectacle of Mill under cross-examination by some of the acutest intellects of the day, from Gladstone downwards. But it is extremely unsystematic. The questions and answers pass from one aspect of the subject to another as the interrogation is passed round the members of the committees; and these in turn choose their own order and focus of attention. To realize the significance of what is going on it is necessary, with the aid of the relevant chapters of the *Principles*, to have a more systematic picture of Mill’s main positions on this group of subjects.²²

There are three outstanding features of Mill’s attitude to the problems of the taxation of incomes and property. First, he opposed the graduation of taxes on incomes. Secondly, he favoured the exemption of savings. Thirdly, he favoured stringent limitations on inheritance and steep graduation of death duties.

Mill’s opposition to the graduation of the income tax was based both on grounds of equity and incentive. He was in favour of exemption at the lower end of the scale—which, of course, arithmetically involved a certain degree of graduation since the lump sum exempted must be a diminishing proportion of the actual income taxed. But beyond “the amount . . . needful for life, health, and immunity from bodily pain,”²³ he saw no equitable reason for differentiation. The doctrine that £100 from £1,000 was a heavier (proportionate) impost than £1,000 from £10,000 seemed to him “too disputable altogether, and even if true at all, not true to a sufficient extent, to be made the foundation of any rule of taxation.” But beside that, he argued that to “tax the larger incomes at a higher percentage than the smaller, is to lay a tax on industry and economy; to impose a penalty on people for having worked harder and saved more than their neighbours.”²⁴

This did not mean that he opposed *any* differentiation of tax rates. As will be seen from his evidence before the two government committees, he devoted much thought and energy to the search for a just differentiation between “earned” and “unearned”

incomes. And this search led him to the conclusion which is the second of the salient features of his principles of taxation, that a just income tax would exempt all savings. He argued this on the ground that what distinguishes the recipients of temporary incomes from those who enjoy incomes in perpetuity is the necessity governing the planning of the former, of saving to provide for themselves and their families when their temporary incomes cease. But he also argued it on the general ground which, despite the opposition of the protagonists of “common sense,” has been argued since by so many high authorities, from Irving Fisher downwards, that the taxation of savings in fact hits income twice. That a non-graduated income tax which exempted savings would be in effect a proportional tax on expenditure did not worry him in the least, since his conception of justice in the taxation of income was exactly that.²⁵

But while considerations both of equity and incentive led Mill to oppose graduation where the direct results of work and saving were concerned, they led him in just the opposite direction when it was a matter of property passing at death. He believed in freedom of bequest. But he did not believe in freedom of inheritance. He believed with Bentham that, if anything was to be done to diminish inequality, the moment of death was the appropriate time. And in this connection he went further than any of his predecessors, and most of his successors, in this field. He was in favour of setting an absolute upper limit on the amount which might be received by inheritance or gift. But failing this, he regarded progressive duties as highly appropriate. “The principle of graduation (as it is called,) that is, of levying a larger percentage on a larger sum, though its application to general taxation would be in my opinion objectionable, seems to me both just and expedient as applied to legacy and inheritance duties.”²⁶

It is the appearance of these principles and their defence under cross-examination which lend continuing interest and importance to these records of Mill’s evidence.

V.

LABOUR

we now come to papers in which, in contrast to his more technical preoccupations in the items already discussed, Mill is concerned with economic organization and its evolution in the light of general social philosophy. The first group of these is concerned with labour and its future.

Mill’s fundamental attitude on this problem is enshrined in the famous chapter “On the Probable Futurity of the Labouring Classes” in the *Principles* (IV, vii). This chapter, according to his account²⁷, owed much to the influence of Mrs. Taylor, who eventually became his wife. But whatever the inspiration it must always be regarded as one of the most authoritative statements of his general social philosophy and his hopes and fears for the future. The opening sections, with their fine contrast between what he calls the theory of dependence and protection and the theory of self-dependence,²⁸ are indeed among the most outstanding pronouncements on the fundamental principles of classical liberalism; and the fact that in the present age we seem to have chosen as a basis of social policy the former principle rather than the

latter does not render them any less relevant. But the two essays here reprinted and to be discussed under this heading throw much useful supplementary light on the thought underlying the chapter.

The germs of such thought are very clearly to be discerned in the article, from the *Edinburgh Review* of 1845, on the then-fashionable handbook of benevolent paternalism, Arthur Helps' *The Claims of Labour*. The intentions of this article are well stated in an extract from a letter from Mill to Macvey Napier which is reprinted with the editorial note prefatory to the present reproduction. However well intentioned, the tendency of works such as Helps' book, Mill argues, is "to rivet firmly in the minds of the labouring people the persuasion that it is the business of others to take care of their condition, without any self control on their own part," and he goes on to maintain that it is "very necessary to make a stand against this sort of spirit while it is at the same time highly necessary . . . to shew sympathy in all that is good of the new tendencies, & to avoid the hard, abstract mode of treating such questions which has brought discredit upon political economists & has enabled those who are in the wrong to claim, & generally to receive, exclusive credit for high & benevolent feeling" (I.364).

The article certainly fulfils these intentions. After a preliminary survey of the influences from Malthus to Carlyle and the revelations of the great commissions which had led to increased interest in the "condition of the people question," he plunges into a statement of the paternalist theory which he was proposing to criticize. "Their theory appears to be, in few words, this—that it is the proper function of the possessors of wealth, and especially of the employers of labour and the owners of land, to take care that the labouring people are well off:—that they ought always to pay good wages;—that they ought to withdraw their custom, their patronage, and any other desirable thing at their disposal, from all employers who will not do the like;—that, at these good wages, they ought to give employment to as great a number of persons as they can afford; and to make them work for no greater number of hours in the twenty-four, than is compatible with comfort, and with leisure for recreation and improvement. That if they have land or houses to be let to tenants, they should require and accept no higher rents than can be paid with comfort; and should be ready to build, at such rents as can be conveniently paid, warm, airy, healthy and spacious cottages, for any number of young couples who may ask for them." He contends that it "is allowable to take this picture as a true likeness of the 'new moral world' which the present philanthropic movement aims at calling into existence" (I.372-3).

Now, if things are to be run this way, he asks, are we prepared to accept the inevitable accompaniments? The states of society which have assumed such duties on the part of the wealthy have been states in which the condition of the poor has been one of virtual unfreedom. Paternal care implies paternal authority. "The higher and middle classes might and ought to be willing to submit to a very considerable sacrifice of their own means, for improving the condition of the existing generation of labourers, if by this they could hope to provide similar advantages for the generation to come. But why should they be called upon to make these sacrifices, merely that the country may contain a greater number of people, in as great poverty and as great liability to destitution as now? If whoever has too little, is to come to them to make it more, there

is no alternative but restrictions on marriage, combined with such severe penalties on illegitimate births, as it would hardly be possible to enforce under a social system in which all grown persons are, nominally at least, their own masters. Without these provisions, the millennium promised would, in little more than a generation, sink the people of any country in Europe to one level of poverty. If, then, it is intended that the law, or the persons of property, should assume a control over the multiplication of the people, tell us so plainly, and inform us how you propose to do it.” (I.375.)

The fact is, he contends, that until there is proper restraint upon numbers, there can be no hope of permanent relief of poverty. “And how is this change to be effected, while we continue inculcating” upon the working classes “that their wages are to be regulated for them, and that to keep wages high is other people’s business and not theirs? All classes are ready enough, without prompting, to believe that whatever ails them is not their fault, but the crime of somebody else; and that they are granting an indemnity to the crime if they attempt to get rid of the evil by any effort or sacrifice of their own. The National Assembly of France has been much blamed for talking in a rhetorical style about the rights of man, and neglecting to say anything about the duties. The same error is now in the course of being repeated with respect to the rights of poverty. It would surely be no derogation from any one’s philanthropy to consider, that it is one thing to tell the rich that they ought to take care of the poor, and another thing to tell the poor that the rich ought to take care of them; and that it is rather idle in these days to suppose that a thing will not be overheard by the poor, because it is not designed for their ears. It is most true that the rich have much to answer for in their conduct to the poor. But in the matter of their poverty, there is no way in which the rich *could* have helped them, but by inducing them to help themselves; and if, while we stimulate the rich to repair this omission, we do all that depends on us to inculcate upon the poor that they need not attend to the lesson, we must be little aware of the sort of feelings and doctrines with which the minds of the poor are already filled. If we go on in this course, we may succeed in bursting society asunder by a Socialist revolution; but the poor, and their poverty, we shall leave worse than we found them.” (I.375-6.)

The remainder of the article is devoted to the author’s own proposals for improvement of the condition of the people. It expatiates on the need for education, both at school and beyond, and, with a footnote reference to the experiments of M. Leclaire which figure so largely in the pivotal chapter in the *Principles*, it hints at Mill’s own solution, “raising the labourer from a receiver of hire—a mere bought instrument in the work of production, having no residuary interest in the work itself—to the position of being, in some sort, a partner in it” (I.382).

It is arguable that the very uncompromising nature of parts of this article is different in tone and temper from what it would have been if written after the movement towards some sort of socialism which took place in Mill’s thinking after the events of 1848. But on the essential core of the argument against paternalism, there is no reason to believe that Mill’s position altered greatly, and it is a very significant circumstance that he should have still thought it worthy of preservation and republication when in 1859 he came to collect his papers in *Dissertations and Discussions*.

The second paper here reprinted, the article on Mill's friend Thornton's book *On Labour*, is of much greater historical significance, for it contains both the celebrated retraction regarding the wages fund and Mill's most mature reflections on the ethics and economics of collective bargaining and trade unionism.

The retraction of belief in the existence of a determinate wages fund caused some sensation at the time of its appearance, and indeed it may be held to be one of the influences bringing about the end of the ascendancy of classical theory in Great Britain. The treatment of wages in the *Principles* had followed classical tradition in this respect. In the long run, wages depended on the tendencies of population increase; in the short run, given the labour force, they depended upon a fund of determinate size destined for the employment of labour. Now, confronted with Thornton's argument that if individual employers' demand for labour was not thus inelastic, the aggregate demand could not be inelastic either, Mill abandoned this position, saying: "The doctrine hitherto taught by all or most economists (including myself), which denied it to be possible that trade combinations can raise wages, or which limited their operation in that respect to the somewhat earlier attainment of a rise which the competition of the market would have produced without them,—this doctrine is deprived of its scientific foundation, and must be thrown aside." Thornton's critique had destroyed "a prevailing and somewhat mischievous error. It has made it necessary for us to contemplate, not as an impossibility but as a possibility, that employers, by taking advantage of the inability of labourers to hold out, may keep wages lower than there is any natural necessity for; and *è converso*, that if work-people can by combination be enabled to hold out so long as to cause an inconvenience to the employers greater than that of a rise of wages, a rise may be obtained which, but for the combination, not only would not have happened so soon, but possibly might not have happened at all. The power of Trades' Unions may therefore be so exercised as to obtain for the labouring classes collectively, both a larger share and a larger positive amount of the produce of labour; increasing, therefore, one of the two factors on which the remuneration of the individual labourer depends. The other and still more important factor, the number of sharers, remains unaffected by any of the considerations now adduced." (II.646.)

It is clear that the practical implications of this admission fully justified the sensation which it caused. Its intellectual status, however, in the history of economic analysis, is not so impressive. Thornton's critique had been preceded by a general attack on current formulations of the laws of supply and demand; and in dealing with this, Mill had shown masterly insight and analytical ability. But when he comes to the matter of the wages fund, it is as though the realization that his earlier formulations had been wrong deprived him of his habitual critical insight and compelled merely a bold admission of error. As Taussig has well shown, the analysis at this point becomes faltering and jejune.²⁹ Of course, it was right to admit that the money demand for labour at any moment was much less determinate than the rigid formulations of the wages fund theory had assumed. But it was not helpful to speak as if all that had been said of the dependence of real wages on the real accumulations of the past lost all relevance in the light of Thornton's strictures; and it is arguable that from the theoretical, as distinct from the practical point of view, the retraction brought as much confusion as clarification. It is not without significance that in the seventh

edition of the *Principles*, the last to appear in his lifetime, Mill made little alteration of what he had said before. A sentence on the power of combinations to raise wages, which earlier had predicted that unemployment would follow any attempt to raise the rate of wages above that which “distributes the whole circulating capital of the country among the entire working population,” was rewritten in terms of the narrow limits “of obtaining . . . an increase . . . at the expense of profits.”³⁰ And in the Preface there is a reference to recent “instructive discussion” between himself and Thornton, the results of which, “in the author’s opinion, are not yet ripe for incorporation in a general treatise on Political Economy.”³¹

After the drama of the retraction, the second part of the paper, with its reflections on the ethics and economics of collective bargaining and trade unionism, comes as something of an anti-climax. But it is valuable, nevertheless, as affording a more extended treatment than elsewhere of the difficult questions with which it deals. The opening sections, with their illuminating contrast between the *a priori* and the utilitarian approaches to the problems of productive organization and distributive justice, are as good as anything Mill ever wrote on this matter. And the statement of his attitude to the various problems presented by the activities of combinations of labourers is more thorough and systematic than the treatment of these matters in the *Principles*. There are no conspicuous departures from the views expressed in that treatise, but there is much more elaboration; and the total effect is a complex one. Mill is desperately anxious to be fair; and because he felt that the unions of that time performed valuable functions in raising the self-respect of their members and providing (perhaps) organizations which might eventually transcend the status of mere sellers of hired labour in the form of self-governing associations of co-operative producers—“a transformation” which “would be the true euthanasia of Trades’ Unionism” (II.666)—he was prepared to find excuses for practices which one would expect him to condemn. Practices restrictive of output are indeed roundly denounced. But in contrast, practices which raise wages in some sectors at the expense of the general body of workers receive a qualified extenuation: “all such limitation inflicts distinct evil upon those whom it excludes—upon that great mass of labouring population which is outside the Unions; an evil not trifling, for if the system were rigorously enforced it would prevent unskilled labourers or their children from ever rising to the condition of skilled” (II.662). But it is urged that there are “two considerations, either of which, in the mind of an upright and public spirited working man, may fairly legitimate his adhesion to Unionism.” The first is the educational and evolutionary value of unionism; the second, “a less elevated, but not fallacious point of view,” namely the Malthusian, is that the unions at least preserve something which would otherwise be swallowed up by the indiscriminate increase of the unreflecting: “As long as their minds remain in their present state, our preventing them from competing with us for employment does them no real injury; it only saves ourselves from being brought down to their level” (II.664).

Similarly, while violence, defamation of character, injury to property, or threats of any of these evils in the course of trade disputes is condemned, there is a defence of the social compulsions exercised to induce workers to form a union or take part in a strike. “As soon as it is acknowledged that there are lawful, and even useful, purposes to be fulfilled by Trades’ Unions, it must be admitted that the members of Unions

may reasonably feel a genuine moral disapprobation of those who profit by the higher wages or other advantages that the Unions procure for non-Unionists as well as for their own members, but refuse to take their share of the payments, and submit to the restrictions, by which those advantages are obtained. It is vain to say that if a strike is really for the good of the workmen, the whole body will join in it from a mere sense of the common interest. There is always a considerable number who will hope to share the benefit without submitting to the sacrifices; and to say that these are not to have brought before them, in an impressive manner, what their fellow-workmen think of their conduct, is equivalent to saying that social pressure ought not to be put upon any one to consider the interests of others as well as his own. All that legislation is concerned with is, that the pressure shall stop at the expression of feeling, and the withholding of such good offices as may properly depend upon feeling, and shall not extend to an infringement, or a threat of infringement, of any of the rights which the law guarantees to all—security of person and property against violation, and of reputation against calumny.” (II.659-60.) All of which, in the twentieth century, sounds rather naive from the author of *On Liberty* who foresaw so many inimical trends. But it is a revealing picture of the frame of mind of men of goodwill in the sixties and seventies, when defence of combinations of workers seemed to be defence of one of the better hopes of humanity; and it does not in the least settle the question of what Mill’s attitude would have been to more recent manifestations of what such combinations can do when given special privileges by the law.

VI.

PROPERTY AND ITS SOCIAL CONTROL

next comes a group of papers which, in one way or another, spring from Mill’s interest in various aspects of the institutions of property and their susceptibility to social control. This is a sphere in which his thought was avowedly tentative and experimental. He believed firmly that throughout the greater part of civilized history private property in various forms had served positive functions, functions which must be performed somehow if there is to be order and progress—the preservation of peace, the safeguarding of the fruits of accumulation, the reward of enterprise and initiative. But he did not believe that these institutions were immutable. They depended on opinion and volition and were capable of variety and development. They were also perhaps capable of being superseded by other arrangements, if these arrangements were such as to secure the same fundamental desiderata. The distinction, to which he attached such importance, between the laws of production which partook “of the character of physical truths”³² and the laws of distribution which were of human origin, was fundamental to his thinking here; and as is well known—and as we shall be discussing further in the next section—he was not unwilling to contemplate the eventual emergence of certain forms of collectivist ownership and control. But within the sphere of existing institutions, he believed in development and improvement. “The principle of private property,” he argued, “has never yet had a fair trial in any country; and less so, perhaps, in this country than in some others. The social arrangements of modern Europe commenced from a distribution of property which was the result, not of just partition, or acquisition by

industry, but of conquest and violence: and notwithstanding what industry has been doing for many centuries to modify the work of force, the system still retains many and large traces of its origin. The laws of property have never yet conformed to the principles on which the justification of private property rests. They have made property of things which never ought to be property, and absolute property where only a qualified property ought to exist. They have not held the balance fairly between human beings, but have heaped impediments upon some, to give advantage to others; they have purposely fostered inequalities, and prevented all from starting fair in the race. That all should indeed start on perfectly equal terms, is inconsistent with any law of private property: but if as much pains as has been taken to aggravate the inequality of chances arising from the natural working of the principle, had been taken to temper that inequality by every means not subversive of the principle itself; if the tendency of legislation had been to favour the diffusion, instead of the concentration of wealth—to encourage the subdivision of the large masses, instead of striving to keep them together; the principle of individual property would have been found to have no necessary connexion with the physical and social evils which almost all Socialist writers assume to be inseparable from it.”³³

We have seen already, in the discussion of Mill’s attitude to problems of taxation, his willingness to alter existing arrangements in regard to the law of inheritance. The papers discussed in the present section illustrate further in various ways this essentially empirical approach to the possible evolution of various aspects of the institution of property.

The minutes of evidence here entitled “The Savings of the Middle and Working Classes” together with the short note on “The Law of Partnership” are a product of Mill’s lively interest in the reform of the law so as to permit industrial investment and association without commitment to unlimited liability of the property of the persons concerned. It was his belief that reform of this sort would serve the double purpose of making available for development a larger volume of saving, and at the same time facilitating, on a much larger scale than that then prevailing, the active participation of the working classes in the organization of industry. This involved changes both in the law relating to partnership and the law relating to joint-stock companies, and to both these movements Mill lent the weight of his support. In the papers here reprinted the main burden of his argument is directed to the law of partnership, in respect of which he contended that the prohibitions of associations *en commandite*, as in the French law, had as little justification as the ancient laws against usury. On the larger question of the desirability of limited liability for investors in joint-stock companies, he expresses here some slight reserve on the ground that the privilege involved, if granted, should be extended to all individuals. But we know from his discussion of this question in the *Principles* that he was indeed thoroughly in favour of it. Indeed, his statement of the justification of such arrangements may well be regarded as the classic formulation of the principle. “If a number of persons choose to associate for carrying on any operation of commerce or industry, agreeing among themselves and announcing to those with whom they deal that the members of the association do not undertake to be responsible beyond the amount of the subscribed capital; is there any reason that the law should raise objections to this proceeding, and should impose on them the unlimited responsibility which they disclaim? For whose sake? Not for that

of the partners themselves; for it is they whom the limitation of responsibility benefits and protects. It must therefore be for the sake of third parties; namely, those who may have transactions with the association, and to whom it may run in debt beyond what the subscribed capital suffices to pay. But nobody is obliged to deal with the association: still less is any one obliged to give it unlimited credit. The class of persons with whom such associations have dealings are in general perfectly capable of taking care of themselves, and there seems no reason that the law should be more careful of their interests than they will themselves be; provided no false representation is held out, and they are aware from the first what they have to trust to." When the law has "afforded to individuals all practicable means of knowing the circumstances which ought to enter into their prudential calculations in dealing with the company, there seems no more need for interfering with individual judgment in this sort of transactions, than in any other part of the private business of life."³⁴

The next set of papers falling within this group are "Leslie on the Land Question" and the manifesto on "Land Tenure Reform." It is well known from famous passages in the *Principles* that Mill regarded property in land as needing a justification different in kind from the justification of other forms of property. "The essential principle of property being to assure to all persons what they have produced by their labour and accumulated by their abstinence, this principle cannot apply to what is not the produce of labour, the raw material of the earth."³⁵ This is not to say that he was hostile to all forms of private land ownership; on the contrary, he attached great, probably exaggerated, value, for instance, to peasant proprietorship. But it does mean that he regarded land, or what Ricardo would have called the original powers of the soil (including position), as having a special significance in economic analysis and a special position in social philosophy: "with property in moveables, and in all things the product of labour . . . the owner's power both of use and of exclusion should be absolute, except where positive evil to others would result from it: but in the case of land, no exclusive right should be permitted in any individual, which cannot be shown to be productive of positive good."³⁶ Thus he favoured in certain instances the break-up (with proper compensation) of large estates and their redivision among small proprietors. He favoured special provisions in the law safeguarding the position of tenants. He was fiercely against exclusive rights of access to scenic areas. And he supported special kinds of taxation designed to take from landowners the element of unearned increment in the value of their holdings. "They grow richer, as it were in their sleep, without working, risking, or economizing," he said. "What claim have they, on the general principle of social justice, to this accession of riches?"³⁷

The two papers reprinted in this collection, although by no means exhausting Mill's contribution to this subject, for which it is necessary also to go to the *Principles* and to the speeches, provide a very fair indication of this general attitude. The review of Cliffe Leslie's *Land Systems* is devoted largely to illustrations of the principle that the "maxims of free trade, free contract, the exclusive power of everyone over his own property, and so forth" are not applicable, or not applicable without serious limitations, to the control of landed wealth. As Professor R. D. C. Black has shown in his notable study, *Economic Thought and the Irish Question*,³⁸ Mill had a much better record than other economists of the day in correct insight into the nature of the

economic problems of Ireland, and this paper is perhaps especially valuable as a concise statement of his attitude in this respect.

The second paper, the *Explanatory Statement of the Programme of the Land Tenure Reform Association*—the title used on its initial publication—is valuable as an explicit statement of the actual reforms in the law relating to property in land which Mill's general views on the subject led him to support. Its content is best summarized by the reproduction of the ten points of the programme on which Mill's paper is a running commentary:

I. To remove all Legal and Fiscal Impediments to the Transfer of Land.

II. To secure the abolition of the Law of Primogeniture.

III. To restrict within the narrowest limits the power of Tying up Land.

IV. To claim, for the benefit of the State, the Interception by Taxation of the Future Unearned Increase of the Rent of Land (so far as the same can be ascertained), or a great part of that increase, which is continually taking place, without any effort or outlay by the proprietors, merely through the growth of population and wealth; reserving to owners the option of relinquishing their property to the State at the market value which it may have acquired at the time when this principle may be adopted by the Legislature.

V. To promote a policy of Encouragement to Co-operative Agriculture, through the purchase by the State, from time to time, of Estates which are in the market, and the Letting of them, under proper regulations, to such Co-operative Associations, as afford sufficient evidence of spontaneity and promise of efficiency.

VI. To promote the Acquisition of Land in a similar manner, to be let to Small Cultivators, on conditions, which, while providing for the proper cultivation of the land, shall secure to the cultivator a durable interest in it.

VII. Lands belonging to the Crown, or to Public Bodies, or Charitable and other Endowments, to be made available for the same purposes, as suitable conditions arise, as well as for the Improvement of the Dwellings of the Working Classes; and no such lands to be suffered (unless in pursuance of the above mentioned ends, or for peculiar and exceptional reasons) to pass into Private hands.

VIII. All Lands now Waste, or requiring an Act of Parliament to authorize their inclosure, to be retained for National Uses: Compensation being made for Manorial rights and rights of Common.

IX. That while it is expedient to bring a large portion of the present Waste Lands under Cultivation for the purposes and on the principles laid down in the preceding articles, it is desirable that the less fertile portions, especially those which are within reach of populous districts, should be retained in a state of wild natural beauty, for the general enjoyment of the community, and encouragement in all classes of healthful

rural tastes, and of the higher order of pleasures; also, in order to leave to future generations the decision of their ultimate uses.

X. To obtain for the State the power to take possession (with a view to their preservation) of all Natural Objects, or Artificial Constructions attached to the soil, which are of historical, scientific, or artistic interest, together with so much of the surrounding land as may be thought necessary; the owners being compensated for the value of the land so taken.

The two papers next to be considered, that on "Corporation and Church Property" and that on "Endowments," are concerned not only with the question of the right of the state to modify the conditions of foundations and endowments but also with the question of the support and control of higher education. Separate in the time of their writing by more than thirty-five years, the emphasis of the argument differs; but the essential content remains the same.

"Corporation and Church Property" is chiefly concerned to show that "there is no moral hindrance or bar to the interference of the Legislature with endowments, though it should even extend to a total change in their purposes" and then to inquire "in what spirit, and with what reservations, it is incumbent on a virtuous Legislature to exercise this power" (I.195). As a utilitarian, believing that, in the end, only consideration of the happiness of individuals should influence moral judgment, Mill is clear that it is intolerable that the wishes of dead men should be allowed to bind the dispositions of resources for more than a limited period after their death. If circumstances change, rendering their instructions no longer appropriate, then it is in the general interest that the legislature should intervene and impose new conditions. If there is proper compensation to the expectations of any persons enjoying benefits under the original dispensation, then it cannot be argued that anyone is injured by such intervention; the corporation as such has no grievance. If the law assumes "that a man cannot know what partition of his property among his descendants, thirty years hence, will be for the interest of the descendants themselves," it cannot be assumed that "he may know (though he have scarcely learnt the alphabet) how children may be best educated five hundred years hence; how the necessities of the poor may then be best provided for; what branches of learning, or of what is called learning, it will be most important to cultivate, and by what body of men it will be desirable that the people should be taught religion, to the end of time" (I.199).

This, however, does not mean that endowments and foundations are in themselves undesirable. Much as he admired him, Mill was not in agreement with Turgot, who had taken this view. On the contrary, he urged that they had functions to fulfil particularly in regard to education, in respect of which their existence was a positive good. It was indeed the duty of governments to provide funds for such purposes. But it "is impossible to be assured that the people will be willing to be taxed for every purpose of moral and intellectual improvement for which funds may be required." If, however, there were "a fund specially set apart, which had never come from the people's pockets at all, which was given them in trust for the purpose of education, and which it was considered improper to divert to any other employment while it could be usefully devoted to that; the people would probably be always willing to

have it applied to that purpose. There is such a fund, and it consists of the national endowments.” (I.216.) While, therefore, it is incumbent on the state to interfere with the conditions of endowments when these have ceased to serve a useful purpose, it is desirable that the interference should involve, not appropriation of the funds for the general purposes of public expenditure, but rather a better discharge of the useful functions originally intended.

Mill returns to this theme in the second paper and develops at greater lengths the argument for the existence of decentralized initiative in regard to education and research. A certain Mr. Fitch, an authority on the abuses of endowments, had made statements which almost implied the abolition of centres of this sort—“a doctrine breathing the very spirit, and expressed in almost the words, of the apologies made in the overcentralised governments of the Continent for not permitting any one to perform the smallest act connected with public interests without the leave of the Government” (II.616). But the “truth needs reasserting, and needs it every day more and more, that what the improvement of mankind and of all their works most imperatively demands is variety, not uniformity” (II.617). “Because an endowment is a public nuisance when there is nobody to prevent its funds from being jobbed away for the gain of irresponsible administrators; because it may become worse than useless if irrevocably tied up to a destination fixed by somebody who died five hundred years ago; we ought not on that account to forget that endowments protected against malversation, and secured to their original purpose for no more than two or three generations, would be a precious safeguard for uncustomary modes of thought and practice, against the repression, sometimes amounting to suppression, to which they are even more exposed as society in other respects grows more civilised.” (II.621.)

Beyond this, in this paper Mill is led to argue the positive benefits, especially to higher education, of the existence of suitably constituted endowments. He is not sanguine that free competition in education will provide what is desirable without the help, example, and stimulus of education provided this way. “It must be made the fashion to receive a really good education. But how can this fashion be set except by offering models of good education in schools and colleges within easy reach of all parts of the country? And who is able to do this but such as can afford to postpone all considerations of pecuniary profit, and consider only the quality of the education . . . ? The funds for doing this can only be derived from taxation or from endowments; which of the two is preferable? Independently of the pecuniary question, schools and universities governed by the State are liable to a multitude of objections which those that are merely watched, and, in case of need, controlled by it, are wholly free from; especially that most fatal one of tending to be all alike; to form the same unvarying habits of mind and turn of character.” (II.623.) It is not clear to me that in the twentieth century, with the drying up of so many sources of private endowment, Mill would necessarily have frowned on extensive support of higher education from state sources. But it is very obvious that he would still have been foremost among those who seek, by one means or another, to insulate it as far as possible from direct operation and control from parliaments and ministers; and I suspect that he would have shown more approval to a tax system such as that of the United States, which provides direct and powerful incentives to gifts for educational and cultural

endowments through its death duties, than that of Great Britain, which actively resists any movement in that direction.

Finally in this group there comes the short but important paper on “The Regulation of the London Water Supply.” Here is an instance where, the technical conditions of production rendering impossible the existence of such a degree of competition as in his opinion justified the private property system as an agent of supply, Mill was prepared to recommend thoroughgoing municipalization. In such circumstances, he argued, the case for government regulation of some sort was indisputable. Whether this should take the form of control of existing companies or of direct governmental operation, he held, was a matter to be decided on consideration of the technical circumstances in each case arising. So far as London water was concerned, in the absence of a suitable organ of London government, he favoured the appointment of a commissioner with elastic powers of reorganization and control. Had there existed a suitable municipal authority, he would have had “no hesitation in expressing an opinion, that to it . . . should be given the charge of the operations for the water-supply of the capital” (II.435).

This leads conveniently to our last section.

VII.

SOCIALISM

the two papers bearing on Socialism which appear in this collection are of very different importance. The review of Newman’s *Lectures on Political Economy*, written as Mill was moving into his phase of greatest sympathy with socialism, is important principally as a demonstration of Mill’s strongly negative reaction to what he thought to be unfair criticism of socialist plans and principles; it is of some interest also as the sole example in the classical literature of any discussion of the problem of pricing under socialism. In contrast, “Chapters on Socialism,” written towards the end of his life, are of major importance as an indication of his final views on the subject.

The vicissitudes of Mill’s attitude to socialist proposals for the future organization of society are reasonably well known so far as the documentation is concerned.³⁹ There is a phase of considerable sympathy, coinciding with the period of his revulsion from Benthamism: this is mentioned in the *Autobiography*, but the authentic contemporary expression thereof is to be found in a letter to Gustave D’Eichthal.⁴⁰ This is followed by a mood of greater distance exhibited in the relevant chapter (II, i) in the first edition of the *Principles*—an exposition which, to Mill’s annoyance but not altogether without justification, impressed some readers as being definitely anti-socialistic. Then under the influence of the aftermath of 1848, Mill, now very much under the influence of his wife in this respect, moves into the position of overt, if cautious, sympathy as expressed in the third edition of the *Principles*—a phase which in the *Autobiography* Mill said would class them both “under the general designation of Socialists.”⁴¹ Finally, in 1869, he sat down to write the chapters here reproduced, which were published after his death by his stepdaughter, Helen Taylor, who can certainly be

trusted not to have released anything which did not do justice to his most mature views; and these certainly show much greater reserve than is shown in the phase represented by this third edition of the *Principles*. But the chapters are incomplete, and the question remains: what does this latest phase amount to?

It is very clear that there had been a sharp recoil from any sort of sympathy with revolutionary socialism in its totalitarian aspects. There is a sharp denunciation of all this in these chapters (see especially II.748-9), and there is a letter to Georg Brandes, of March 1872, on the goings-on of the First International, which makes quite clear the persistence of this mood.^{[42](#)}

So far as the more moderate and limited proposals for piecemeal experiment are concerned, I do not doubt that Ashley is right when he contends that there has been some retreat from the position of the chapters in the third edition of the *Principles*. It would be wrong to suggest that there is now no sympathy: that is certainly not the case. But there is certainly much more caution and, I would judge, more inclination to insist on what can be done by reform within the institutional framework of the private property system. I am reasonably clear that if the details of the treatment of the main problems of socialist organisation discussed respectively in the *Principles* and in these *Chapters* were placed in parallel columns and shown to some outside investigator, ignorant of the context of the query, he would judge the second column to show a position much less positive, much more sceptical, than the first.

In the last analysis, however, more important than these nuances is the fact that the position of the third edition is by no means so strong as might be judged, either from the indications of change in the Preface or in the relevant passage in the *Autobiography*. The discussion of socialism in the chapter on property is not to be judged in isolation. It must be evaluated in conjunction with the chapter “On the Probable Futurity of the Labouring Classes,” a chapter to which we know Mill attached peculiar importance, the more general sections having been written in close conjunction with his wife. And in that chapter, it is clear that Mill’s utopia is not nearly so much in the duo-decimo editions of the new Jerusalem (to use the contemptuous phrase of the *Communist Manifesto*), which he had discussed with such fairness and attempt at sympathetic understanding in the chapter on property, but in the development of workmen’s co-operatives—self-governing corporations foreshadowed, as he thought, by the experiments of Leclaire and others in Paris and elsewhere. In the last analysis, that is to say, Mill’s socialism proves to be much more like non-revolutionary syndicalism than anything which would be called socialism at the present day.

And that, after all, should not be so surprising if we remember the famous passage in *On Liberty* alluding to these matters. As we have seen, where there was no competition, Mill was not unwilling to experiment with municipal ownership and control. But on a future in which state ownership had become widespread, his verdict was unequivocal. “If the roads, the railways, the banks, the insurance offices, the great joint-stock companies, the universities, and the public charities, were all of them branches of the government; if, in addition, the municipal corporations and local boards, with all that now devolves on them, became departments of the central

administration; if the employés of all these different enterprises were appointed and paid by the government, and looked to the government for every rise in life; not all the freedom of the press and popular constitution of the legislature would make this or any other country free otherwise than in name. And the evil would be greater, the more efficiently and scientifically the administrative machinery was constructed—the more skilful the arrangements for obtaining the best qualified hands and heads with which to work it.”⁴³

VIII.

CONCLUSIONS

the papers collected in these volumes are undoubtedly best read in conjunction with the *Principles* and the essay *On Liberty*: they throw light on the evolution and significance of these masterpieces, and are in turn illuminated by them. But taken by themselves, they would still represent a very significant achievement, a body of pronouncements on economic theory and the relations between economics and social philosophy which has no obvious rival among the productions of other writers on these subjects in the literature of the period. As to the two chief essays in *Some Unsettled Questions*, “Thornton on Labour and Its Claims,” “Corporation and Church Property,” the unfinished “Chapters on Socialism”—we should have to look far to discover productions of parallel weight and stimulus.

When Mill lay dying, it is reported that he said, “My work is done.” By this he obviously did not mean that all the causes he stood for, all the propositions he had advanced, had been triumphant. He meant, rather, that he had had his say, that the circumstances of his life had permitted him adequately to set forth his views on the various matters on which he wished to make a contribution. And that was surely true. He had indeed developed and elaborated a system of thought so comprehensive and impressive that it came to dominate, perhaps more than it should have done, the thought of his generation, and it is not surprising that eventually there should have been some reaction against it, a reaction which we can now see went much too far and ran the risk of losing much of great value. Yet, in the end, the historic value of Mill’s contribution did not reside either in the range or in the finality of the elements of the system; it was rather in the spirit thereof. It is for this reason that for a generation disillusioned with systems, he once more appears as a highly admirable figure: a man with a firm hold on the ultimate values of truth and justice and liberty, with strong principles and a strong belief in their applicability; yet, once the high spirits and arrogance of youth had been transcended, fair in argument, willing to learn from experience, empirical in practical judgment, experimental in action.

London School of Economics, December 1966

Robbins

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Textual Introduction

obituary notices suggest that Mill's contemporaries thought his greatest contribution had been in logic rather than in economics or politics. In the intervening century that judgment has been altered, and Mill is far more often thought of as an economist than as a logician. By quantitative standard alone, the recent view has been more correct, for Mill cultivated his interest in economics more assiduously and constantly than any of his other interests. His first published writings were the letters on the measure of value referred to by Lord Robbins (p. viii above); the climax of his middle years is signalled by his *Principles* in 1848 (the date chosen by Professors Mineka and Hayek to terminate the *Earlier Letters*); and he devoted much thought in his later years to problems of socialism and land tenure. In almost every one of the intervening years he wrote something of interest to students of economics, although seldom is it possible to say that an article or letters or speech is of interest only to economists, and hardly ever that it is of more interest to economists than to others.

This situation presents the editor with an extremely difficult choice. All Mill's writings with a bearing on economics cannot be gathered in two volumes, and yet to publish three or four volumes as his "Essays on Economics" would mean including material to which other volumes can make a stronger claim. There is, fortunately, a solution suggested by Mill's polymathic interests: one can reasonably assume that readers will be content to follow Mill across interdisciplinary boundaries into other volumes of the edition. The solution is, then, to gather here those writings in which the economic interest is paramount, and to place those in which it is secondary in volumes centring on, for example, political science and contemporary events.

Like other nineteenth-century authors, Mill thought no subject distinction necessary in collected volumes, and included in his *Dissertations and Discussions* essays on aphorisms and on Austin, on Coleridge and on currency. The more restricted competences of our specialized age suggest, however, that individual volumes be tailored for separate audiences; the edition as a whole will meet the needs of Emerson's "Man Thinking." One necessary qualification is indicated in the title of these volumes and some of their companions: Mill's constant search for the useful dictated a wide reference, and so many of his essays have a social as well as an economic or political dimension.

In these, the first volumes of the edition to be made up of short monographs, essays, reviews, and similar pieces, this policy of grouping by subject has guided us, and it is followed in each of the volumes of collected pieces throughout the edition. Letters, speeches, journals, and newspaper writings, however, are gathered by provenance and kind.

Mill himself expressed firm opinions on the republication of periodical writings. In the Preface to *Dissertations and Discussions*, justifying the volumes, he suggests that if "frequent writers in periodicals" foresaw such republication, they might try to remove "the crudity in the formation of opinions, and carelessness in their expression,

which are the besetting sins of writings put forth under the screen of anonymousness. . .” He continues: “The following papers, selected from a much greater number, include all the writer’s miscellaneous productions which he considers it in any way desirable to preserve. The remainder were either of too little value at any time, or what value they might have was too exclusively temporary, or the thoughts they contained were inextricably mixed up with comments, now totally uninteresting, on passing events, or on some book not generally known; or lastly, any utility they may have possessed has since been superseded by other and more mature writings of the author.”¹

With my usual respect for Mill’s sensibility and sense, and at a time when masses of print threaten to bury the inquiring mind, I cannot but feel the weight of this argument. But we can now, perhaps, use Mill’s argument for exclusion at least in part to support our inclusions. Whatever the justice of his comments at that time, they are not now valid. Whether the subject of study is Mill himself, nineteenth-century thought, or nineteenth-century history, the items in this volume are of interest and value. Individually, it may be, some of them are slight, but in the context of the volume and the edition each gives, at the very least, detail that otherwise would be lacking. Even those which, in Mill’s view, were superseded by “more mature writings” are important in establishing the development of his and his century’s attitudes and opinions.

It is unlikely that economists will question seriously the inclusion of any of the essays in these volumes; it is hardly to be expected, however, that the principles of exclusion will please everyone. The first and most apparent exclusion is that of Mill’s economic writings for newspapers. These are reserved for a volume containing all his newspaper writings: first, because that volume, read in conjunction with the *Letters* and the *Autobiography*, will give a clearer picture of the range of interests throughout his life than is otherwise possible; second, because, as intimated above, it is impossible to select among them without inconveniencing those wishing to study other aspects of his thought. For example, it would certainly be reasonable (if space allowed) to include here his leading articles on Irish problems in the late 1840s; to do so, however, would be to reject the more reasonable policy of joining them with his other writings on Ireland—in this imperfect world, where all goes by approximation, it has seemed most reasonable to put them with his other writings for the ephemeral press.

Other exclusions may be illustrated by examples. “Centralization,” published in the *Edinburgh Review* in 1862, is obviously relevant to Mill’s attitude towards socialism, which is such a prominent concern in some of the essays below. The major weight of the article, however, bears upon political rather than economic questions, and so it is gathered into the volume of *Essays on Politics and Society*. Again, Mill’s “The French Revolution of 1848 and Its Assaultants,” which gives good evidence of his view of socialism during the crucial period when he was revising his *Principles* for the second and third editions, was intended less as a comment on socialism than on the state of affairs in France and on British reaction to that state; the essay has therefore been put with other essays on contemporary France. These are hard examples—both

essays were seriously considered for inclusion here—and it is hoped that the reader will be able to see similar reasons for other exclusions.

Marginalia are not included in these volumes; a full example, obviously resulting from Senior's request for criticism, will be found in F. A. von Hayek, "Notes on N. W. Senior's *Political Economy*," *Economica*, n.s.XII (Aug., 1945), 134-9. It is regrettable that the meetings of the Political Economy Club were virtually unrecorded; a brief account of one meeting to which Mill contributed may be seen in Adelaide Weinberg, "A Meeting of the Political Economy Club on 7 May, 1857," *Mill News Letter*, 1 (Spring, 1966), 11-16. One other unfortunate gap should be mentioned: the manuscript of the work submitted by Mill in 1829 to the Society for the Diffusion of Useful Knowledge has disappeared without record. (See Francis E. Mineka, ed., *Earlier Letters*, in *Collected Works of John Stuart Mill*, XIII, 742.)

The reasons for grouping essays by subject within the edition apply with less force to arrangements within individual volumes. Chronological ordering, which allows a clear view of development of interest and idea, and fixes periods, appears best. It does not impede—as Lord Robbins' Introduction above indicates—thematic and logical discussion.

Most of the items in these volumes were not republished by Mill: he included three of them in the first edition (1859) of *Dissertations and Discussions*;² and five were republished in 1875 by his step-daughter, Helen Taylor, in the fourth volume of *Dissertations and Discussions* (we do not know if Mill himself had a hand in the selection). The volume of *Essays on Some Unsettled Questions of Political Economy* (1844) was also republished by Helen Taylor, in 1874, without significant alterations; the fifth essay in this work is a revised version of an article in the *Westminster Review*. Finally, the incomplete manuscript of the "Chapters on Socialism" was first published, edited by Helen Taylor, in 1879, six years after Mill's death. In establishing our text, we have ignored later republications, as they have no textual authority.

Two of the items, "The Silk Trade" (1826) and "The Nature, Origin, and Progress of Rent" (1828), are new attributions; the evidence for Mill's authorship is given in their headnotes.

Most of the major articles appeared first in the great reviews, nine in the *Westminster* (including the one republished in the *Essays on Some Unsettled Questions*), five in the *Fortnightly*, and one in the *Edinburgh*. Four (including two Mill thought important enough for republication) appeared in lesser reviews, one in each of *The Parliamentary Review*, *Tait's Edinburgh Magazine*, *The Jurist*, and the *Monthly Repository*. Five derive from Mill's evidence before parliamentary committees,³ and one from evidence submitted to a French parliamentary commission. Of the other items, one is a separate book (*Essay on Some Unsettled Questions*), one a note to McCulloch's edition of Adam Smith, and two appeared in pamphlets issued by the Metropolitan Sanitary Association and the Land Tenure Reform Association. In Appendices (see p. liv below) are found an essay (also from the *Westminster*) written with Ellis in which Mill's part is not determined, a public petition on free trade, an

examination paper prepared by Mill, and a sheet distributed by the Land Tenure Reform Association. It may be noted that there are at least three pieces from every decade of Mill's publishing life, the longest gap being from 1834 to 1844.

Specific details about the texts will be found in headnotes to each item. These include details of publication ("not republished" means not republished by Mill in his lifetime), the entry from Mill's bibliography,⁴ and any epistolary or biographical information relevant to the text, attribution, and publication. (These are not, of course, designed as essays on the text.)

There is almost no manuscript material for these articles, and no evidence of any having existed subsequent to publication, except in the case of the "Chapters on Socialism." The only fragments, one of "Endowments" and one of "Thornton on Labour and its Claims," have been collated with their texts. The disappearance of the manuscript of "Chapters on Socialism" is deeply to be regretted, for the published version is edited to an unknown extent by Helen Taylor. In Sothebys' sale of the effects of Mary Taylor (Helen's niece), 29 March, 1922, the following item was bought by Maggs for £5.5.0: "Mill (John Stuart). Five chapters on Socialism. Auto. MS., 74pp. 4to, with a copy in the hand of Miss Helen Taylor." Early in 1934, the late J. A. Symington of Leeds offered an American buyer, for £40, one or both of these manuscripts, describing the item thus:

ON SOCIALISM

SOCIALIST OBJECTIONS TO THE PRESENT ORDER OF SOCIETY

SOCIALIST OBJECTIONS EXAMINED

DIFFICULTIES OF SOCIALISM

IDEA OF PRIVATE PROPERTY NOT FIXED BUT VARIABLE

NOTES

THE ORIGINAL MSS. with corrections and directions to

the printer. A good deal of the MS. is in the

handwriting of Helen Taylor with a preliminary note

by her, signed and dated Jany. 18, '79. 1 Vol. 4to.

There is no subsequent record of the manuscript.

The general policy in these volumes, as throughout the edition, is to adopt as the basic text the latest version from Mill's own pen. Earlier versions, and those in which he may have had a hand (though published after his death), are collated with the basic text, and the resulting substantive variants are given as footnotes.

The variants derive mainly from the republication of essays in *Dissertations and Discussions*; other sources are corrections by Mill in his own copies, and the two manuscript fragments mentioned above. Special cases are found in the *Essays on Some Unsettled Questions*: the variants in the first essay derive from Mill's alterations in the passages quoted in his *Principles*; those in the final essay derive from its earlier publication in the *Westminster*; and throughout there are corrections based on the posthumous edition of 1874.

It is likely that the essays in the first two volumes of *Dissertations and Discussions* were revised at the same time (see xlviii above), and since Mill in the Preface to the first volume explains that he made no attempt to bring the essays into full coherence with his views in 1859, it is not surprising that there are very few major alterations. Changes resulting from time and provenance, as well as those indicating a change of opinion or correction of fact, make up about 15 per cent of the total 391 substantive alterations in the three relevant essays; qualifications and clarifications, the particular marks of Mill's style, make up a further 30 per cent; the remainder are minor verbal alterations or slight tonal changes through, for example, the removal of italics. An example of this minor group is seen in the changes from "man" to "person" (e.g., 218^{b-b}). (Considering Mill's attitude towards women, the changing of the gender of "truth" from feminine to neuter on p. 217 is difficult to assess.) Mill did little rewriting for the second edition of *Dissertations and Discussions*; only fourteen of the variants, minor in nature, derive from that edition.

The changes are best studied in their context, but a few general comments may be made. An alteration illustrative of the lessened "asperity of tone" (Preface, p. v) may be seen at p. 203, where in 1833 Mill said with reference to trustees, "it is currently asserted, and that not modestly, and in a tone of discussion, but angrily, abusively, and in the spirit of arrogant assumption, that the endowments of the Church and of the Universities are their *property*. . . ." In revision, this became: "it is currently asserted, and in the tone in which men affirm a self-evident moral truth, that the endowments of the Church and of the Universities are *their* property. . . ." His desire for moderation and greater precision of statement is illustrated in the rewriting of the sentences on p. 212 dealing with the Catholic Church. The removal of the hesitant judgment concerning the propriety of using endowments for the support of a national gallery (218^v) probably reflects less a change in Mill's basic view than the growing importance of the National Gallery in London (the collection was initiated in 1824, but the building, finished in 1838, was barely begun when the passage was composed). As will be noted, all these examples are taken from "Corporation and Church Property," in which the most significant alterations in this group occur.⁵ Interesting changes resulting from the difference in time between two versions are also seen, however, in "The Claims of Labour," for example at 371^k, 382^{a, b}, and 384^{g, h}. (In this essay one finds as well, at 371^{m-m} and 374^{o-o}, the unexpected change from the earlier "factory" to "manufactory" which is seen in his *Principles* at I.74^{b-b}.)

No extensive comment is needed on the variants found in comparing the earlier and later versions of the essays reprinted after Mill's death in the fourth volume of *Dissertations and Discussions*. They are almost all corrections of misprints and

misreadings found in the periodical versions; the two manuscript variants at pp. 618 and 667 are important principally as rare examples of their type.

Nearly one-third of the 159 changes resulting from the rewriting of “On the Definition of Political Economy” for the *Essays on Some Unsettled Questions of Political Economy* are simply removals of italics. Mill’s writing of the *System of Logic* and his reading of Comte are, however, reflected in such variants as those at 317^{a-a} and ^{b-b}, 320^{p-p}, 326^{t-t}, 333^u, and 337^{r-r}. And his concern over the relation of theory to practice, growing from his reassessment of his father’s views, can be seen in different degrees in such variants as those at 324ⁱ⁻ⁱ, 333^{t-t}, 334^{w-w, x, y-y}, and 337^{p-p, r-r}. One interesting speculation: in a passage on p. 327, Mill substituted in 1844 “shut up Euclid’s Elements” for “use Euclid’s Elements as waste paper.” Although the destruction of the manuscript of the first part of Carlyle’s *French Revolution* occurred in 1835, a year before the initial publication of this essay, Mill first composed it in 1831 and rewrote it in 1833, and the change may well be taken as evidence of his feelings of guilt.

Apart from the variants reflecting the changes made in quoting the first of the *Essays on Some Unsettled Questions* in his *Principles* (see headnote on p. 232), the other variants in these essays, deriving from the second edition in 1874, are simple corrections.

Mill’s library has provided marginalia important in identifying as Mill’s the note on “The Nature, Origin, and Progress of Rent” (and see Lord Robbins’ comment, p. viii above). Also, the text of “Newman’s Political Economy” is clarified by his frequent corrections in his copy. One of these (455^{r-r}) can be dignified by a biographical gloss: Alexander Bain, in his *John Stuart Mill* (London: Longmans, Green, 1882), p. 177n, commenting on Mill’s “dread of running into a figurative or florid style,” mentions his “great annoyance at the numerous misprints that had been allowed to pass” in this article. “One of these,” Bain continues, “was a very excusable error. He had written ‘the family in the patriarchal *sense*,’ and the printer had changed it into ‘tents’; making, as he said, in a complaining tone, a *picture*.” (Cf. headnote on p. 440.)

No matter what their source, the variants often suggest misreadings of Mill’s hand. Most common are probable misreadings of “&” for “of” or “or” (e.g., 314^{i-j}, 317^{z-z}, and 375^{r-r}). More extreme, but not less likely cases are typified by the reading “economical aspects” for “essential respects” at 679ⁱ⁻ⁱ.

Method of Indicating Variants. All the substantive variants are governed by the principles enunciated below, except for a few special cases, in which self-explanatory footnotes are given in square brackets and italics. “Substantive” here means all changes of text except spelling, capitalization, hyphenation, punctuation, demonstrable typographical errors, and such printing-house concerns as type size, etc. Except for changes between “though” and “although” and between “on” and “upon,” all substantive variants are recorded. These are of three kinds: addition of a word or words, substitution of a word or words, deletion of a word or words. Examples to illustrate these three kinds are drawn from “The Currency Juggle.”

Addition of a word or words: see 187^{g-g}. In the text, the passage “(as is alleged)” appears as “^g(as is alleged)^g”; the variant note reads “^{g-g}+59,67.” Here the plus sign indicates that the passage “(as is alleged)” was added; the numbers following (“59,67”) indicate the editions of this particular text in which the addition appears. The editions are always indicated by the last two numbers of the year of publication: here 59=1859 (the first edition of Volumes I and II of *Dissertations and Discussions*); 67=1867 (the second edition of these volumes). Information explaining the use of these abbreviations is given in each headnote, as required. Any added editorial information is enclosed in square brackets and italicized.

Placing this example in context, the interpretation is that when first published (1833) the reading was “a present of”; in 1859 this was altered to “a present (as is alleged) of”, and the altered reading was retained in 1867.

Substitution of a word or words: see 183^{a-a}. In the text the word “political” appears as “^apolitical^a”; the variant note reads “^{a-a}33 the spirit of”. Here the words following the edition indicator are those for which “political” was substituted; applying the same rules and putting the variant in context, the interpretation is that when first published (1833) the reading was “progress of the spirit of reform”; in 1859 this was altered to “progress of political reform,” and the reading of 1859 was retained (as is clear in the text) in 1867. An example of a passage that was altered twice is seen in “Corporation and Church Property” at 198^{f-f}. In the text appears “^fbe only a moderate^f”; the variant note reads “^{f-f}33 not be a long] 59 be but a moderate”. Here the different readings, in chronological order, are separated by a square bracket. The interpretation is that the original reading in 1833, “not be a long”, was altered in 1859 to “be but a moderate”, and in 1867 to the final “be only a moderate”. In the two cases of substitution where a manuscript variant is given, the manuscript is indicated by “MS”.

Deletion of a word or words: see 183ⁱ. In the text, a *single* superscript ⁱ appears *centred* between “the” and “evil”; the variant note reads “ⁱ33 serious”. Here the word following the edition indicator is the one deleted; applying the same rules and putting the variant in context, the interpretation is that when first published (1833) the reading was “the serious evil”; in 1859 “serious” was deleted, and the reading of 1859 was retained (as is clear in the text) in 1867.

Variants in Mill’s footnotes. To avoid four levels of text on the page, a different method has been used to indicate the few changes in the notes supplied by Mill. An example from “Corporation and Church Property” will be seen at 203n, where the footnote ends: “that collective body without [33 a particle of] injustice.” Here “a particle of”, which appeared in 1833, was deleted in 1859, and the text of 1859 was retained in 1867. When necessary, to prevent confusion in reading, the words before and/or after the altered passage are given (see the other variants in the same note).

Dates of footnotes. Here the practice is to place immediately after the footnote indicator, in square brackets, the figures indicating the edition in which the footnote first appeared, if it was not in the first version. At 214n, for example, the “[59]” indicates that the note was added in 1859 (and retained in 1867). If no such figure appears, the note is in all versions.

Punctuation and spelling. In general, changes between versions in punctuation and spelling are ignored. (For the sake of purists, it might be noted that, given the obvious intrusions by the printer in other writings of Mill where we have the manuscript, and given the range of different periodical and other sources from which the items below are taken, there is insufficient reason to adopt accidentals from the earliest version, in contravention of our normal acceptance of the latest version as copy-text.) Those changes which occur as part of a substantive variant are included in that variant, and the superscript letters in the text are placed exactly with reference to punctuation. As alterations in terminal punctuation indicate at least a slight change in emphasis, these are included, as are changes between italic and roman type.

Other textual liberties. The practice of heading articles in the reviews simply by an article number and the titles of the books under consideration makes it necessary to affix new titles in many cases. Similarly in other cases the original is inadequately titled, for example in the evidence before parliamentary committees. Those which have been chosen by the editor are modified from the running titles, titles affixed for republication, and the entries in Mill's bibliography; the actual headings and other information explaining the choice are given in the headnotes. The dates added to the titles are those of first publication. The original footnotes to the titles, giving bibliographic information, have been deleted, and the information is given in the headnotes.

Typographical errors have been silently corrected in the text; the note below lists them.⁶ In the headnotes, the quotations from Mill's bibliography, the manuscript of which is a scribal copy, are also silently corrected, and superscripts lowered; again, the note below lists the corrections.⁷ While the original punctuation and spelling of each article are retained, the style has been made uniform: for example, periods are removed after £ signs, and added after abbreviations; square brackets have been made round; footnote indicators have been transposed as necessary ("*. " becomes ".*"); tables have been made uniform; and italic punctuation following italic passages has been made roman. The spelling "McCulloch" has been adopted in place of "M?Culloch", "M?Culloch", and MacCulloch".

Also, in accordance with modern practice, all long quotations have been reduced in size, and the quotation marks removed. In consequence, it has been necessary occasionally to add square brackets around such phrases as "he says"; there is little opportunity here for confusion, as my editorial insertions in the text (except page references) are in italics. Mill's page references, when necessary, have been normalized and silently corrected; a list of the corrections is given below.⁸ Evidence from parliamentary committees has been restyled to give prominence to Mill's answers (they are in roman type, to distinguish them from the questions, given in italic), and to the names of the questioners (given in small capitals); the sequential numbering of the questions is omitted (the enclosing numbers are listed in the headnotes); and the marginal notes have been deleted, with the information added in footnotes.

Appendices. These pieces are taken out of the normal chronological order and appended for special reasons. Appendix A, "McCulloch's Discourse on Political

Economy,” is placed here because the extent and nature of Mill’s contribution is not known; it is otherwise treated uniformly with the main text. Appendix B, the “Petition on Free Trade,” although it appeared in a newspaper, is included because it was not written specifically *for* a newspaper; its form, however, suggests that it be not included in the main text. Appendix C is the examination paper for Girton mentioned above. Appendix D, a sheet asking members of the Land Tenure Reform Association to support Dilke’s Lands and Commons Bill, is here included as an example of the efforts of the Association, and because Mill may have contributed to its composition.

Appendix E, the Bibliographic Appendix, provides a guide to Mill’s quotations, with notes concerning the separate entries, and a list of substantive variants between his quotations and their sources. For easy reference, the questions asked by members of parliamentary committees are treated as quotations under individual names. Not counting these or general references to Statutes and Parliamentary Papers, Mill refers to over 150 publications in these papers, seventeen of which (in whole or part or ostensibly) he reviews, and from sixty of which he quotes. As would be expected, his most frequent citations are of Adam Smith and Ricardo, followed by those of McCulloch (especially in the early essays), Tooke, and Malthus. There are fewer references to James Mill than one might expect, and only one to Senior. Except in the “Chapters on Socialism,” Mill shows little acquaintance with socialist writings. There is some evidence of his adaptation of periodical writings for his *Principles* (De Quincey’s passage on snuff-boxes, mentioned by Lord Robbins, being an outstanding example), but not so much as is found in his newspaper writings. The collation with sources demonstrates further the trouble printers had with his hand, and displays his facility in translation from the French. The suppressions in quotations are of minor importance; worthy of note are his excisions of complimentary references to himself (650.n10 and 673.35) and to his father (15.28), and of uncomplimentary references to Adam Smith (27). The usual errors in Mill’s transcriptions are obvious, and it might be held that the fifteen substantive corrections in quotations from Leslie found in the version of “Leslie on the Land Question” in *Dissertations and Discussions* are good evidence that Helen Taylor prepared the text for Volume IV of that work.

This Appendix serves as an index to persons, books, and statutes, so references to them are omitted from the Index proper, which has been prepared by R. I. K. Davidson.

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ACKNOWLEDGMENTS

for permission to publish manuscript material, we are indebted to the National Provincial Bank (literary executors and residual legatees of Mary Taylor, Mill's step-grand-daughter), to the Harvard University Library (the fragment of "Thornton on Labour and its Claims"), and to the Yale University Library (the fragment of "Endowments"). I am deeply indebted to the librarians and staff of Somerville College, Oxford, the British Museum, the University of London Library, and the British Library of Political and Economic Science. Mrs. Constance Allen, my editorial assistant, R. M. Schoeffel and R. I. K. Davidson, the copy editors, and Professor F. E. L. Priestley, the General Editor, have helped expunge errors, the remainder of which must be debited to my sad account. To them, and to the members of the Editorial Committee of the *Collected Works*, my grateful thanks. It is also a pleasure to admit my indebtedness to the printing staff of the University of Toronto Press, whose struggles with an often unruly manuscript have never disrupted our relations. Substituting "editor" for "manuscript," I may make the same comment about my wife.

Victoria College

J.M.R.

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ESSAYS ON ECONOMICS AND SOCIETY

1824–1845

WAR EXPENDITURE

1824

EDITOR'S NOTE

Westminster Review, II (July, 1824), 27-48. Unsigned; not republished. Original heading: "Art. II. *Observations on the Effects produced by the Expenditure of Government during the Restriction of Cash Payments*. By William Blake, Esq. F.R.S. pp. 121. London, Murray, 1823." Running head: "War Expenditure." Identified in JSM's bibliography as "An article in the third number of the *Westminster Review*, on Mr. Blake's pamphlet on depreciation and war expenditure" (MacMinn, 5). The article is not specifically mentioned in his *Autobiography*, but during this period JSM was developing his ideas on economics during early morning discussions at George Grote's house (see *Autobiography*, Columbia ed., 84-5). The article is identified as JSM's in the Mills' copy of the *Westminster* (Somerville College), but no corrections or variants are indicated therein.

War Expenditure

although the clamour of the agriculturists has been silenced, for a time, by the return of comparatively high prices; and although the questions to which it gave rise have lost that peculiar interest, which temporary circumstances had conferred upon them; we deem no apology necessary for laying before our readers a review of a pamphlet, in which are propounded, and from no mean authority, not only the most incorrect views on the causes of agricultural distress, but various errors of a more general nature, and affecting the vital parts of the science of political economy.

Mr. Blake begins his pamphlet by the following words:

There never, perhaps, was a period which presented to the political economist so many interesting objects of enquiry as that which has occurred during the continuance, and since the termination of the late war. Peace, instead of its accustomed attendant blessings, seems to have brought calamity and distress upon almost every class of society; and the circumstances in which we are placed appear to be so peculiar and anomalous, as scarcely to admit of a satisfactory solution. We have seen landed proprietors without rents; farmers and manufacturers without a market; the monied capitalist ready to lend, and the merchant not wanting to borrow; a redundant capital, yet a redundant population; and the industrious poor compelled to apply, like mendicants, at the parish workhouse. (P. 1.)

Before broaching a theory to explain an alleged fact, it would have been better if Mr. Blake had first ascertained whether the fact itself was real. To us he appears to have pursued a contrary course. He first started a theory; and because it suited his theory that there should be universal distress, he persuaded himself that universal distress existed. We confess, however, that it has hitherto escaped our observation. We neither saw nor heard it, except in the cant of the agriculturists. Distress among the landlords, there undoubtedly was: as much distress as is implied in the necessity of contracting the expenses to which they had become habituated in the days of that good fortune, which was altogether unlooked-for and unearned, and of which, had they studied general principles, instead of scoffing at them, they would have foreseen the speedy termination. All classes, however, not directly or indirectly connected with the land, were so far from partaking in the agricultural distress, that they were actually in the enjoyment of unexampled prosperity. A few years before, the manufacturers complained of distress: but then, rents were high, and landlords insolent. Similar vicissitudes of distress and prosperity—to-day, agricultural prosperity and manufacturing distress—to-morrow, agricultural distress and manufacturing prosperity, may be expected to recur again and again without end, unless our corn laws should be repealed, or the seasons should cease to vary. But, although we are aware that, in the estimation of a great majority of members of parliament, the “landed interest” is the nation, and agricultural distress is national ruin, it is not so in ours; and we are very sceptical as to that universal distress, of which, at one time, we heard so much. Even Mr. Blake cannot assert it without contradicting himself. “A redundant capital, yet a redundant population:” in other words, too much to eat, and too many mouths to eat it.

The great fluctuations, however, which have taken place during the last thirty years, in the prices of agricultural produce, are highly interesting phenomena, and every plausible attempt to explain them is worthy of some attention. The ability, moreover, which Mr. Blake has displayed, even in the support of what we deem erroneous doctrines, and his general acquaintance, in which he is excelled by few, with the science of political economy, give an importance to his errors, even greater than they derive from the nature of the subject: since, if it can be shewn that even he could urge in their defence no arguments which may not be satisfactorily refuted, the true doctrines on this subject may be considered as placed beyond the reach of dispute.

There are three causes, to some one, or more, of which, the fluctuations in prices have been attributed:

1st. The alterations in the currency.

2dly. War, and the transition from war to peace.

3dly. The varieties of the seasons.

Mr. Tooke, in his excellent work on High and Low Prices, enters into a detailed examination of these three suppositions; and arrives at the conclusion, that the variations in prices were owing, in some degree, to the alterations in the currency, but mainly to the seasons, and in no degree to war, except in as far as it tended to obstruct

the supply of imported commodities. In this opinion we fully coincide. To take even a cursory view of the evidence upon which it is founded, forms no part of our present purpose, and we must be content with referring the reader to Mr. Tooke's work.*_

Mr. Blake has adopted the theory of war demand: and upon this hypothesis, he endeavours to account, not only for that portion of the fluctuations in prices, which Mr. Tooke ascribes to the seasons, but even for that portion which Mr. Tooke (in conjunction, we believe, with all other political economists, except Mr. Blake) ascribes to the alterations in the currency. Mr. Blake, in fact, denies that any depreciation whatever took place during the Bank restriction: and to prove this, is the ostensible object of his pamphlet.

There can be no doubt, [says he,] that, subsequently to the restriction on cash payments in 1797, [*] every symptom that indicates an over-issue of paper circulation, and an alteration in the value of the currency, has manifested itself. We have witnessed a depression of the exchanges, to a degree, and for a continuance, that has been unexampled. We have had the market price of gold exceeding the mint price, far beyond the limits that could have occurred if the Bank had been paying in specie. We have seen the legislature compelled to pass an act to make Bank notes a legal tender, in order to prevent an avowed difference between payments in gold, and payments in paper. And all this accompanied by a general rise of price in most of the articles of consumable produce.

Now, I have no hesitation in admitting, that all the symptoms just enumerated, are *indications* of an excess of currency, and of depreciation: and, further, that an over-issue of currency could not exist for any length of time, without producing these symptoms.

I have, however, perfectly convinced my own mind, that all the results above specified, may have arisen from causes not necessarily connected with an alteration in the value of the currency; and moreover, that such other causes are not hypothetical merely, but have been in actual operation. (Pp. 3-4.)

These *other causes*, it seems, are to be sought for in the war expenditure of government.

I have very little doubt that the whole of these appearances may be traced, and will be found to have originated, in the enormous expenditure occasioned by the late war, the extent of which has perhaps had no parallel either in degree or duration, and never before has been combined with a restriction on payments in specie by the Bank. By object is, to shew, that these effects not only may have arisen, but must have arisen, from such an enormous and continued expenditure, although the currency had remained in its most perfect state, and had been invariably kept to the due proportion which it ought to bear in relation to the commodities to be circulated by it. (Pp. 4-5.)

In order not to perplex the argument, [he continues,] it will be advisable to divide the subject into two distinct parts: in the first of which, I shall endeavour to prove that the adverse exchanges, and the excess of the market price above the mint price of bullion,

were mainly caused by the large *foreign* expenditure of government:—and in the second, that the general rise in the price of all consumable produce was the necessary effect of circumstances connected with the war, and the increased *internal* expenditure of government. (Pp. 5-6.)

Mr. Blake has divided his work into two parts, corresponding with these two divisions of his subject. As the second part is of far greater importance than the first, because it includes the peculiar features of Mr. Blake's theory, and because some of the fallacies urged in it are very commonly received, we shall hasten to the discussion of it, after bestowing upon the first part as few words as possible, beyond what is absolutely necessary for a satisfactory exposition.

Mr. Blake ascribes the high premium on foreign bills to the increased demand for them on the part of government during the war, for the purpose of foreign payments. In corroboration of this theory, he states, that the news of Buonaparte's landing from Elba, produced in one day an advance of ten per cent in the price of bills, arising solely from the anticipation of an increased government demand.^[*]

It might be asked, Why, after the premium on foreign bills had risen so much as to exceed the expense of transmitting bullion, when debtors would of course find it more advantageous to discharge their debts by the transmission of bullion than of bills, bullion was not sent abroad, and the equilibrium by that means restored? In answer to this objection, Mr. Blake admits, that if the Bank Restriction Act had not then been in operation, the process which we have described would actually have taken place. As, however, no gold could be procured at the Bank, it was necessary to apply to the bullion-broker; who would consider that, by exporting bullion, and drawing a bill against it, which he could sell at a premium, he would gain the difference between the premium and the cost of carriage. If, therefore, instead of exporting his bullion, he consented to sell it to an exchange broker for exportation, it must be at a price which would afford him at least equal profit. And thus, according to Mr. Blake, bullion rose in price, and gave rise to the supposition that our paper currency was depreciated; whereas in fact, it was not paper which fell, but gold which rose.^{*}

This reasoning, we fear, will not bear examination. There can be no doubt that an absorption of bullion, either from a sudden government demand, or from any other cause, may raise the price of bullion, and depress the exchanges for a few days, or even for a few weeks; but it is well known by what process these effects are corrected. A sudden enhancement of the value of the precious metals, which is tantamount to a sudden fall in the bullion values of all commodities, infallibly remedies itself, by causing an increase of exports, and a proportional diminution of imports. The steps of this process are so very generally understood, that we shall not weary the reader by tracing them. Mr. Blake himself does not call in question the general principle. But he endeavours to prove this case to have been an exception. His argument principally rests upon the obstacles thrown in the way of exportation by the anti-commercial decrees of the French government. Because these obstacles greatly enhanced the cost of conveying goods from this country to the continent, he assumes that they counteracted the effect which the rise in the value of bullion would otherwise have had in promoting exportation.

Some estimate, [says he,] of the extent of these difficulties, and of the expenses of sending goods to the continent, may be formed from the fact that during the Milan decrees, the insurance against the risk of seizure in the ports of the Baltic could not be effected for a less premium than from 20 to 30 per cent. (Note to p. 32.)^{*}

The expense of exportation may have attained any amount, and the argument might not be affected by it. The question is, not what was the expense, but whether the profit exceeded the expense.

It is necessary here to call in some chronological considerations. Down to the year 1809, the difference between paper and gold was a mere trifle. So early as the close of the year 1807, the obstacles to direct commercial intercourse between this country and the continent, were as great as at any subsequent period. From these facts, two inferences may be drawn. First, that, at a period when the alleged cause of a high price of gold was in full operation, namely, a great foreign expenditure, combined with great difficulties of exportation, the alleged effect nevertheless did not take place, or, at least, only to a trifling extent; while two years afterwards, without any perceptible increase of the cause, the effect sustained a great and sudden augmentation; the price of gold having been, in April and May 1809, as high as £4. 10s. per oz. This renders Mr. Blake's theory, to say the least, improbable: but there is another consideration which, in our opinion, is still more decisive.

In the years 1807 and 1808, notwithstanding the enhanced expenses of transit, exportation proceeded not only to its usual extent, but to an extent rather exceeding the average of the preceding four years: as is apparent from the following table.

*Total official value of exports from Great Britain in the Years ended
5th January, 1804, 1805, 1806, 1807, 1808, and 1809*

Years ending 5th January	Total value
1804	£31,578,495
1805	34,451,367
1806	34,954,845
1807	36,527,184
1808	34,566,571
1809	34,554,267 ^[*]

^[*]Cf. Tooke, *Thoughts and Details*, 2nd ed., Appendix to Part II, p. 1.

At the end of this period, it is to be observed, that the exchange was nearly at par, and gold nearly at the mint price. Then came, according to Mr. Blake, a sudden rise of the value of bullion, not only relatively to paper, but relatively to commodities: a rise, let us suppose, of 10 per cent, equivalent to a fall of 10 per cent in the bullion values of commodities. There can be no doubt, that if this 10 per cent were the whole of the profit upon exportation, and the charges exceeded 10 per cent, no exportation could take place. But, in the present case, the 10 per cent, instead of being the whole of the profit, was exactly 10 per cent superadded, to a profit already sufficient.

Notwithstanding the obstructions to commerce, goods could be exported and sold with the ordinary profit, while they remained at their former value in the home

market. It follows, that when goods fell 10 per cent below their former value, the profit upon their exportation must have been increased by 10 per cent. They could already be exported with the ordinary profit; they could now be exported with the ordinary profit, and 10 per cent more. It will not be maintained, that an occurrence took place which must necessarily have added 10 per cent to the profit upon exportation, and that an increase of exportation was not the consequence. A rise of three, two, or even one per cent, in the value of bullion, would have sufficed to produce such an exportation of goods, as would have speedily sunk bullion to its former level.

This reasoning appears to us conclusive. It proves that gold neither did, nor could, experience a rise of any duration as compared with commodities, by reason of the government expenditure. The conclusion, however, does not rest solely upon this basis, strong as it is.

Let it be supposed for a moment, that gold rises in this country 10 per cent; or which is the same thing, that all commodities fall 10 per cent, as compared with gold. This effect would correct itself, partly, as we have observed, by promoting exportation; but partly also by discouraging importation. If some commodities, which were before too dear, are now cheap enough, to be exported; there are some commodities also, which were imported before, but which, having fallen in the home, without falling in the foreign market, can be imported no longer. The exports therefore would be increased, the imports diminished, and gold would be imported, until prices, in both countries, were restored to their former level. Suppose, now, that from any cause whatever, an increase of exportation should become impossible: the same result which was formerly brought about by two causes, increased exportation and diminished importation, would now be brought about by the latter cause only. Merchants might be prevented from exporting at a profit, but they could not be forced to import at a loss. The imports must be diminished: and as the inducement to diminish them would only cease, when the influx of gold had sunk the metal to its former value, a much greater diminution would be necessary, than would have been required if the current of gold had been swelled by an increase of exportation.

If then we were to grant to Mr. Blake the full value of his assertion, that the obstructions to commerce prevented any increase of exports, the refutation would not be, on that account, the less complete. He will scarcely contend that anti-commercial decrees prevent commerce from being diminished, however much they may prevent it from being increased. He may urge, indeed, that the imports were not in fact diminished, or not to the extent which would have been necessary to restore the value of gold. This we admit: and we regard it as a decisive *reductio ad absurdum* of his own argument. It must, we think, be allowed, that if bullion rose in value, and the exports were not increased, the imports must have been diminished. If then it be true that the imports were not diminished, one of two things must necessarily follow. Either bullion did not rise, or, bullion having risen, the exports were increased. Both suppositions are equally fatal to the hypothesis of Mr. Blake.

If Mr. Blake should still hold out against arguments to all appearance so convincing, there is one fact, which we think, even he himself will acknowledge to be decisive.

In the years 1813 and 1814, all obstacles to exportation were removed; and in consequence of speculations on supplying the continental market with goods which had long been partially excluded from it, exportation was going on to an extent almost unexampled. If, therefore, Mr. Blake's theory be correct; if the high price of gold was owing to the obstructions to exportation; we should expect that, in 1814, when those obstructions were removed, gold would fall to its ordinary price. Yet so far was this from being the case, that gold was in that year at its highest elevation, being nearly 25 per cent above the mint price. On what principles can Mr. Blake explain this? We leave it for his consideration.

There is one fact, to which Mr. Blake attaches the greatest importance: we mean, the sudden fall of the exchanges, on the news of Napoleon's landing from Elba. This, however, only proves what no one ever denied; that a great and sudden disturbance in the ordinary state of the interchange between two countries, does not rectify itself all at once. The fall of the exchanges was evidently owing to a speculation upon the profit to be derived by supplying government with bills at a high premium, for immediate transmission to the continent. It was a speculation such as no one who could trace the connexion of cause and effect would have made, since it was easy to foresee that the foreign payments would eventually be performed, by the transmission, not of bullion, but of goods. Had the war continued somewhat longer than it did, this would soon have been experimentally proved. But in consequence of the speedy termination of the war, the foreign expenditure of government did not take place to the extent which had been anticipated, and the exchanges and the price of gold speedily returned to their former level.

The attempt, therefore, to prove that the high price of gold and the low exchanges were the effect of war expenditure, in whatever light we regard it, appears equally abortive.

Not content with maintaining his own position, Mr. Blake steps out of his way to combat one of the most important principles in the theory of foreign commerce, as laid down by Mr. Ricardo; a principle which, by the way, we are almost led to doubt whether he fully comprehends.

Mr. Ricardo, whose opinions upon subjects connected with political economy will always be received with the deference due to one whose writings have so much contributed to the advancement of the science, entertains such very peculiar notions on the subject of exchanges, that I do not see how he can attain a correct view of the bearings of this question: for he seems to maintain, in all his publications, that the variations of the exchange arise solely from the variations in the comparative value of the currencies of different countries, and does not admit that the exchange is dependent upon the balance of debts and credits. (P. 26.)

Now we will take upon ourselves to assert that Mr. Ricardo never maintained so preposterous a doctrine, as that the exchange is not dependant upon the balance of debts and credits. What he maintained was, that the balance of debts and credits among the countries of the world, is dependant upon the comparative values of their currencies, and in the ordinary state of the intercourse between one nation and

another, when their mutual transactions are of a purely commercial nature, and when neither goods nor gold are exported and imported for any other purpose than that of deriving profit from them; the proposition of Mr. Ricardo, is, in our opinion, strictly true. And this, we think, a very slight consideration will suffice to show.

There is a certain state of the precious metals throughout the world, to which they have a constant tendency to approximate: a state in which their value, although not equal in all countries, differs only in proportion to the unavoidable differences in the cost of conveying them from the mines, and in which, therefore, they cannot be exported from one country to another with advantage. When the precious metals are distributed in this manner among commercial countries, their imports and exports exactly balance one another, and the exchange is at par. Let us now suppose that the exchange between England and some other country, say France, has become unfavourable to England: and let us consider, what may be inferred. In the first place, it is evident, that a balance of the precious metals is due from England to France. England, therefore, must have imported more than she has exported: in other words, it does not suit her to pay for the whole of her imports by means of goods. Now this is in itself a proof that the habitual distribution of the precious metals has been disturbed. Had it been otherwise, it would still have been, as before, more profitable for England to pay for her imports in goods than in gold. She now exports gold; formerly she exported goods only: gold, which was before a disadvantageous remittance, has now become an advantageous one. One of two things, therefore, must have happened: gold must either have fallen in England, or risen in France. In either case, the variation in the exchange is caused by a variation in the comparative values of the two currencies.

It does not enter into our present purpose, to refute all the objections which have been brought against this theory; but one objection, which has been urged by Mr. Blake, as it is extremely plausible, is worthy of a concise refutation.

It is easy to conceive an intercourse between trading nations of the following description. England might send hardware to Spain, Spain might send wool to France, and France send wine to England; in which case the respective debts and credits would be liquidated through a circuitous remittance, known technically by the term arbitration of exchange. The direct exchanges, however, between England and Spain would be in favour of England; between Spain and France, in favour of Spain; and between France and England, in favour of France. If these exchanges are to be considered as indicating a corresponding difference in the value of the respective currencies, it would follow that the currency of England was more valuable than that of Spain; that of Spain more valuable than the currency of France; and the currency of France more valuable than that of England: that is, A greater than B, B greater than C, and C greater than A, which is evidently impossible. (P. 29, note.)

This reasoning, as it appears to us, is wholly founded upon a misconception of the facts. The case is, that the exchange between England and Spain would not be in favour of England, nor that between France and England in favour of France. The exchange would, in all the three countries, be at par. And we are surprised that Mr. Blake, who is not only an acute reasoner but a practical man, should not be aware that

this would necessarily be the case. The exchanges in any country, in England for instance, do not depend upon the balance of her commercial transactions with one country, but upon the balance of her total commercial transactions with all countries. England may export to Spain, without importing any thing in return: she may also import from France, without exporting the value of a farthing to that country. But it does not follow, either that her exchange with Spain would be favourable, or that her exchange with France would be unfavourable. She would pay her debt to France with bills upon Spain: and it is abundantly manifest, that if the balance due by Spain to England, was exactly equal to the balance due by England to France, the supply of bills would precisely equal the demand, and the exchanges would neither be favourable nor unfavourable to England, but would be exactly at par.

The first part of Mr. Blake's argument being now disposed of; we shall next turn our attention to the second.

Having proved, as he thinks, that the high price of gold, and the depression of the exchanges, do not afford any conclusive evidence of a depreciation, Mr. Blake informs us, that the only remaining circumstance from which the existence of a depreciation was inferred, the high range of general prices, remains to be accounted for.

One of the causes which he considers to have been instrumental in producing this phenomenon, is taxation: but, if we may judge from the very elaborate attempt which follows, to trace up the greater part of the effect to a very different cause, Mr. Blake himself does not attach much weight to the influence of taxation, in occasioning the high prices. We shall therefore content ourselves with repeating a remark which has been made by Mr. Tooke,^[*] and which is, on this point, a decisive answer to Mr. Blake. The whole of the taxes, which existed during the war, including land-tax, tithe, and poor-rate, with the exception of the income-tax, continued without any diminution, down to the summer of 1822. The lowest point in the depression of prices was thus attained, before a single tax, by which prices could possibly be affected, was taken off. If taxation had raised prices, taxation would have prevented them from falling. How can that be the cause of the high prices, which equally subsisted when prices were at the lowest?

The cause, however, to which Mr. Blake principally ascribes the high range of general prices, affirmed to have existed during the war, is a supposed extra demand, which he considers to have been produced by the war expenditure of government. The following is the substance of his argument:—^[†]

Upwards of five hundred millions of capital were borrowed and spent by government from 1793 to 1815 inclusive. This sum was employed, partly in the purchase of commodities, partly in the hiring of soldiers, sailors, and various other classes of unproductive labourers. The large sums thus expended in the purchase of commodities, would not, he thinks, have been so expended, but for the war; and he considers it to have raised prices. The sum which was expended in the purchase of labour raised wages; and the increased funds thus placed at the command of the labourer, constituted in his hands an additional source of demand, which still further

raised the prices of commodities. A strong stimulus was thus given to production, and a great extension to consumption. On the peace, this stimulus ceased: the extra demand generated by the war expenditure no longer had any existence: prices fell; producers were ruined; and the consequence was, a great diminution of production.

Two fallacies are involved in this reasoning: first, that of supposing that expenditure, as contradistinguished from saving, can by any possibility constitute an additional source of demand: and secondly, that of conceiving that capital which being borrowed by government becomes a source of demand in its hands, would not have been equally a source of demand in the hands of those from whom it is taken.

A mass of capital which is lent to government, and an equal mass which remains in the hands of the capitalist, are both consumed, and both, possibly, within the same space of time. The difference is, that the first, when consumed, leaves nothing behind it, the other, leaves in its place another capital not only equal, but greater: for, having been productively consumed, it has been re-produced with a profit. Both, while the consumption is going on, are equally sources of demand: but no sooner is the one consumed, than the demand which it afforded ceases to exist: the other continues to afford a demand, which instead of diminishing, continually increases, as often as the capital is re-produced with a profit.

From this it may be seen, how fallacious every argument is, which proceeds upon the supposition that a fund becomes a source of demand by being spent, while it would not have become so by being saved. A loan is a mere transfer of a portion of capital from the lender to the government: had it remained with the lender it would have been a constant and perennial source of demand: when taken and spent by the government, it is a transitory and fugitive one.

Mr. Blake maintains, that the capital borrowed by government is not removed from a productive employment, but would have lain dormant in the hands either of the lender or of some one else, in the shape of goods for which no market could be found. This he considers himself to have proved by a species of *reductio ad absurdum*.^[*] The argument is ingenious, and has only one defect, that of not touching the question. He argues that if a sum amounting to upwards of twenty millions had been annually withdrawn from productive employments,—if the whole of the five hundred millions which were expended by government during the war, had been really subtracted from the capital of the country, production would have been diminished to that extent, wages would have been lowered, millions of people thrown out of employment, and misery and desolation would have overspread the kingdom.

Such a state of affairs, [says he (pp. 53-4)] is not only utterly inconceivable, but is at absolute variance with all our past experience. The funds which gave subsistence to twenty millions of people, cannot have disappeared without our being aware of the loss; and during a period when, instead of distress from want of employment, we have witnessed the greatest activity in every department of industry, every symptom of increasing capital, increasing wages, and increasing population, affording the strongest evidence of prosperity and wealth. There must either be some gross and radical error in the theory that leads to such absurd results, or, in making the

application of the theory to the actual circumstances of the country, some material fact must have been overlooked that has either corrected or mitigated the desolation that would otherwise have ensued.

From this language it may be inferred, that Mr. Blake is ignorant of the arguments of those whom he professes to refute. They have never contended that the capital of the country was actually diminished to the extent of the funds spent by government. Their assertion has always been, that the accumulation going on in the hands of individuals was sufficient to counteract the effect of that wasteful expenditure, and to prevent capital from being diminished. The same accumulation would have sufficed, but for the government expenditure, to produce an enormous increase.

It being evident, that the capital expended by government is not a new fund suddenly called into existence, but a fund which already existed, in the hands of the producers; Mr. Blake is forced, as we have seen, to assert, that it existed in the form of goods, for which there was no demand. This compels him to maintain the fallacy of the universal glut: a fallacy of so much consequence, that a more than ordinary degree of attention is required for its examination.

To avoid the suspicion of misrepresenting any part of Mr. Blake's argument, we shall quote it in his own words:—

The political economists of the present day have endeavoured to shew that profits never permanently fall in consequence of the competition of capitalists, lowering price by over-production. They admit that there may be a partial glut of particular commodities, from miscalculation of the wants of the market; but that over-production can never induce a general glut, and that profits will not fall from this cause, but will be regulated by the rate of wages, and the rate of wages by the quality of the last land taken into cultivation.

This doctrine, I think, has been pushed a little too far. It proceeds upon the assumption that every addition to capital necessarily creates its own demand; but in applying the theory to the actual circumstances of mankind, some inseparable conditions appear to me to have been overlooked. It takes for granted, that new tastes, new wants, and a new population, increase simultaneously with the new capital; a supposition which is not consonant with the fact. The advocates of this theory contend, that demand and supply are correlative terms, and must always exactly balance each other. That any commodity being in excess proves the efforts of the capitalists to have been misdirected, and that there must be a corresponding deficiency in other things.

Nothing can be more clear than that, in order to make a demand, you must have an equivalent to offer in exchange. Something must be produced to demand with. In other words, the terms demand and supply merely express that one sort of supply is exchanged against another sort of supply. This is perfectly true as far as both sorts of supply are wanted for consumption. If one set of capitalists produce a given quantity of cloth beyond their own immediate wants, and another set of capitalists produce an equivalent quantity of corn, also beyond their wants, the surplus quantity of corn may be exchanged against the surplus quantity of cloth, and thus afford a profitable market

to each other. But this proposition implies that there is not more corn and cloth in the whole than the two classes of capitalists want to consume. If more than that is produced, the surplus is absolute waste on both sides; and all the labour thrown away. I shall be asked, no doubt, does not this arise from miscalculation on the part of the producers? Undoubtedly it does, but it is not an excess of one commodity, and a deficiency in another. It is an excess of both. Why then were the corn and the cloth produced? For this plain reason: neither the corn grower, nor the cloth maker, could know that there would be an excess, till the excess occurred. Each depended upon a market, and was mistaken. If every thing could be foreseen, mankind would not miscalculate, and there would be no overstocking of the market. But they do miscalculate, and the market is overstocked. When savings are devoted to re-production, each manufacturer employs the additional capital in fabricating that class of commodities which he has been in the habit of making. But if there was already more than sufficient, the addition must still further increase the excess. How is it possible for this process to continue without a fall in prices, and a lower rate of profit to the capitalist? (pp. 58-60.)

The argument which proves that there never can be that general want of market which is described in the above passage, possesses a greater degree of cogency than is often found in the moral sciences. It is not a deduction of probabilities. It possesses all the certainty of a mathematical demonstration: for it is involved in the very meaning of the words, demand and supply.

The demand of a country is made up of the demand of every individual in the country. The supply of a country is the aggregate of the supply of every individual. If, therefore, it can be proved, that every person's demand exactly equals his supply, it will be established that the demand of the whole country, and its supply, exactly balance one another.

When an individual comes to market, he brings with him a supply consisting of all the commodities which he has to dispose of. But he also brings with him a demand, of exactly the same amount. His only reason for wishing to sell is, that he may be enabled to buy. The means which he possesses of buying are measured by the quantity of commodities which he brings to sell.

The same reasoning may be applied to a nation. The supply of a nation consists of its commodities. But those commodities are also the measure of its purchasing power. A nation, therefore, has always a power of purchasing, equal in amount to the whole of the commodities which it has to sell.*_

Mr. Blake admits this argument to be unanswerable, provided it be granted, that new tastes and new wants spring up with the new capital. We think it will appear, upon a slight consideration, that this is a misconception of the state of the question. He has assumed two things, first, that there is a limit beyond which human desires do not go, a quantum of enjoyment which mankind do not wish to exceed; and secondly, that if all their desires are satisfied, they will still continue to produce. We should be prepared to dispute the first point with Mr. Blake; but we are contented to rest our case upon the second.

It would be absurd to suppose, that men would forego the satisfaction of present desires in order to have the means of gratifying wants which they do not feel. New tastes and new wants may, or may not, spring up with new capital; but it is quite certain, that if a man continues to produce, he has either acquired new tastes and wants, or some of his old ones still remain unsatisfied. Thus, for instance, taking the case most favourable to Mr. Blake, that in which all mankind are supposed voluntarily to confine their consumption to the necessities of life; let us, with Mr. Blake, exclude from the argument all commodities except corn and cloth. It is true, that the demand of both sets of producers for corn and cloth is limited; and that if more is produced of both commodities than they wish to consume, the surplus is absolute waste. But how can we suppose that the corn grower, after he has produced as much corn as he himself wishes to consume, and likewise as much as will enable him to purchase the requisite quantity of cloth, will continue to take the trouble of producing for no purpose?

The following is the plausible manner in which Mr. Blake disposes of this argument:—

Whenever savings are made from revenue, it is clear that the person entitled to enjoy the portion saved, is satisfied without consuming it. It proves that the industry of the country is capable of raising more produce than the wants of the community require. If the quantity saved is employed as capital in re-producing a value equivalent to itself, together with a profit, this new creation, when added to the general fund, can be drawn out by that person alone who made the savings; that is, by the very person who has already shown his disinclination to consume. (P. 56.)

This argument refutes itself. For if it be correct, it proves that there can be no addition to capital, without producing a glut. All accumulation is from saving. If it be true, that he who saves shows his disinclination to consume, it follows, that an increase of produce can never find a market, since no one else has the means of increasing his consumption, and he who accumulates, has not the will. Every increase of wealth would, on this supposition, be an increase of poverty. An argument which leads to such a result cannot be without a flaw.

The fallacy of Mr. Blake's argument lies in the last phrase. He who saves from revenue, far from shewing any disinclination to consume that which he saves, demonstrates conclusively that he wishes to consume not only that but more. If he had not wished to consume it, he never would have produced it; but by abstaining from consuming it, for the purpose of adding it to his capital, he shews, that he desires to consume something more than it will purchase for him, and that in order to obtain this something more, he is willing to forego the consumption of that which he saves. The saving, therefore, instead of proving that the industry of the country is capable of raising more produce than the wants of the community require, proves the direct contrary. Men miscalculate, it is true; but it is concerning the desires of others, never concerning their own. Every man knows what he himself wishes for. If any man produces more, it must be because he desires more; not more cloth, or corn, perhaps, but more of something: and if all produce more, it is because all desire more. The requisites for demand are, the wish to consume, and the means of purchasing. By

increasing their supply, they prove themselves to have the desire, and they obtain the means, of consuming.

We, therefore, conclude, that the funds, which were appropriated by government and spent during the war, were not lying dormant before that period for want of a market. The only remaining supposition, then, since they were not a new creation, is, that they must have been withdrawn from a productive employment; an employment in which they were expended in the purchase of goods, and of labour, just as completely as they afterwards were; and constituted fully as sufficient a source of demand.

Mr. Blake's attempt, therefore, to prove that the government expenditure created an extra demand for commodities and labour, a demand which would not otherwise have existed, entirely falls to the ground; and with it, the whole of the theory which ascribes to that expenditure the high prices which prevailed during the war.

In addition to the general arguments which we have now examined, Mr. Blake has a number of facts, upon which we shall slightly touch; not for the sake of adding any thing to the evidence upon which our opinion is founded, but to shew how utterly fruitless are all attempts to prove, by particular facts, that which cannot be proved upon general principles.

Mr. Blake asserts that the rate of interest has usually been high in time of war and low during peace;^[*] and from this he infers that profits have been subject to the same law. We admit the fact, as far as regards the rate of interest; but we are not equally prepared to allow the correctness of the inference. The rate of interest is governed in the long run, and on the whole, by the rate of profit; but from this rule there are occasional deviations. When government comes into the market, year after year, and takes off that floating capital which is usually disposed of in loans, the money market is kept constantly under-supplied; and so long as this state of things continues, interest may remain at a higher rate than the existing rate of profits would account for. Thus, during the American war, when trade and profits were considered to be at a very low ebb, the public funds were low, and the rate of interest high.

Mr. Blake also urges the eagerness for new speculation, as a proof that there may be a general want of market:—

That capital exists in a dormant state, and is capable of being called into increased activity by the application of the proper stimulus, there cannot be the smallest doubt. Every day's experience affords practical evidence of it. No sooner is a market, or supposed market, opened at Buenos Ayres, or elsewhere, than cargoes to an immense amount are shipped to take advantage of it. The trade with India is thrown open, and instantly the different presidencies are glutted with English goods without any diminution in the supply of the home market. (Pp. 66-7.)

Is it not clear that a period when the interest of money is low, as, from whatever cause, it is at present, is precisely the period, when the tendency to all speculations appearing to hold out a chance of high profits, may be expected to be the strongest?

Mr. Blake, in various parts of his work, appeals to practical men.

The difficulty of finding employment for new capital is acknowledged by all practical men. They continually feel and complain that every channel is full. [P. 60.] Examine the evidence of Alderman Rothwell, Mr. Rous,^[*] and various other witnesses who all agree, that, during the war, there was both greater production and greater consumption. [P. 67.]

A reasoner must be hard pressed, when he is driven to quote practical men in aid of his conclusions. There cannot be a worse authority, in any branch of political science, than that of merely practical men. They are always the most obstinate and presumptuous of all theorists. Their theories, which they call practice, and affirm to be the legitimate results of experience, are built upon a superficial view of the small number of facts which come within the narrow circle of their immediate observation; and are usually in direct contradiction to those principles which are deduced from a general and enlarged experience. Such men are the most unsafe of all guides, even in matters of fact. More bigotted to their own theories than the most visionary speculator, because they believe them to have the warrant of past experience; they have their eyes open to such facts alone as square with those theories. They are constantly confounding facts with inferences, and when they see a little, supply the remainder from their own imaginations.

In this instance, the appeal to practical men, is peculiarly unfortunate: for the only practical men whose authority is of any weight, those who join to their personal experience a knowledge of principle, certainly range themselves on any side rather than that of Mr. Blake.

In this class Mr. Tooke stands pre-eminent: and we observe, that the pamphlet before us has elicited from this gentleman (in the second edition, just published, of his work on High and Low Prices) a most complete refutation of the facts upon which Mr. Blake's theory is founded.^[†] He has proved, to our minds most conclusively, that of scarcely any commodity whatever, except those which are the peculiar object of war demand, naval and military stores, was there either greater production, or greater consumption, during the war, than there has been since the peace. Production increased, it is true; for even the almost boundless expenditure of the war, could not altogether counteract the tendency to accumulation: but it was increasing equally fast before the commencement of the war, and has increased much faster since its close.

Were the question to be decided by authority, Mr. Tooke might safely be set up against Alderman Rothwell, Mr. Rous, *et hoc genus omne*. But he has not suffered a single fact to rest upon his own authority. All his statements are given under the sanction of official documents.

The following table contains a summary of Mr. Tooke's statements. It is extracted from the second edition of his work, p. 202: and shows the rate of the increase of production during the twenty years of war, as compared with the rate of increase before, and after that period:—

Average Annual Amount of the Tonnage of British Shipping cleared out from the different Ports of Great Britain; of the Official Value of Imports and Exports; of the imported Raw Materials of some important Branches of Manufacture (deducting Re-exports); of Tea sold at the East India Company's Sales; of various Commodities charged with Excise from 1783 to 1823, assuming 100 as the amount for the Ten Years ending in 1792, compared with the Amount of the Population at different Periods

	BRITISH SHIPS CLEARED OUT	OFFICIAL VALUES				IMPORTED RAW MATERIALS (DEDUCTING RE-EXPORTS)				
	Tonnage	Total imports	Total exports	British exports	Imports ded. re- exp.	Cotton	Wool	Raw Silk	Flax	Tea sold
10 years to 1792	100	100	100	100	100	100	100	100	100	100
3 years to 1792	118	113	122	125	117	137	129	118	117	118
10 years to 1802	104	149	167	152	127	159	197	97	133	148
10 years to 1812	119	178	207	206	165	318	292	127	157	165
10 years to 1823	172	207	298	310	183	535	640	230	198	183
3 years to 1823	174	213	307	330	210	614	745	310	258	189

	COMMODITIES CHARGED WITH EXCISE									POPULATION	
	Candles					Soap				Numbers	Years
	Beer	Tallow	Sperm	Wax	Hides	Malt	Hard	Soft	Bricks		
10 years to 1792	100	100	100		100	100	100	100	100	100	1790
3 years to 1792	109	109	131		105	104	111	101	125	104	1795
10 years to 1802	114	120	154		109	101	129	91	94	106	1801
10 years to 1812	110	139	206		128	92	165	126	131	121	1811
10 years to 1823	112	162	251		127	96	174	181	137		
3 years to 1823	114	178	254		128	104	230	215	155	{141	1821

After what has been done by Mr. Tooke, we should not have thought it necessary to say any thing farther, had our object been limited to the refutation of Mr. Blake. No general reasoning could have added to the conviction which every one must feel, who has perused Mr. Tooke's detail of facts, that Mr. Blake's theory is totally erroneous. What cannot, however, be proved by any detail of facts, but which it is of the highest importance to prove, is, that a state of war cannot, under any circumstances, generate

an extra demand. This proposition can be proved only by general reasoning. If we have done any thing to render the evidence for it more clear to the mind of any of our readers, our end is attained.

It is, indeed, a most important proposition. For, although Mr. Blake contrives, by we know not what process, to evade all the consequences to which his reasoning, if correct, must necessarily lead, and to arrive by a round-about course at the very same conclusions, as if he had started from directly contrary premises, we cannot expect that his disciples, if he has any, will be equally careful to avoid drawing mischievous inferences, where those inferences legitimately follow from the principles which they acknowledge.

Mr. Blake protests (p. 85) against the supposition that he considers the Bank restriction to have been practically beneficial. Yet the only ground upon which that measure has ever been censured, is, that it caused the currency to vary in its value: and Mr. Blake is of opinion, that instead of *causing* a variation, it *prevented* that which would necessarily have taken place, if the currency had continued on a level with its nominal standard. We ourselves, if we could believe the Bank restriction to have had this effect, should be among the warmest of its defenders and supporters. And we cannot but feel surprise that Mr. Blake should rank among its mischievous consequences, that of preventing creditors from receiving a greater value than they lent.*
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There is another and a still more mischievous effect, to which the conclusions of Mr. Blake, should they ever obtain vogue, could not fail to be made subservient. We have heard before now the fallacy of the universal glut adduced in justification of enormous taxation, of extravagant government expenditure, and particularly of wars. How convenient to all who are interested in these abuses, is such a theory as that of Mr. Blake! Here, they may say, is a portion of capital, which, if it remains in the hands of the producers, must lie dormant in the shape of goods, yielding no advantage to the owners: let the government take it, to be expended in hiring soldiers and sailors, and in purchasing naval and military stores; and a new demand will suddenly be created for all sorts of produce; prices will rise, the producers will be enriched, the labourers will obtain an increase of wages, industry will be vivified, and production itself will be stimulated by that very expenditure, which the people, in their "ignorant impatience of taxation," believe to be a calamity.

These conclusions do not follow the less logically from Mr. Blake's theory, that he does not alarm us by stating them. If he really is not aware of the practical inference from his doctrine, we hope that now, when his attention has been directed to it, he will be induced to re-consider the grounds upon which that doctrine is founded. That such a man should, at this time of day, stand forward as the supporter of refuted, and now almost forgotten, errors, is greatly to be deplored: and we should feel pride, in contributing any thing towards recalling to sound principles, one who ought never to have been found on any other side.

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THE QUARTERLY REVIEW ON POLITICAL ECONOMY

1825

EDITOR'S NOTE

Westminster Review, III (Jan., 1825), 213-32. Unsigned; not republished. Original heading: "Art. IX. *The Quarterly Review*, No. LX. Art. 1. *On the Essay on Political Economy, in the Supplement to the Encyclopaedia Britannica.*" Running heads: "Periodical Literature.—Quarterly Review./Political Economy." Identified in JSM's bibliography as "A review of an Article on Political Economy in the Quarterly Review—in the fifth number of the Westminster Review" (MacMinn, 6). The article is not mentioned in JSM's *Autobiography*; it is identified as JSM's in the Somerville College copy, without corrections or variants.

The article in the *Quarterly* is by Malthus; the essay in the *Britannica* is by McCulloch. JSM's review is part of the continuing attack on the *Quarterly* and the *Edinburgh* which helped establish the reputation of the *Westminster*. The tone of the article suggests that JSM is being consciously ironical in accusing the "Reviewer" (Malthus) of not being sufficiently Malthusian; there is, however, no external evidence to support the suggestion.

The Quarterly Review On Political Economy

had this article been particularly good, we might have left it to work its way by itself. Had it been bad, after the usual manner of the Quarterly Review, begging every question on the side of power, we should not have thought it necessary to add any thing to the exposure which we have already given of this branch of the aristocratic logic. It happens, however, that while the article is as bad as might naturally be expected, considering the quarter from which it comes, there are peculiarities in its badness, which take it out of the ordinary run of Quarterly Review articles.

The object of the writer, as described by himself, is, to upset what he terms the "new school of political economy;"^[*] of which school he is pleased to consider the very able essay^{*} which he has taken for his text, as the manual. His predictions, with respect to the future fate of this school, are sufficiently appalling. He threatens them with a downfall similar to that of the French Economists, between whose system and theirs, he has discovered that there is a remarkable similarity; a piece of information which is as new to us as his menaces are alarming. We learn that they, to their unspeakable confusion, have set at nought the wisdom of their ancestors, and "altered the theories of Adam Smith upon pure speculation"^[†] (it would, indeed, have been somewhat surprising if they had altered them on any other ground). It was fitting that such unparalleled temerity should not escape unchastised. Happily, the old and orthodox faith was not left altogether destitute, for our author remained. It was reserved for him to carry back the science to its fountainhead—to restore the

legitimate rule of Adam Smith, or, as he afterwards expresses it, of “Adam Smith and Mr. Malthus.”^[*]

A writer who praises what is old and condemns what is new, is exactly suited to the Quarterly Review; and, considering him merely in the capacity of a Quarterly Reviewer, we are only surprised that he should have pitched upon Adam Smith as the object of his idolatry; a writer who, whatever may be his other merits, cannot lay claim to that of being two centuries old; and who not only did his utmost to promote an object so alien to the conceptions and wishes of a Quarterly-Reviewer, as the improvement of the great mass of mankind, but pursued that object by means which he cannot but regard as abominable; by pointing out the defects of existing institutions, and suggesting remedies. If it was absolutely necessary to have a system, to set up in opposition to the new-fangled doctrines of later times, a purer source might have been found from whence to derive it; and the writings of St. Athanasius, St. Jerome, and St. Augustin, if read with faith, would, doubtless, have afforded thirty-nine articles of political economy, untainted with the poison of modern sedition and impiety. Unfortunately, however, man is presumptuous, and will use his reason, unconscious that he is playing with edge-tools, and unmoved by the dangers with which he is threatened by his masters in this world and by his pastors in the next. In vain does the anxious tenderness of the Quarterly Review represent to him, that the reason, on which he so arrogantly prides himself, was given by a benevolent Providence on purpose to delude and mislead him; that the only safe standard of belief is the faith of his fathers; and that, although the insufficient records of early times do not permit us to mount up to the creation of the world, and ascertain what were the opinions of Adam on the subject of political economy, it is our duty to approach as near to that summit of orthodoxy as we can. Instead of listening to these pious exhortations with the reverence and submission which they deserve, the reader breaks out into a blasphemous laugh, and shuts the book; for we live in an incredulous age, and we are even informed that there are some (we say it with horror) who doubt the whole Athanasian creed, and dispute the divine authority of tithes. Being unable, therefore, to do what they would, the Reviewers wisely content themselves with doing what they can. Being unable to drag back the public mind five thousand years, they are fain to try whether they can drag it fifty.

To do them justice, they resisted Adam Smith, as long as they could do so without falling into utter contempt. When the reputation of the “Wealth of Nations”^[*] was not so well established as it now is, they called it “a tedious and hard-hearted book, greatly over-valued, even on the score of ability;”^[†] it considered man (they said) in the light of a “manufacturing animal,” and estimated his importance by the gain which can be extracted from him; nay, we almost shudder at the treatment which it inflicted upon him, since it actually “plucked the wings of his intellect,” and “stripped him of the down and plumage of his virtues.”^[‡] Mr. Malthus, too, at that period surpassed, if possible, even Adam Smith in criminality; and it was with difficulty that they could find language adequate to express guilt of so black a dye. They described his reputation as disgraceful to the age; they made a collection of the most approved epithets, expressive of all the varieties of wickedness or folly, and heaped them on his devoted head.^{*} Unfortunately, however, both Adam Smith and Mr. Malthus proved too strong for the Quarterly Review; and now that the public mind has got beyond

them, the Quarterly Review courts an alliance even with such monsters of depravity, rather than tolerate that unholy spirit of progression which is so unhappily conspicuous in the human species.

This, we say, is quite in character, and can surprise no one; and if the present article had contained nothing more extraordinary, we should not have thought it worthy of a lengthened notice in our pages. But this is far from being the case; and the article is altogether so great a curiosity, that we could not refrain from drawing to it the attention of our readers.

When we commenced the perusal, we were considerably startled at the remarkable similarity of the style to that of Mr. Malthus himself; nor was our surprise lessened when we found the Reviewer to be a professed advocate of several opinions, which we had hitherto imagined to be held by Mr. Malthus exclusively. Whatever suspicions, however, we might have formed at the beginning of the article, they were effectually dispelled before we arrived at the close; nor was it long before we discovered that this writer, under the mask of a devoted adherent of Mr. Malthus, is, in reality, his concealed enemy, and affects to defend his doctrines, merely to have an opportunity of exhibiting them and him in a ridiculous and contemptible attitude. In this attempt, candour constrains us to own that he has completely succeeded: for the article is precisely such as the bitterest enemy of Mr. Malthus would have wished him to write; and the imitation is so close, that even we, who believe ourselves to be tolerably well versed in Mr. Malthus's writings, were, for a time, deceived by it. Not having heard, however, that Mr. Malthus has yet publicly disavowed the opinions which are here put forward as his, or disclaimed connexion with the Reviewer, whom he probably deems altogether unworthy of his notice, we are apprehensive lest some incautious reader, misled by the confident tone of the Reviewer, and by the air of sincerity which finely characterises his irony, should unguardedly conclude that he is in earnest, and should mistake this grave piece of raillery for a serious *exposé* of Mr. Malthus's opinions. Few persons are inclined to allow a larger scope to wit and ridicule than ourselves; but when wit and ridicule assume so malignant a form, we should be wanting in our duty, if we did not come forward to unmask the cheat and put the public on their guard.

Among not a few other difficulties, however, with which we shall have to contend in the execution of our design, one, and that one not the least considerable, is the impossibility of making the malicious accuracy of the imitation perceptible to those who are but imperfectly acquainted with the original; a description of persons including, we are greatly apprehensive, a very considerable proportion of the public. Few, we fear, of our readers can boast, like ourselves, of having effected the reading of Mr. Malthus's "Measure of Value,"^[*] and of his "Principles of Political Economy."^[†] It is indeed a task by no means lightly to be engaged in, and upon which we cannot advise any person to enter without being aware what it is which he undertakes. For if Mr. Malthus excels in any thing, it is not certainly in smoothing the road to knowledge; and if any truths are contained in the works to which we have alluded, they must be of the number of those truths which lie hidden in the bottom of a well.

On reflection, however, it occurred to us, that if few have read Mr. Malthus, it is only the more necessary that some person who has read him should step forward to vindicate his reputation from the calumnious insinuations of this pretended disciple; who not only puts forward Mr. Malthus's peculiar doctrines in such a manner as actually to direct the assailant to all the points most open to attack; but affects to consider as the opinions of Mr. Malthus, opinions utterly inconsistent with, and even contrary to, those which that gentleman has always professed to hold: nor does he stop here, but while he copies implicitly all the mistiness of Mr. Malthus's style, he never lets slip an opportunity of throwing in, by a side wind, some concealed joke at Mr. Malthus's expense.

Thus, because certain Political Economists differ somewhat from Mr. Malthus, he dubs them the "new school," thereby intimating, that Mr. Malthus's doctrines are exploded and out of date; and he takes a malicious pleasure in coupling Mr. Malthus with Adam Smith; a compliment for which Mr. Malthus cannot be too grateful, as it implies that all the discoveries of modern Political Economists are thrown away upon him, and that he has not yet advanced beyond the founder of the science. It may appear presumptuous to suppose, that so great a master of ridicule as this writer can stand in need of any suggestions that we can give, for the better amusement of his readers; but, we think, that in attempting to twist the systems of Mr. Malthus and of Adam Smith into concordance, to be serious would have been by far the best joke which he could have devised. The difficulty of serving God and Mammon is proverbial, but it is a mere trifle in comparison with that of reconciling Mr. Malthus and Adam Smith: the former difficulty, whatever it may once have been, the experience of modern times has proved to be by no means insuperable.

The Reviewer proceeds, with well-feigned gravity, to criticise the doctrines of the "new school." To say that he attempts to criticise them without knowing any thing about them, would be to say very little: since it would, on the contrary, be much more surprising, were a Quarterly-Reviewer to be found, who *did* know any thing about any subject which requires any intellect, or is of any importance to mankind. It is not, therefore, the blunders of this writer, which we wish especially to be remarked, but the sang-froid with which he lays all of them to the charge of Mr. Malthus, by pretending to fight on his side, and to be the enemy of his enemies.

The main principles, [says he,] which more especially characterize the new school of political economy, appear to be three.

1. That the quantity of labour worked up in commodities determines their exchangeable value.
2. That the demand and supply have no effect upon prices and values, except in cases of monopoly, or for short periods of time.
3. That the difficulty of production on the land is the regulator of profits, to the entire exclusion of the cause stated by Adam Smith; namely, the relative abundance and competition of capital. (Pp. 307-8.)

He afterwards (p. 332) continues:

We are inclined, however, to think, that these differences may be still further concentrated; and that it will not be incorrect to state, that all the peculiar doctrines of the new system directly and necessarily flow from the first of these new principles; namely, that *the exchangeable value of commodities is determined by the quantity of labour worked up in them*. It follows directly and necessarily from this principle, that neither the demand, compared with the supply, nor the relative abundance and competition of capital, can have more than a mere temporary effect on values and profits.

We have been accustomed to believe that political economy, which was left, even by Adam Smith, in a state of great vagueness and uncertainty, had been raised to the rank of a science chiefly by three discoveries: the principle of *population*, the theory of *rent*, and Mr. Ricardo's theory of *foreign commerce*. If these discoveries be thought to constitute a *school*, Mr. Malthus must certainly be considered a leading member of that school: of the first, and most important of the three principles which we have named, he is generally believed to have been the discoverer; of the second he has furnished one of the earliest expositions. Doctrines which make such havoc with the faith of our fathers, might naturally have excited the wrath of the Quarterly Review: and the duller geniuses among the orthodox, who cannot understand a joke, will wonder that in a professed attack upon the "new school," it should have passed over the most essential doctrines of that "school;" but it is easy to see, that to refute their opinions, or any opinions, was the last thing which this writer had any thought of: all he sought was to ridicule Mr. Malthus, whom he wished to represent as actually not knowing what their essential doctrines are.

As for the three propositions which the Reviewer has hit upon, to distinguish the "new school" from that of Adam Smith and Mr. Malthus, the two last, as here stated, never were maintained by them at all: while the first, into which he resolves both the others, and which he holds up as the *most* important of all their doctrines, happens to be the *least* important; and so far is it from being true, as he asserts, "that all the peculiar doctrines of the new system directly and necessarily flow" [p. 332] from this proposition, that not one of their doctrines, nor, so far as we know, of any other doctrines, flows from it at all; it being, in truth, more a question of nomenclature and classification than one from which any important consequences are deduced. Granting, therefore, that the Reviewer has completely demolished these three propositions—two of which, indeed, we freely concede to him—all the fundamental principles of the "new school" remain untouched.

It must be owned, indeed, that Mr. Malthus is peculiarly sensitive on every thing which regards his measure of value; a discovery, indeed, which he appears to cherish the more fondly, as no one, except himself, seems to be capable of appreciating it: but it is too much to attempt to persuade the public that Mr. Malthus is so wrapt up in the importance of his supposed discovery, as actually to believe that these insignificant disputes about value are the most important questions in political economy, questions upon which every thing depends—questions of more consequence than the theories of rent, profits, and foreign trade!

We will now go a little deeper into the subject, and see what this pseudo-Malthusian has to say on each of the topics aforesaid. For this purpose we will follow his example, and begin with the first of the three principles; “That the quantity of labour worked up in commodities determines their exchangeable value.” [P. 307.]

The doctrine which our Reviewer comes out with, in opposition to this principle, proves how accurately he has imitated his great original: for it is no less than Mr. Malthus’s favourite doctrine, with which all who have read his “Measure of Value” are familiar—that value depends upon labour and profits:^[*] a proposition which he supports in the following terms:—

If, for instance, a useful stone inclosure, built from materials on the spot, were constructed in eight days by fifty common masons paid at half-a-crown a day, the inclosure, when completed and fit for use, would, on account of the very small quantity of profits concerned, be worth but little more than the labour employed upon it, that is, 400 days, or, in money, fifty pounds. Now, if we suppose a pipe of wine to be worth, when it is first put into the cask, exactly the same quantity of labour and money, but that it is to be kept two years before it is used, and that the rate of profits is fifteen per cent, it is obvious, that, at the expiration of that time, it must be sold at about £65, or its value must be above 520 days instead of 400 days labour, in order that the conditions of its supply may be fulfilled. We have here, then, two commodities, which, by the hypothesis, have had the same quantity of labour employed upon them, and yet the exchangeable value of one of them exceeds that of the other above 30 per cent, on account of the very different quantity of profits worked up in each.

Now let us suppose, that the rate of profits falls from 15 per cent to 6 per cent, then the value of the article, in which profits had very little concern, would remain nearly the same, the conditions of its supply being nearly the same; while the conditions of the supply of the wine will have so essentially altered, without the slightest alteration in its quality, that, instead of being worth about 30 per cent more than the walls, it would now only be worth a little above 12 per cent more. (P. 310.)

Now this is all very true, but “we think we have heard all this before:” it is, in truth, the old doctrine, about the influence of *time* on value; and we think our readers will admit that it is at least as clearly and as forcibly stated in the following passage, as it is by the Reviewer:—

It is hardly necessary to say, that commodities which have the same quantity of labour bestowed on their production, will differ in exchangeable value, if they cannot be brought to market in the same time.

Suppose I employ twenty men at an expense of £1000 for a year in the production of a commodity, and at the end of the year I employ twenty men again for another year, at a further expense of £1000, in finishing or perfecting the same commodity, and that I bring it to market at the end of two years, if profits be 10 per cent, my commodity must sell for £2,310; for I have employed £1000 capital for one year, and £2,100 capital for one year more. Another man employs precisely the same quantity of

labour, but he employs it all in the first year; he employs forty men at an expense of £2,000, and at the end of the first year he sells it with 10 per cent profit, or for £2,200. Here then are two commodities having precisely the same quantity of labour bestowed on them, one of which sells for £2,310, the other for £2,200.

Now, to what author does the reader suppose we are indebted for this passage? To Mr. Malthus, or to Adam Smith? No: to *Mr. Ricardo!*^{*}

So much for the novelty and importance of the Reviewer's first objection to Mr. Ricardo's doctrine of value. His second objection is, that "the quantity of profits which enters into the composition of commodities is greatly increased in all cases of an increase of fixed capital as compared with circulating:"^[*] this also, he himself admits to be "universally acknowledged:"^[†] indeed, Mr. Ricardo says, "This difference in the degree of durability of fixed capital, and this variety in the proportions in which the two sorts of capital may be combined, introduce another cause, besides the greater or less quantity of labour necessary to produce commodities, for the variations in their relative value: this cause is the rise or fall in the value of labour." Principles of Political Economy [3rd. ed.], pp. 25-6.

So far, then, it seems, all parties are agreed; and further objection, under this head, our Reviewer has none.

What then is this great question upon which we are to believe that the whole science depends? simply, as we have already observed, a question of nomenclature: the question, whether these facts, about which all are agreed, shall be contained in one expression or another; whether this effect of *time*, and this effect of *fixed capital*, are ultimately resolvable into labour, and are included in the simple expression that value depends upon quantity of labour, or not: a question of pure curiosity, and of no practical use whatever. Yet this is the question upon which our pseudo-Malthusian pretends to believe, that the whole of the peculiar doctrines of the "new school" depend!^{*}

It is very well, if a Reviewer chuses to make a great noise about nothing. It is no novel practice, certainly, with Reviewers; and as little so with Quarterly, as with any other Reviewers; but it is hard that Mr. Malthus should be held responsible for all the ignorance and confusion of ideas which the Reviewer chuses to impute to him, and should be deemed incapable of distinguishing between a question about words and a question about things, merely to afford a good joke to a Quarterly-Reviewer.

We have already remarked, that the second of the three propositions which the Reviewer puts into the mouth of the new school, "that demand and supply have no influence on prices and values except in cases of monopoly, or for short periods of time"^[*] never was maintained by them at all. They not only allow that demand and supply have *some* influence on value, but they assert that nothing else has any influence whatever, except in as far as it may be calculated to affect either the demand or the supply. When they say that cost of production regulates value, it is only because cost of production is that which regulates supply. If there be two commodities, produced by equal cost, what is the reason that they exchange for one

another? The reason is, because if one of the two bore a higher value than the other, when the cost of production is the same, the profits of the two producers would be unequal, and it would be the interest of one of them to withdraw a portion of his capital from his own business and transfer it to that of the other; thus *increasing the supply* of the dearer commodity, diminishing that of the cheaper, until the equality of values is restored: and restored, as the reader will observe, not in contradiction to the principle of demand and supply, but in consequence of it. "It thus appears," says Mr. Mill (*Elements of Political Economy*, 2nd Ed. pp. 88-9) "that the relative value of commodities, or, in other words, the quantity of one which exchanges for a given quantity of another, depends upon *demand and supply*, in the first instance, but upon cost of production ultimately, and hence, in accurate language, upon cost of production entirely."

It is true that a variation in productive cost frequently takes place, and produces a corresponding variation in value, without any actual alteration of supply; that an increase, for instance, of the productive cost of an article, raises its value without necessarily diminishing the supply, because all the parties concerned, whether as sellers or as purchasers, know that if the rise of value does not take place *without* a limitation of supply, it must take place *by* such a limitation. If, for example, a duty of a shilling per yard were imposed upon cloth, the dealers, in all probability, would quietly lay an additional shilling upon every yard of cloth which they might sell; and it would not necessarily follow that any capital would be withdrawn from the manufacture of cloth; unless indeed the higher price had the effect of narrowing the demand, which is not improbable, but is altogether extrinsic to the question. Although, however, there would be no *actual*, there would even here be a *potential* limitation of supply; upon which potential limitation, not only something would depend, but every thing would depend; since cost of production itself would have no influence on value without it.

It is usual, indeed, to say that a fluctuation in demand and supply cannot have more than a temporary effect upon value: but this is merely because the fluctuation in the demand and supply must itself be temporary, unless accompanied by a change in cost of production. Could we suppose a permanent change in the proportion of the demand and supply to one another, independently of productive cost, value also would permanently vary, and cost of production would cease to have any influence over it. This, however, is to suppose the absence of free competition: an element which, in political economy, is always taken for granted unless otherwise expressed. There is not the smallest foundation, then, for the assertion, that the "new school" deny that values depend upon supply and demand.

But the malicious ingenuity of this Reviewer will not suffer Mr. Malthus to talk common sense, even when he is on the right side of the question: and though he is fighting shadows, yet even shadows baffle him, and drive him completely out of the field.

He begins by saying, that demand and supply, though they have no influence on labour, which is one of the ingredients of value, have an influence on profits, which is the other ingredient.^[*] To this proposition we shall not say whether we assent or not;

for this reason, that previously to committing ourselves for or against a proposition, we usually endeavour to attach some meaning to it, which, in this case, we confess our inability to do. We think we know what is meant by the influence of demand and supply; the demand and supply of cloth have an influence on the value of cloth; the demand and supply of corn have an influence on the value of corn; but what is meant by “demand and supply” in the abstract, or what demand and supply it can be, which has an influence on *profits*, is a mystery which we cannot fathom.

When it has been our fate to peruse any of Mr. Malthus’s lucubrations on the more intricate subjects of political economy, we have remarked, that although they are in general sufficiently obscure, yet if there is one part of them which is more obscure than another, it is where he attempts anything like explanation or illustration. This peculiarity of Mr. Malthus our satirist has very happily seized; and so invariably has he adhered to the rule, that so soon as he begins to speak of throwing light upon a subject, from that moment we lose all hope of ever understanding it. Thus, under pretence of explaining the above proposition, which we thought had been of itself sufficiently incomprehensible, he has contrived to throw as thick a mist round it as would have sufficed to obscure the clearest demonstration in Euclid.

He begins by saying, that Mr. Ricardo has proved, that profits are determined by the proportion of the whole produce which *goes to labour*; this we at first thought we had understood; for we have read Mr. Ricardo’s work, and we know that he has proved that profits are determined by the proportion of the produce, which *goes to the payment of wages*: but we soon found what an egregious mistake we had committed, and how little we were capable of comprehending the fineness of our author’s satire. This, he goes on to state, is “only one important step in the theory of profits, which, of course, cannot be complete till we have ascertained the cause which, under all circumstances, regulates this *proportion of the whole produce which goes to labour, immediate and accumulated*.”^[*] Now, as he himself has expressly excluded (p. 309) all consideration of rents, we were not a little puzzled by this last proposition; since, in our humble conception, the *whole* of the produce, with the exception of rent, goes to the payment either of immediate or accumulated labour—either of the labourer or of the capitalist: it is evident, therefore, that in using the expression, “the proportion of the whole produce which *goes to labour*,”^[†] he cannot have meant, the proportion which goes to the *payment of wages*, but that in this mysterious phrase there lurks some recondite meaning, to which the Reviewer, oracle-like, withholds from us the key.

To ascertain, then, what it is which regulates the proportion of the whole produce which “goes to labour,” is his next object. The prevailing opinion he declares to be, that it depends upon the “greater or less demand for labour,”^[‡] compared, as we suppose, with the supply: in short, that wages depend upon the ratio between population and capital. This, however, we learn to be a vulgar error: the proportion of the produce which “goes to labour,” really depending not upon the demand and supply of labour, but upon the demand and supply of *produce*. “The specific reason which occasions a larger or smaller proportion of the produce of a given quantity of labour to go to labour, is the fall or rise in the value of the whole produce of such

labour, resulting from the temporary or ordinary state of the supply, compared with the demand” (pp. 315-16).

We had been accustomed to believe, as we thought on pretty good grounds, and certainly in conformity with the doctrines of Mr. Malthus, in his Essay on Population,^[8] that the *ratio between population and capital* had been the regulator of wages: but we now learn it to be *the value of the whole produce*. Our satisfaction at the receipt of this new and unexpected information is greatly alloyed by the difficulty of comprehending it. We can understand what is meant by the *value of cottons*; namely, the quantity of other commodities for which a given quantity of cottons will exchange: we can understand in what manner cottons may rise or fall in value; namely, when a given quantity of cottons comes to exchange for a greater or less quantity of other commodities than before: but what is meant by the value of the *whole produce*, or how the whole produce of the land or labour of a country, or of the world, can be said to rise or fall in value, is a problem, of which we must leave it to wiser heads than our own to discover the solution. Value is a relative term: if it is not this, it is nothing: if any one talks about absolute value, or any other kind of value than exchangeable value, we know not what he means. One commodity may rise or fall in value, with respect to another; all commodities cannot rise or fall in value, with respect to themselves.

The Reviewer, however, thinks it incumbent upon him to know better, and the reader, we are sure, will join with us in admiring the originality and relevancy of the fact upon which his theory is founded. If cottons, says he, fall in value from abundant supply; of the cottons produced by the same quantity of labour, a greater proportion will be required to pay for that labour, and a smaller proportion will therefore remain for the capitalist; and, on the other hand, if cottons rise in value, from a diminished supply, a smaller proportion will suffice to pay the labourer, and a larger proportion will remain as profits to the capitalist.^[*] This is not only in itself altogether novel and of the highest importance, but seems to prove that (strange to relate!) the producer is benefitted by a high price of his goods—injured by a low one. The Reviewer next proceeds to generalize upon this grand discovery. The proportion, says he, of the *whole produce* which goes to labour, depends upon the *value of produce*.^[†] We at first regretted that he had not condescended to unfold to us the hidden process by which such a conclusion is drawn from such premises; but we speedily consoled ourselves with the reflection, that we have not lost much, since if he had, it is probable that we should not have understood him; nor, indeed, is there any just cause for wonder, that we should be unable to understand how a proposition is proved, when we cannot even comprehend the proposition itself.

In this chain of words, for we will not call them arguments, the experienced reader will not fail to recognize an exaggerated likeness of Mr. Malthus. Our anxiety, however, to convince him that we do not purposely conceal from him the connexion of ideas, but that we really give him the benefit of whatever meaning we can extract from those outward and visible signs of inward ideas, which, like other signs, frequently show themselves, when the reality which they are supposed to indicate does not exist, has induced us to withhold from him the best part of the joke; namely, a disquisition, of and concerning the “measure of value,” which the Reviewer has

contrived to intermix with the above *exposé*, as a remedy apparently for its unnecessary clearness. The disquisition itself certainly leaves no reason for complaint on the score of too great perspicuity; nor indeed on that of logic; from the rules of which, this writer holds himself completely exempt. He begins by laying down as a principle the proposition which he has undertaken to prove; and though this one assumption ought in all conscience to have been sufficient, he does not stop here, but bravely reiterates it in a variety of shapes in every succeeding sentence to the close. The proposition, and the logic by which it is proved, are worthy of one another; and there could not be a more bitter piece of satire, both upon the principle itself and upon its author.

We now approach the third of the propositions which “more especially characterize the new school of political economy.”^[*] This is, as our readers have already been informed, “that the difficulty of production on the land is the regulator of profits, to the entire exclusion of the cause stated by Adam Smith, namely, the relative abundance and competition of capital.”^[7]

That the “new school” do not believe the “relative abundance and competition of capital” to be the regulator of profits, is no doubt true; nor do they even comprehend how there can be such a thing as competition of capital, unless it be competition for labour. Adam Smith supposed, that, when capital increased, the competition of capitalists induced them to lower their prices, and, by a necessary consequence, their profits. The “new school” dissent from this doctrine; first, because prices depend not upon the competition of capital, but upon the quantity of money in the country, compared with the quantity of commodities to be circulated, and the rapidity of circulation; and secondly, because, even granting that, as Adam Smith supposes, all prices would be lowered, profits would not be affected; for this very reason, because *all* prices would have fallen; in consequence of which every capitalist would be able to command, less money, it is true, but precisely the same quantity of all commodities which he desired to purchase, as before. The competition of capital, therefore, can, in no conceivable manner, operate to lower profits by lowering prices: and here Mr. Malthus is just as far from agreeing with Adam Smith as Mr. Ricardo himself. That there may be, and always is, a competition of capital for labour, is most true: this is the only competition of capital which Mr. Malthus acknowledges; and this competition has undoubtedly a tendency to raise wages, and, therefore, to lower profits; the limit to the rise of wages being the ratio between capital and population; wages, therefore, depend upon the ratio between population and capital, and profits depend upon wages: and this is the real doctrine of the “new school.” Where the Reviewer found the doctrine, that “the difficulty of production on the land is the regulator of profits,” he himself best knows.

The satire is here less refined than usual; for even had Mr. Malthus been capable of so grossly misunderstanding the doctrines of his opponents, he would scarcely, in that case, have been so simple as to expose his ignorance by *quoting*. Yet this the Reviewer has done (p. 320). “This principle” (that the difficulty of production on the land is the regulator of profits), “which is adverted to in various parts of the treatise” (meaning Mr. McCulloch’s *Essay on Political Economy*), “is broadly laid down in the last section of the third division, in the following passage.” A quotation follows; in

which, after an attentive perusal, the passage most like the above proposition, which we can find, is the following:—

“The fall of profits, which invariably takes place as society advances and population becomes denser, is not owing to competition, but to a very different cause; to a diminution of the power to employ capital with advantage, resulting either from a decrease in the fertility of the soil which must be taken into cultivation in the progress of society, or from an increase of taxation.”^[*]

Here is a manifest insinuation, that Mr. Malthus is not only ignorant of the most elementary principles of the science, but that he is unable to understand a plain statement, conveyed in plain language. It is evident enough that Mr. McCulloch, in the above passage, not only did not assert that the difficulty of production on the land is the sole regulator of profits (if he had he would have been the first man who ever maintained so preposterous a doctrine), but never intended even to speak of any fluctuation in profits, excepting that fall “which invariably takes place as society advances, and population becomes denser;” that his meaning, in short, was, that whatever other causes might affect profits by affecting wages, there is one cause, namely, the increasing difficulty of producing the necessities of the labourer, which must always ensure a rise of wages, and a consequent fall of profits, as population increases and cultivation is extended. Does the Reviewer deny this? Mr. Malthus surely does not.

We pass over all that the Reviewer says, to prove that corn wages are not the same at all times and in all places; never having heard of any body who asserted that they were, we think that he might have spared this portion of his labours. It is just as little to the purpose, that he triumphantly asks, how the fall of profits, which has taken place during the last eight or nine years, can be ascribed to the difficulty of production on the land; as if it had ever been asserted, that profits could never fall from any other cause. But mark how the Reviewer himself accounts for the fall of profits. “What, then,” says he, (p. 323) “was the cause of the fall of profits? It was obviously a fall in the *value of produce!*” and not only this, but “a fall in the value of produce, owing to the abundance and competition of capital!”

The reader probably thinks that we have said enough on the subject of the “value of produce;” but it is here that, for the first time, we get an incidental glimpse of what the phrase is intended to mean. This inveterate wag, who will never have done jeering Mr. Malthus, contrives once more to bring in our old acquaintance, the “measure of value.” By a fall, it seems, in the *value of produce*, he all along meant a fall in the exchangeable value of commodities, *relatively to labour*; in short, what any one else would have called a rise of wages: which is precisely the cause to which the “new school” ascribes the fall of profits. It is not to be supposed, however, that Mr. Malthus and the “new school” can be permitted to agree, on any one point. The sallies of our author’s wit here become particularly lively. Only mark the figure which Mr. Malthus is made to cut, by this pretended disciple. This abundance and competition of capital, says he (p. 323), lowers profits by *occasioning a different division of what was produced, and awarding a larger proportion of it to the labourer, and a smaller to the*

capitalist. Yet, though the labourer obtains both a greater *quantity* of commodities, and a greater *proportion*, he does not obtain *higher wages*.

Innumerable facts concur to show, that this increased proportion awarded to the labourer continually takes place without being accompanied with any circumstances which indicate either an increased demand for labour, or an increase in the value of the same quantity of labour. (P. 325.)

It is universally allowed, that the money price of corn and commodities has fallen during the last nine years more than the money price of labour; and while the merchant sees, that on this account the workmen whom he employs are paid a larger proportion of the commodities which they produce, we believe that there is not a single unsophisticated person in business who would not at the same time acknowledge, that this was not owing to the scarcity and increased demand for labour, but to the abundance and cheapness of the commodities produced, occasioned by the abundance and competition of capital in every department of industry. (Pp. 324-5.)

Nothing can be droller than the whole of this passage; nor any thing more sarcastically humorous than the appeal to “unsophisticated persons in business.” It only remains to intrust some competent person with the privilege of determining what “persons in business” are unsophisticated, and what the reverse; a privilege which he seems to think can be confided to no one, with so great propriety as to himself.

But this inveterate enemy of Mr. Malthus is not even yet satisfied; and having already made him, for the sake of his “measure of value,” explain away almost all the fundamental principles of the science, he next proceeds to make him explain away the principle of population itself. Mr. McCulloch had said, that an increase of capital, if unaccompanied by an increased difficulty of producing the necessaries of the labourer, is not likely to occasion a permanent fall of profits; because, by raising the wages of labour, it stimulates the increase of population, so as, in all probability, to lower wages, and raise profits to the same rate as before. This opinion the Reviewer now finds to be erroneous: an increase of capital, provided it comes upon a *slack demand for produce* (that is, an eagerness on the part of the labourers to toil; none to enjoy), does not stimulate population.^[*] True it is, that it gives more and better food, clothing, and lodging, more necessaries, comforts, and enjoyments, to every labourer; which we had hitherto believed to be the only way in which a rise of wages could possibly stimulate population; but the labourers, to whatever degree better fed, clothed, and lodged, will not multiply. For why? because there is a slack demand for produce, and because they have not got a greater *value* than before.

It would have been satisfactory had the Reviewer informed us in what manner, upon this principle, a rise of wages can by possibility take place at all. If wages cannot rise, unless the labourer gets a greater value for his labour, and if commodities can never have a greater value unless they can command more labour, the supposition of a rise of wages involves a contradiction; since, whatever quantity of food, clothing, and lodging a day’s labour may command, it can never command more than the value of a day’s labour. Although, however, it is not possible for wages to rise, it is possible for them to fall; and (what is somewhat remarkable), it is when the labourer obtains the

greatest quantity of necessaries, comforts, and enjoyments, and the greatest proportion of the produce, that his wages are lowest. The supposed increase of capital, instead of increasing, as we should have expected, the demand for labour, actually diminishes it, “and the mass of these funds would not be adequate to set so many people to work as before” (p. 327). Now we have shewn that whatever is true of an increase of capital under the circumstances supposed, must necessarily be true of an increase of capital under any circumstances. If, therefore, capital continues to increase, and wages to rise, the demand for labour will continually diminish, and we may in time expect to see capital so plentiful and wages so high, that there will be no demand for labour at all! At the close of this lucid exposition, the Reviewer cracks a bitter joke upon Mr. Malthus. “The theory on the subject,” says he, “is very simple and clear.”^[*] The reader, perhaps, thinks that the Reviewer himself has afforded as striking a proof as could be desired of the clearness and simplicity of the subject; since, in spite of all his attempts to explain it, he has not succeeded in rendering it altogether unintelligible.

Although the three great fortresses of the “new school” are now utterly demolished, there remain, it would appear, certain outworks, from which it is still deemed necessary to dislodge them. One of these is the doctrine of the impossibility of a general glut. Having gone into this question at some length, in the article on War Expenditure in our third number,^[†] we shall not at present repeat the arguments which we then urged; but the contrary side of the question is here supported by an argument which, for its strictness and relevancy, is worthy of notice. Mr. McCulloch having said that for every excess in one commodity there must be a deficiency in another,^[‡] the Reviewer observes, that this strikes him as peculiarly illustrative of the impracticability and inapplicability of some of the doctrines of the new school.

For, [says he,] we would appeal to the experience of every person who, without being biassed by some previous prejudice, had turned the smallest attention to the subject, whether at the time when a general glut was talked of, there was the least ground for the assertion, that, although the state of the trade in cottons was ruinous, the capitalist engaged in making broad cloths or silks, or some other article which would absorb a large capital, was in the most prosperous and flourishing state, and inviting additional stock by high prices and high profits. This assertion of corresponding deficiency, as applied to what is known to have taken place since the peace, appears to us, [he facetiously observes,] as strange as if it were gravely asserted, that every man in the streets of London who was observed to have his head covered, would be found upon examination to have his feet bare. . . . We will venture to say, no one ever heard, as a matter of fact, from competent authority, that for some years together since the peace there was a marked deficiency of produce in any one considerable department of industry. (Pp. 329-30.)

The *naïveté* with which he thus proposes to rebut demonstration by testimony, is truly amusing. There is nothing, says Cicero, so absurd as not to have been maintained by some philosophers;^[§] and it may be said with equal truth, that in political economy there is no opinion, however absurd, whether on a question of fact or of principle, which may not easily be proved from “competent authority.” We are bold enough, however, in spite of “competent authority,” to think that every one desires to consume to the extent to which he produces. If he did not wish to consume either that which he

produces or an equivalent, he would cease to produce. But the demand of the community is made up of the demands of individuals: and if every individual have a demand exactly equal to his supply, so also must the demand of the whole community be equal to its supply. To say that there can never be a greater sum total of commodities produced than the community wishes to consume, is merely to say in other words, that people will not consent to labour without a motive. The commodities, therefore, which are produced, cannot, collectively considered, be in excessive quantity, though they may be of the wrong kind. Too much may be produced of one commodity; because, though all want some commodity, all may not want *that* commodity. But as there cannot be an excess on the whole, if there be too much of one commodity, there must be too little of another. This reasoning is so clear and convincing, that the idea of disproving it by a reference to “competent authority” could have occurred to no one but a Reviewer, who wishes to aim a side blow at the cause which he professes to defend, and in behalf of which he insinuates (in this instance justly) that there was nothing better to be said.

There is an attempt to prove, in opposition to Mr. McCulloch, that labour, employed in agriculture, is more productive than labour employed in any other branch of industry; [\[*\]](#) which, if it be meant as a joke, is so very dull a one, that if we could reconcile ourselves to a supposition which speaks so little for his intellect, we should be half inclined to suspect that the writer is in earnest. By wealth, we can understand nothing but necessities, comforts, and enjoyments. How is it possible to say whether agriculture, or manufactures, be most productive of wealth? unless it is pretended to determine whether food or clothing be most essential to the happiness of man. But manufacturing capital, it seems, yields no more than the ordinary profits of stock; while agricultural capital yields not only profits but rent. True; but rent (if Mr. Malthus’s explanation of it be correct) is the effect, not of the *greater* fertility of the soil, but of the *unequal* fertility of different soils; not of the *superior* productiveness of agricultural, over every other capital, but of the *unequal* productiveness of one agricultural capital and another. So far is rent from being a proof of the superior productiveness of agriculture, that rent is highest when the productiveness of agricultural capital is the least; and when that productiveness is greatest, that is, when none but the best land is in cultivation, and when the return to capital from that land is at its highest, there is no rent at all. At that time, according to the Reviewer, the productiveness of agricultural and manufacturing capitals should be equal, and it is afterwards that they become unequal: but in what manner? Does agricultural industry become more productive, or manufacturing industry less productive? Quite the contrary. As cultivation advances, the capital first applied to the land does not become more productive than at first, while all capital subsequently applied is less so; nor is the productiveness of manufacturing capital diminished, but, on the contrary, it is probably increased by the invention of machinery and other expedients for abridging labour. If, then, at a time when there is no rent, agricultural capital, even that portion of it which yields the greatest return, is not more productive than capital employed in manufactures, it is difficult to see how the case should be altered by a mere change in the distribution; when the whole produce is no longer retained by the capitalist, but a part of it is given to the landlord.

We are aware, that, by arriving at this conclusion, we have laid ourselves open to the charge of “sweeping generalizations,” which our author deems “fatal to all clear explanation” (p. 306). However well-founded this censure may be, we think our remarks may bear, to say the least, a favourable comparison with his, in this respect; for, whatever may be our propensity to “sweeping generalizations,” we doubt whether we have produced any thing so “fatal to all clear explanation” as some of his paragraphs. We have already had occasion to remark on the peculiar taste which this gentleman seems to entertain for the incomprehensible; we might easily have adduced a greater number of specimens, but we have not room to transcribe the whole article into our pages. If, indeed, it be a merit to puzzle what is plain, to render intricate that which is simple, obscure that which is clear, and difficult that which is easy, it would be hard to find, in the whole circle of Political Economists, one with whose merits he might not vie.

But our readers have probably had enough of this merry writer; and so have we. We cannot, however, conclude, without expressing (together with our sincere gratitude for the amusement which he has afforded to us) our anxiety (which, we hope, he will not consider unpardonable) to know whether he excels as highly in the serious as he does in the jocular mood. We hope that his genius will not prove to be of that kind, which can shine only in a single department of the field of human attainments. Having shown, when he unbends himself, and condescends to be facetious at the expense of a brother economist, what a pitch of perfection he can attain; perhaps, when he next takes up the pen, to indite an article for the Quarterly Review, he may agreeably surprise us by writing common sense.

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THE CORN LAWS

1825

EDITOR'S NOTE

Westminster Review, III (Apr., 1825), 394-420. Unsigned; not republished by JSM. Appears, presumably without his permission, as an Appendix to Godfrey Higgins, *An Address to the Houses of Lords and Commons, in Defence of the Corn Laws* (London: Sherwood, Ridgway, 1826), 38-60; Higgins attempts to refute JSM's argument, and incidentally attacks James Mill. Original heading: "Art. VI. *A Letter on the Present State and Future Prospects of Agriculture. Addressed to the Agriculturists of the County of Salop.* By W. W. Whitmore, Esq. M.P. Second Edition, with some Additions. Hatchard and Son. 1823. pp. 111. *Observations on the Existing Corn Laws.* By John Hays. London. Richardson. 1824." Running head: "The Corn Laws." Identified in JSM's bibliography as "An article on the Corn Laws . . . in the sixth number of the Westminster Review" (MacMinn, 6). This article is not specifically mentioned in JSM's *Autobiography*, but he refers to "corn laws" as one of his special subjects in the early years of the *Westminster (Autobiography*, Columbia ed., 68). The article is identified as JSM's in the Somerville College copy, without corrections or variants.

The Corn Laws

if the task of the philosopher and of the philanthropist were at an end, when the great truths which he teaches have been once demonstrated, and their bearings upon the great interests of mankind once pointed out, it might appear superfluous to return, at the present day, to so hackneyed a subject as the impolicy of our Corn Laws;^[*] for, after the thorough sifting which this question has repeatedly undergone, and particularly after the very able manner in which it has so frequently been handled in the *Edinburgh Review*, it would be vain for us to hope that we could add any thing to what is known on the subject; and we can scarcely aspire even to the humbler praise of presenting in a new light that which is already known. We shall not, however, be deterred from calling the attention of the public once more to so important a subject, because it may be that we shall say nothing which they have not heard before. It is not enough that they should be made to think on the subject; they must be made to think of it continually; there must be "line upon line, and precept upon precept;"^[†] and it will then be time to think that enough has been said, when that which *has* been said shall have begun to be acted upon. We are far, indeed, from supposing, that among the enlightened and thinking part of the public, there are, or will ever be hereafter, two opinions on the question: and if we now revert to the subject, it is not with any hope of rendering *their* conviction stronger than it is, but because, in order to triumph over the prejudices of the interested and the ignorant, it is necessary that those who are

without prejudice should proclaim their opinions with a loudness and perseverance which may overawe those whom they cannot hope to convince.

There is one part of the argument, however, which, at this time of day we hope and believe that we may safely omit. It will scarcely, we imagine, be any longer deemed necessary to demonstrate the beneficial tendency of free trade in general, or to prove that it is for the interest of a nation to purchase its commodities where they are cheap, and not where they are dear. Self-evident as this proposition may appear, it is one of the most modern of all modern discoveries, and has had to make its way against all the resistance which strong interests and still stronger prejudices could oppose to it. It *has* made its way, however; and has penetrated even to the cabinets of ministers, usually the last retreat of thread-bare and discarded errors. And, unless the honourable member for Sussex be an exception,^{*} we are not aware that there is now any one who stands up for the principle of monopoly in the abstract, or maintains that a nation can grow rich by paying a high price for its goods. It is something gained for enlightened principles, that every one should acknowledge freedom to be the general rule, though almost every one should make an exception in his own favour.

Two things, therefore, may be assumed: that it is desirable that commodities should be cheap; and that the sure way to have them cheapest, is to let the public buy them wherever they please. It may likewise be assumed, that the effect of the Corn Laws is, to make corn dear; since this is the sole purpose for which they exist, and is necessarily implied in every defence which can be set up for them. It remains to be considered, what reason there is why that which would be an evil in the case of any other commodities, should, in the case of corn, be regarded as a good; or, if it be an evil, by what preponderant benefit the evil is compensated.

It is compensated by that which, in the eyes of the landlords, is a benefit far outweighing the evil to the community—high rents. That whatever raises the average price of corn, raises rent, is a proposition so conformable to ordinary ideas, that we are under no inducement to spend much time in proving it. A rise in the price of corn must evidently redound to the benefit either of the farmer or of the landlord. But the farmer is effectually prevented, by the competition of other capitalists, from obtaining more than the ordinary profits of stock. The benefit, therefore, of the increase of price can belong to nobody but the landlord. Or, more shortly, rent is all that portion of the produce of the soil which remains after replacing the capital expended, together with the ordinary profit: and this surplus must obviously be greater when corn is dear (the quantity of corn being the same) than when it is cheap.

So far, then, the question, between the people on the one side and the landlords on the other, would appear to be this—whether it is better that the landlords should submit to a reduction of rent, or that the whole people of Great Britain should pay a high price for their corn: whether, in short, the landlords can make out a case for taxing the community to put money into their pockets? And this, as being the aspect of the question most favourable to the landlords, is that which we shall first consider.

The language which we usually hear from the landlords on this question is not remarkably definite or precise, and presents little that is tangible in the form of a

reason why their interest should be preferred to that of the public at large. Instead of proving (what their language implies) that rich landlords are more conducive to the happiness of the community than cheap corn, they talk vaguely about the necessity of protecting agriculture: thus endeavouring to make the public forget that this idol called agriculture, when narrowly inspected, proves to be no other than themselves. This artifice of identifying themselves with an abstract term is not without example. When the Roman Catholic priesthood attempted to establish their supremacy over the civil power, they said it was for the good of religion: it was for the good of nobody but themselves. If Ferdinand the 7th is to be believed, it is for the sake of social order that he is now labouring to clear his country of all the educated part of its inhabitants: and indeed so it is in his sense of the word, which makes social order synonymous with his own despotism. It might, perhaps, be admitted, that the Corn Laws are beneficial to the landlords, but in what sense they can be said to be beneficial to agriculture, unless the landlords be agriculture, it is not easy to see. The artifice, however, is not without its use: "Protect agriculture," has a better sound than "Give me your purse:" and many a man will readily do for the "protection of agriculture," that which he would have hesitated to do for the mere purpose of enriching the landlords.

There is a fallacy involved in the phrase "protection to agriculture," which it is of the utmost importance that the public should fully understand. Under the words "agriculture," and "agricultural interest," are included not only the landlords, but the farmers, a class whose gains are of an entirely different nature from those of the landlords, and are governed by different laws. The exclusion of foreign corn may be, and probably is, beneficial to the landlords, though, we think, not to so great an extent as has been supposed. But so far is it from being beneficial to the farmers, that there is no class to whom it is more, and few to whom it is equally, injurious. Not only is the interest of the farmers not the same with that of the landlords, but no two interests are more diametrically opposite.

There is no fact in political economy better established than the tendency of every tax on the necessities of life, to produce a rise of wages. We do not mean that it adds any thing to the comforts and enjoyments of the labourer; on the contrary, its ultimate effect is almost infallibly to diminish them, since by reducing the rate of profit, it retards the accumulation of capital, on which the demand for labour wholly depends. The labourer, however, is not benefited, and the capitalist is injured; the labourer continues to receive the same quantity of commodities, or, as it has been sometimes called, the same *real wages* as before; for the tax, though it affects the future accumulation of capital, does not alter its present amount, and it is upon the present amount of capital (as compared with population), and not upon its future accumulation, that wages depend. While, however, the labourer continues to receive the same quantity of necessities as before, corn (the most important of those commodities) has risen in value. He must, therefore, receive a greater *value*, in order to command the same quantity: his money wages must rise. The manufacturers and other capitalists are thus compelled to give a greater value to their labourers, without having a greater value for themselves. They are, therefore, obliged to forego a portion of their profits. And thus we see that a high price of corn, which is a cause of high

rent, is a cause of low profits. It is as prejudicial to the capitalist as it is beneficial to the landlord.

The farmer, however, is a capitalist, and his gains cannot be permanently greater than those of other capitalists. Unless during the currency of a lease, he has no interest whatever in high prices, because competition will effectually prevent him from deriving more than a very temporary advantage from them. He has, however, in common with all other capitalists, a very strong interest in high profits; and it is not possible that profits should be high when a great value is given to the labourers.

A high price of corn, therefore, not only is not beneficial to the farmer as such, but it is positively injurious to him. He is injured in two ways: first, as a consumer of corn, in common with the rest of the community, by having to consume a dear instead of a cheap commodity; and, secondly, he is injured, in a still greater degree, as an owner of capital, by being compelled to give higher wages to all the labourers whom he employs.

Having proved the Corn Laws to be injurious to all the rest of the community, and beneficial to the landlord alone, we might here close our remarks, since this alone, had we nothing else to urge, is of itself sufficient to decide the question. For if, in any case, the principle could be admitted of taxing the whole community for the benefit of a particular class, the landlords assuredly are not that class. To the public, collectively speaking, it is of very little consequence whether rent be high or low. But it is of the greatest importance to the public in general, that profits should be high. Profits are the reward of the industrious—rent, of the idle. It is the rate of profits which constitutes the inducement to accumulation, and, whatever be the advantage of a rapid accumulation, the advantage of high profits is the same. But it is on the accumulation of capital that the advancement of the national wealth is wholly dependant. A policy, therefore, which consists in lowering profits for the purpose of raising rents, must be, at best, of very doubtful expediency.

If, however, there were nothing in the whole process but a transfer; if whatever is lost by the consumer and by the capitalist were gained by the landlord; there might be robbery, but there would not be waste; there might be a worse distribution of the national wealth, but there would be no positive diminution of its aggregate amount. The evil of the Corn Laws admits not even of this alleviation: they occasion in all cases an absolute loss, greatly exceeding the gain which can be derived from them by the receivers of rent; and for every pound which finds its way into the pockets of the landlords, in consequence of the Corn Laws, the community is robbed of several.

Rent, it must be remembered, is only a part of the total produce of the soil, on many lands only a small part. There are some lands which yield no rent; there are many which yield very little; and even on the best of all, the rent, probably, does not greatly exceed one half of the produce.

Now, without disputing that it is the effect of the Corn Laws to give to the landlord a greater quantity of corn, as well as to enhance its value, it must be remembered that all which he receives is still no more than a part; another part is appropriated to the

payment of labourers, a third to the maintenance of agricultural cattle and the purchase and repair of instruments of husbandry, a fourth is reserved for seed, and a fifth belongs to the capitalist as his profit. The increase in the cost of the production of corn, which is the consequence of the Corn Laws, operates to the benefit of the landlord only in so far as it goes to enhance the value of that portion of the produce which he receives as rent. Could all the rest of the produce retain its former value, and that portion alone rise which is paid to the landlord, the gain to him would exactly equal the loss to the rest of the community. While, however, it is only from the rise in the value of a *portion* of the produce, that the landlord derives any benefit, it is necessary, in order to the rise of that portion, that the *whole* should rise. It is necessary that an increased price should be paid, not only for that portion of the produce which goes to the payment of rent, but also for that far greater portion which goes to replace the capital, and pay the profits, of the farmer.

The able author of the article “Corn Laws and Trade,” in the Supplement to the Encyclopædia Britannica,^[*] estimates the total rent of all the land in the country, compared with the total produce, at one-fifth. Let us make a liberal concession to our antagonists, and take it at one-third. In order then that the landlord may obtain an extra price for a single third of the produce; the purchasers, not only of that third, but of the other two-thirds, are compelled to pay that extra price, for every quarter of corn which they consume!

What, then, it may be asked, becomes of the extra price, which is paid by the consumers of the two-thirds? It does not go to the labourer; for though he receives a greater value, his condition not only is not improved, but, in most cases, it is ultimately deteriorated. It does not go to the farmer; for he, as we have seen, instead of gaining any thing, suffers, in two ways; as a consumer of corn, and as a payer of wages. What, then, becomes of it? We answer, it is entirely swallowed up in the increased expenses of cultivation. By the effect of the Corn Laws, a portion of the labour and capital of the country is diverted out of a more into a less advantageous employment: a quantity of labour is employed in growing corn, which would otherwise have produced, not only cloth, or hardware, sufficient to purchase the same quantity of corn in the foreign market, but much more. That corn which could be obtained abroad, in exchange for the produce of the labour of 100 men, is compelled to be produced at home, by that of 120, 130, or 140; the labour of 20, 30, or 40 men in every 100 is expended in pure waste, and all which they might have produced is entirely lost to the community. The consumer is taxed, not only to give a higher rent to the landlord, but to indemnify the farmer for producing, at a great expense, that corn which might be obtained from abroad at a comparatively small one.

If the landlords were to require, that the whole people of Great Britain should contribute a certain sum annually in direct taxes for their benefit, who is there that would not raise his voice against so impudent a demand? Yet this would surely be a much more modest request, than that, in order to put a certain annual number of pounds sterling into their pockets, the people of Great Britain should consent to pay three, four, or five times as many.

We seriously propose, therefore, as a great improvement on the present system, that this indirect tax should be commuted for a direct one; which, if it still gave an undue advantage to the landlords, would, at least, give them this advantage at a smaller cost to the public: or that the landlords should make an estimate of their probable losses from the repeal of the Corn Laws, and found upon it a claim to compensation. Some, indeed, may question how far they who, for their own emolument, imposed one of the worst taxes upon their countrymen, are titled to compensation for renouncing advantages which they never ought to have enjoyed. It would be better, however, to have a repeal of the Corn Laws, even clogged by a compensation, than not to have it at all; and if this were our only alternative, no one could complain of a change, by which, though an enormous amount of evil would be prevented, no one would lose.

We have hitherto taken it for granted, that the effect of the Corn Laws is, to force the cultivation of inferior soils; and that, therefore, if those laws were repealed, we should become a regularly importing country, our lowest soils would be thrown out of cultivation, and the cost of production, and consequently, the average price, would be lowered. We have assumed this, because we believe it to be true; although the contrary opinion is maintained in a very able article in the eighty-first number of the *Edinburgh Review*.^[*]

Though it were conceded to the *Edinburgh Reviewer*, that if the ports were constantly open, the average price of wheat would not fall short of 60s. per quarter;^[†] arguments enough would remain, to prove the mischievousness of the Corn Laws, and the necessity of their repeal; a measure which, in that case, no one would have more reason for promoting than the landlords, since they would gain all the advantage of a steady price, without incurring the disadvantage of a low one. Great, however, as the benefit to the community would be, even though the average price of corn should remain unchanged; we are convinced that this is not the whole of the benefit of which the repeal of the Corn Laws would be productive, and that the price would not be steadier only, but lower, under a free trade.

It is admitted by the *Edinburgh Reviewer*, that when there is no direct foreign demand, a quarter of wheat can, in ordinary years, be put on ship board at Dantzic for 35s.; and that allowing 8s. per quarter for the expenses of freighting, warehousing, &c. the price to the importer would be about 43s. They suppose, however, that a regular demand from this country would raise the ordinary price in the Dantzic market, from 35s. to 50s. which together with the freight and other expenses, would give in this country, a price of about 58s. per quarter.^[‡]

The assumption, that a regular demand from this country would permanently raise the price at Dantzic from 35s. to 50s., is wholly founded upon the evidence of Mr. Solly, before the Agricultural Committee of 1821.^[§] This gentleman's evidence is a strange mixture of hypothesis and fact. For matters of fact, coming within the compass of his experience, Mr. Solly's evidence may be as good as any other; and we have the less reason to doubt the credibility of his testimony, as it is entirely in accordance with the most authentic information which we have been able to procure from other sources. But the rise in price which is expected to be the consequence of a regular exportation, is plainly not a fact, but an inference. The same person may deserve great credit for

his facts, and very little for his inferences; and, at any rate, no man's inferences are entitled to be received, like matters of fact, upon his authority. How far Mr. Solly is qualified to draw correct inferences on subjects similar to the present, the following extract from his evidence may help us to judge:

If the English ports were open for the free importation of corn, at this moment, what rise do you think would take place in the price of wheat in the Prussian ports? I should think about 15s.

Which would make the price in the Prussian ports how much? On board, 50s. for the best wheat; they would make their calculation on obtaining 60s. here for it.^[*]

We can easily conceive, that a sudden demand, before there is time to raise a corresponding supply, may raise the price at Dantzic 15s. per quarter, or much more; but what follows?

Supposing the ports to be *constantly* open for the free importation of corn, do you think the price abroad, on the average, would be above or below 50s. in the Prussian ports? *It would be regulated by the price in England.*

What is your opinion of the effect which the demand under such circumstances would have upon the price in those ports? I think that the price would rise about 15s. as already mentioned.

Although the demand should be permanent? *Even then, the price would be regulated by the price here.*^[†]

This is true of the *market* price, but certainly not true of the *average*. The market price at any given moment in Poland, would doubtless be regulated by the market price in this country, because it is the price here, which by determining the exportation, would regulate the supply in the market of Poland itself; but to suppose that the *average price* in Poland—which is of most consequence to the producer—would be regulated by the price here, or by any thing whatever except the cost of production, implies an ignorance of the most obvious principles of political economy. On the average, and making abstraction from the temporary fluctuations of the market, it is the price in Poland, which would regulate the price here; not the price here which would regulate the price in Poland. The average price in Poland, with the expenses of importation, and the profits of the importer, would determine the average price, at which wheat could be sold in the English market. The mere unsupported conjecture of one who is ignorant of this very obvious truth, is a very slight foundation for such a conclusion as the Edinburgh Reviewer has founded upon it.

Before it can be admitted, that the repeal of our Corn Laws would raise the average price of wheat at Dantzic from 35s. to 50s.; it is necessary for Mr. Solly to prove, that the cost of production would be increased in that proportion. The only cause (taxation apart) which can raise the cost of production, is the necessity of cultivating inferior lands, or of applying capital with diminished return to those which are already in

cultivation. And on this, as a necessary effect of an increase of demand, Mr. Solly lays great stress.

They want their land, [he says,] for the cultivation of corn, for cattle, and fuel for their own inhabitants. They have in Prussia about eleven millions of inhabitants; and it contains sixty-seven millions of English acres, or five thousand square miles; and they require almost all the arable land to grow corn for their own inhabitants; the principal corn that is grown and consumed, is rye; and I question, if they had to supply England with wheat corn, it would be in their power; they have not the soil, and I do not think they would be able to increase the quantity of wheat to any great amount in Prussia. [P. 317.]

This he afterwards accounts for, from the nature of the soil, which he states to be for the most part sandy, and unfit for wheat. That this may be the case in those districts of Prussia, with which Mr. Solly is acquainted, we have no reason to doubt: that it is not the case in the great corn districts of Poland, we have the best possible authority for asserting. All competent witnesses agree in declaring, that so far from needing all their arable land to raise corn for their own consumption, the Polish cultivators have been reduced to the extremity of distress in the last few years, by the cessation of foreign demand. We are informed by Mr. Behrend, of the house of Almonde and Behrend, great corn merchants at Dantzic, that fully one-third of the fertile corn lands are entirely waste, that great tracts of land, admirably fitted for wheat, have been thrown into pasture, merely for want of a market, and that great quantities of corn are consumed by cattle, and in various other ways among the cultivators themselves, which, on the opening of our ports, would be brought to market immediately. So great an effect does Mr. Behrend ascribe to this last circumstance, that Poland, in his opinion, could export three times as much wheat as at present, without raising one bushel more than is already produced (it is true, that her exports have of late years been comparatively small); and if to this we add the great quantity of wheat which could be raised on the excellent lands which are now in pasturage, or entirely waste, Mr. Behrend is of opinion, that Poland could supply this country with from 200,000 to 300,000 quarters of wheat, without any material advance of price, beyond that which is a remunerating price to the Polish cultivator at present, viz. 35s. in the greater part of Poland, and 38s. in Volkynia, from which province the best Polish wheat is chiefly drawn.* Now, if it be considered from how large a surface we should draw our foreign supplies, if we became a regularly importing country, it can hardly be supposed that we should, in ordinary years, import from Poland a greater quantity than 200,000 or 300,000 quarters; say 400,000, and suppose the last 100,000 to raise the price from 35s., or 38s. to 40s., or even 42s., which is an ample allowance; adding 8s. for freight and other expenses, this will give 50s. for the probable average price of wheat in this country, if importation were permitted at all times, duty free.

With regard to Odessa, the facts adduced by the Reviewer are singularly scanty. The following passage contains all that he says on the subject:—

The prices of wheat at the market of Odessa, on the Black Sea, the only port† in Southern Europe from which any considerable supplies of wheat can be obtained, are extremely fluctuating and various. In 1821, the price of wheat at Odessa amounted,

according to Mr. Tooke, to about 30*s.* a quarter; and we are informed, by the same excellent authority, that the charges necessarily attending the importation of wheat from Odessa to London, would not fall short of 22*s.* 6*d.* a quarter. (Report,^[*] p. 226.) It must be further kept in view, that if the average price of English wheat was 60*s.*, Odessa wheat would not, on account of its inferior quality, be worth above 48*s.* or, at most, 50*s.*: so that it would be impossible to bring Odessa wheat into competition with English wheat worth 60*s.*, unless its prime cost was rather below 27*s.*, which is very rarely, if ever, the case, with such qualities as are fit for exportation.” (Pp. 61-2.)

It appears, however, from Mr. Tooke’s evidence, that the price, at the time of which he spoke, was unusually high, there being a great demand for exportation, and the supply being deficient. The fact is, that whatever may have been the price at the period to which Mr. Tooke’s evidence referred (April 1821), the average price of the whole year did not exceed 25*s.*

We have received from the best mercantile authority at Odessa, a table of the average prices of hard and soft wheat in that market, for almost every week, from the beginning of 1817 to the end of 1824. From this statement, estimating the rouble at 9¾*d.* and reckoning 100 chetwerts as equivalent (which is nearly the fact) to 70¼ quarters, we have extracted the following table of the average prices of average Odessa wheat in sterling money for the last eight years:—

Years	<i>s.</i> <i>d.</i>
1817	37 ¾
1818	26 10 ¾
1819	17 1
1820	18 6
1821	24 10 ½
1822	22 6 ¾
1823	16 7 ¼
1824	15 0 ¼

The average of these eight years is 22*s.* 4½*d.* Allowing 22*s.* 6*d.* for freight and other expenses attendant on importation, the price at which Odessa wheat, of average quality, could be sold in Mark-lane, will appear to be rather below 45*s.* Odessa wheat being inferior to English wheat by about one-sixth, it may be concluded from the authentic statements which we have given, that Odessa wheat would come into competition with English wheat whenever the latter sold at a higher price than from 53*s.* to 54*s.* per quarter.

It may be well to add, that whatever foundation there might be for the supposition, that an increase of exportation would permanently raise the price of wheat in Poland; on the side of Odessa, at least, such an apprehension is chimerical. There are vast tracts of fertile land in the Ukraine, Podolia, and the countries adjoining the Crimea, at present uncultivated, or in pasturage; and from which corn might be supplied, perhaps for centuries, at the same low price at which it is now supplied from Odessa. We are even informed by the gentleman to whom we have before alluded, that, in the

neighbourhood of Odessa itself, so great is the abundance of fertile soil that the same piece of land is rarely cultivated for more than two or three years together. When one piece of land is exhausted, the cultivators withdraw to another, as was the case among the Germans of old, and as we know to be the case at this day, in the back settlements of North America.

With regard to New York, the Reviewer has given us the prices by which the value of the wheat exported has been calculated at the Treasury Department for five years,^[*] the greater number of which, if these prices be correct, were years of unusually high price, and which give an average that even he would admit to be far too high. We know not what degree of reliance is to be placed upon the calculations on which these statements are founded; if they are as inaccurate as the official valuations at our Custom-house, there cannot be a worse authority.

We have received from a great commercial house at Liverpool the following statement, extracted from the New York prices current, of the average price of wheat at New York, from 1820 to 1824 inclusive:—

Year Price in Cents per Winchester Bushel

1820 87

1821 100

1822 131

1823 130

1824 110

The average of these five years gives 38s. per quarter.^{*} Omitting 1820, a year of extraordinary depression, the average of the last four years gives 40s. per quarter, for the price of wheat at New York, the dearest port in the Union. In Virginia and Maryland wheat is usually from 16 to 20 cents per bushel, or about 6s. per quarter, lower than at New York. To the price at the latter port, add 12s. or 14s. the expense (as estimated by the Reviewer)^[*] of importation, and from 52s. to 54s. will appear to be the average price at which wheat imported from New York could be sold in Mark-lane. In this case no deduction is to be made for difference in quality, average American being fully equal to average English wheat.[†]

Besides, America exports flour as well as corn, and the carriage of the less bulky commodity being so much less expensive, it is probable that American flour would come into competition with English flour, at a much lower comparative price than American corn.[‡]

But the facts which we shall now adduce, with regard to the price of wheat at Rotterdam, from 1815 to 1824 inclusive, are perfectly decisive. Holland, as is well known, has long been in the habit of importing a very great proportion of the corn which she consumes. She draws her supplies from a very wide surface; she is at nearly the same distance as Great Britain from the principal exporting countries; and there is, therefore, no reason why we should not obtain corn from those countries at the same price as she does. The following table of the average prices of wheat at

Rotterdam for the last ten years is derived from the very highest mercantile authority:—

Years Price in Guilders per last of 86 Winchester Bushels

1815 257

1816 390

1817 574

1818 396

1819 284

1820 235

1821 221

1822 193

1823 197

1824 147

These prices, being reduced to sterling money at the average rates of exchange for the several years, give the following as the average prices, per Winchester quarter, for those years:—

Years	Prices per Quarter	
	<i>s.</i>	<i>d.</i>
1815	47	8¼
1816	60	11¼
1817	93	0¾*
1818	66	8
1819	46	6½
1820	36	10½
1821	33	5
1822	29	9¼
1823	30	3
1824	32	10¼

*These fluctuations are greater than could have been anticipated in a country which, at the period referred to, enjoyed almost a free trade in corn: but it must be remembered that in the years of greatest elevation (1817 and 1811), the price had been artificially raised by our great importations, which carried off a portion of that grain which had been produced for other markets.

The average of the ten years is 47*s.* 9¾*d.*

It is true that, in these ten years, there were several seasons of very general abundance. It will be observed, however, that there were two years (1816 and 1817) of very general deficiency. In 1815, before the scarcity began, and in 1819, between the end of the scarcity and the beginning of the glut, the price seems to have very nearly approximated to the average that we have assigned; and this circumstance adds to the presumption, that the average of these ten years is a fair criterion of the ordinary price.

The advocates of the opinion which we are combating lay great stress upon the circumstance, that the returns of average prices include all qualities of wheat, and not the best qualities only; forgetting that since it is *average* English wheat, and not the best English wheat alone, which is our standard of comparison, it would be unfair to ground our calculations on the price, in the Dutch market, of any description of wheat which is of higher quality than average English wheat. It is not with Holland as it is with Odessa. Average Odessa wheat is inferior to average English wheat, by about one-sixth. The average of the wheat which is sold in the Dutch markets is inferior to average English wheat, by three or four shillings per quarter at the utmost. The statements which we have exhibited give something less than 48s. as the average price of the average wheat which is sold in the market of Rotterdam. To this, add 4s. for the difference in quality between that average and the English: and this calculation gives 52s. for the price at which, in ordinary years, wheat equal to average English wheat, could be imported. And this is the same conclusion at which we had previously arrived, from a calculation founded on an estimate of the remunerating prices in the principal exporting countries.

The average price of wheat would therefore be reduced eight or nine shillings per quarter, by the opening of the trade. This fall of price, though quite sufficient to give a great relief to the consumer, is nothing compared to that which we were taught by the agriculturists to expect as the inevitable consequence of a free importation of corn. These gentlemen, indeed, in their pathetic appeals to the compassion of the public for protection against the utter ruin in which they would have it believed that the repeal of the Corn Laws would involve them, seem to have forgotten that this kind of argument cuts two ways; that if it tells in their favour, it tells still more strongly against them; that if the price of corn really is kept, in consequence of the Corn Laws, so much higher than it would otherwise be, these laws are only by so much the more insufferable a nuisance, and their repeal only by so much the more imperatively required.

Without disguising our opinion that the repeal of the Corn Laws would lower the average price of corn, we can supply the landlords with topics of consolation which, if duly appreciated, are fully sufficient to make them readily acquiesce in this most important of all commercial reforms. For if it be of consequence to them to have a high price, it is also of very great consequence to have a steady one; and it may fairly be doubted, whether they gain so much, by a higher average rent, as they lose by the constant fluctuations which are the necessary effect of the exclusion of foreign corn.

A country which freely admits the corn of all nations into its market, is scarcely ever exposed to either of the opposite evils of excessive dearth or ruinous depression. If there be a bad harvest in one country, there is a good one in another; and the surplus produce of the latter supplies the deficiency of the former, thus saving the one country from the evils of famine, and relieving the agriculturists of the other from the ruin attendant on an extraordinary depression of price. But a nation which denies itself the power of supplying its wants from the resources of foreign countries, becomes dependent for its supply of corn, not upon the annual produce of the whole world, which may be regarded as tolerably uniform in its quantity, but upon the goodness or

badness of the harvest in a particular country, which, from the vicissitudes of the seasons, may vary so much as to occasion the most distressing fluctuations of price.

There is nothing in political economy more certain, than that a small variation in the supply of such a commodity as corn, produces a much more than proportional variation in price: a proposition which Mr. Tooke, who has explained so many of the complicated phenomena of prices, has shown to be as conformable to observed facts, as it is to sound reasoning.

In most other commodities an increase of price induces the purchasers in general to restrict their consumption, and the rise of price, therefore, is little more than proportional to the falling-off in the supply. But corn is a commodity of which, whatever may be its price, all are desirous of consuming the same quantity as before; being willing to renounce almost every other comfort, rather than diminish their consumption of so important a necessary of life. They bid, therefore, against one another, until the poorer competitors are driven out of the market from mere necessity. If the deficiency be considerable, the amount of misery produced baffles all calculation. Wages do not rise in proportion, for wages are affected only by *permanent* variations in price; the whole weight of the evil is, therefore, thrown upon those who are least able to bear it. The poorest class of labourers are deprived of the food which is absolutely essential to well-being, and the class immediately above them are compelled to sacrifice almost all their other comforts, in order to obtain their usual quantity of bread.

Though the farmers, in bad seasons, have less corn to sell, yet if foreign supplies be excluded, the value of their produce is increased, more than its quantity is diminished, and it is more profitable to them to sell a million of quarters, at 100s. per quarter, than 1,200,000 at 60s. These accordingly are the halcyon days of agricultural prosperity. If the high prices, from a succession of bad seasons, continue (as during the late war) for a number of years, the farmers grow rich, rents are punctually paid, new leases are granted at increased rents; both farmers and landlords are tempted to increase their domestic expenses; the farmers, allured by the prospect of high prices, continue to apply additional capital to the soil; commons are inclosed, new and expensive modes of cultivation are introduced, and a foundation is laid for that ruin which necessarily follows on the successive return of two or three abundant harvests.

For it is not more certain that a small deficiency produces a great enhancement of price, than that a trifling excess often occasions an inordinate depression. No doubt, when any class of the community was before insufficiently provided with food, an increased consumption is the probable consequence of a fall in price; the increase of consumption, however, is rarely, if ever, proportional to the excess of supply, since they, who already had food enough, are under no inducement to consume more. In a state of freedom the surplus produce would find a market abroad, as soon as the price had fallen sufficiently to indemnify the exporter for the expenses of transit. But, when by a system of restriction the average price of corn has been raised in any country much above that which is the average price in other countries, an abundant harvest becomes not only a curse to the farmer, but a curse from which there is no relief. His corn is raised at an expense far exceeding the cost of production abroad, and that

which is a remunerating price to the foreigner, would to him be absolute ruin. If he exports, he must submit not only to the payment of the expenses of exportation, but to the loss of all the difference between the cost of production at home, and the price abroad. If the average home price is, by the effect of the Corn Laws, kept 10 per cent above the price abroad, he can obtain no vent for his surplus produce in the foreign market, but by a sacrifice of 10 per cent and the cost of carriage in addition.

To a period, therefore, of dearth and agricultural prosperity, succeeds a period of plenty and agricultural ruin. The inferior lands are thrown out of cultivation, and the capital which has been expended on them is utterly lost; the poorer class of farmers become insolvent; the landlords receive no rent, or if they receive any, receive it out of the capital of the tenants; the provisions for children, and other fixed charges, which were a moderate burden upon their former incomes, now swallow up the whole; and the ruin both of landlords and of tenants is accelerated by their inability to renounce in adversity those expensive habits which the former high prices had encouraged them to contract.

As if it had been resolved that all possible varieties of absurdity should meet together in a single enactment, even the subordinate arrangements are nearly the worst which could be derived, for that very class whose interests they are intended to promote. If importation were permitted at all times, subject to a high duty, the evils of great fluctuation would indeed be unavoidable; the agriculturists would be ruined in periods of abundance; but they would at least be assured of prosperity in periods of scarcity. But now, when importation is prohibited until corn shall have attained a certain price, and even then permitted only for a few months, the importers being compelled to hurry their corn into the country, without having time to form a judgment as to the causes of the scarcity, its extent, or probable duration, have no means of ascertaining how much corn is wanted, and much more than is wanted is frequently brought; the price is proportionally, or more than proportionally depressed, and at a time when the farmer, having an unusually small quantity, has the greatest occasion for a high price, he is forced to content himself with what would not perhaps be an adequate remuneration even in an average year.*_

If the landlords would attend a little to these, and some other effects of the restrictive system, we should no longer hear them clamouring, as so many of them have done, for a protecting duty of 20, 30, or 40 shillings. Can it be doubted that a steady price, though at a somewhat lower average, is better for the landlord than an alternation of famine and glut, of exorbitant gains and absolute ruin?

Granting that his rents will be higher; granting that, for a few years, he may receive a larger sum than he would have done if no such monopoly had existed; still it will be difficult of proof, that a system by which his tenant is injured can be a beneficial one to him. Let us look at his situation; he has a large income, perhaps, and lives in a corresponding style of splendor and comfort; his establishment is upon a proportionate scale; his agencies, his allowances to his children, his subscriptions, in short, all the various charges of this description are settled accordingly. During the period of deficiency, his rents are paid; but the period of abundance is as alarming to him as to the farmer, for then his account is made up of small actual receipts and a

long column of arrears; but his expenses remain for some time undiminished; and as he also considers this state of things temporary, he is not willing to make such an alteration, as, if permanent, he would be compelled to do. Some of his out-goings cannot be diminished; if he before lived up to his income, it is quite clear, this year, he must live much beyond it. The frequent recurrence of such periods would place the landed interest of this country in the same situation as the West-India planter; and whoever really wishes to promote their welfare, would choose any other state than that, to which to assimilate theirs.* —But supposing a proprietor to have his land thrown upon his hands; supposing it beggared, impoverished, and exhausted; supposing his buildings without repair, his hedges and gates neglected, to all which the distress of the farmer must tend; how can the system be a permanently beneficial one to him? (*Whitmore*, pp. 58-60.)

It should also be remembered, that the corn which we might import, would not be gratuitously bestowed upon us by the foreign producers: it would be well if it were, but unhappily they are not so generous. They demand our manufactures in exchange; and if the raw material of those manufactures be of home growth, the production of that material would open a new channel for the profitable employment of agricultural capital. Suppose that we were regularly to import corn from Dantzic or Odessa, and pay for it in Yorkshire cloths, the produce of English wool; much of the land, which they tell us would lie waste, might be profitably laid out in sheepwalks for the production of this wool. Not to say that it would *all* be ultimately employed in this or some other way equally advantageous to the landlord, since the repeal of the Corn Laws could not fail, by raising profits, to stimulate accumulation and promote the increase of population to such a degree, that all but our very bad lands would speedily be wanted for pasturage, and for the growth of such products as must necessarily be grown at home, though every quarter of corn which we might require should be imported. The free importation of corn in this respect resembles an improvement in agriculture, which, though it may lower rent for a time, is ultimately beneficial even to the landlord himself.

The landlord should consider, that if he has an interest opposed to that of the community, he has also an interest in common with them: that, if, on the one hand, he may prosper at their expense, he cannot fail, on the other hand, to be a sharer in their prosperity also. It is his interest, as well as theirs, to eat cheap corn; it is his interest, as well as theirs, not to be burthened with a heavy parochial assessment, to provide for the starving labourers in seasons of dearth. And if all these considerations should fail of convincing him that he would not be to any great extent a loser by cheapness of corn; let him throw the happiness of thousands and millions of his countrymen into the scale.

To those landlords, however, in whose minds inveterate habit has created so intimate an association between the robbery of the public and gain to themselves, that if they can but make others pay, they find it not possible to conceive that they should not be gainers by it, we have only to say, if they will have it, that if what is a blessing to all the rest of the community, is an injury to them, they must even pocket the loss, and make the best of it that they can. For the stale sophisms, which answered very well formerly, will go down with few people now; so few, that it is scarcely necessary for

us to notice them: since, however, this inquiry would not be complete, were we not to make some mention of the more prominent among these sophisms, we will trespass somewhat longer upon the patience of the reader for that purpose.

They say, then, that there is danger in depending for any part of our supply of so important an article as corn upon the will of foreigners, with whom we may be at war, and who would have it in their power, by prohibiting exportation, to involve us in all the miseries of famine. "This argument," says Mr. Mill (*Elements of Political Economy*, 2nd ed. pp. 197-8), "implies an ignorance, both of history and of principle; of history, because, in point of fact, those countries which have depended the most upon foreign countries for their supply of corn, have enjoyed, beyond all other countries, the advantage of a steady and invariable market for grain: of principle, because it follows unavoidably, if what, in one country, is a favourable, is in other countries an unfavourable season, that nothing but obtaining a great part of its supply from various countries can save a nation from all the extensive and distressing fluctuations which the variety of seasons is calculated to produce. Nor is the policy involved in this argument better than the political economy. It sacrifices a real good, to escape the chance of a chimerical evil; an evil so much the less to be apprehended, that the country from which another derives its supply of corn is scarcely less dependent upon that other country for a vent to its produce, than the purchasing country is for its supply. It will not be pretended that a glut of corn in any country, from the loss of a great market, with that declension of price, that ruin of the farmers, and that depression of rents, which are its unavoidable consequences, is an immaterial evil."

Mr. Whitmore makes on this subject (p. 87) the following very pertinent observations:—

Upon this subject, however, we may proceed upon proof and experience, and need not, therefore, trust to general reasoning. It is well known that this country constantly imports nearly all the hemp it uses; it is equally clear, that, if deprived of it, the consequences to us, a maritime and commercial people, would be to the last degree injurious. If there be one article more than another, of which an hostile country would wish to deprive us, it would be this very article of hemp, which may fairly be considered the sinews of naval warfare. But were we ever deprived of it? Was there ever any serious obstruction, either to our naval armaments or to our commercial speculations, arising from a deficiency of this important article? If not, it is chimerical to imagine that we should ever be deprived of the corn we are in the habit of importing.

It is further alleged, that the various classes of manufactures are protected from foreign competition, and for this reason it is contended that the landlords ought to obtain a similar protection. To this objection also we shall reply in the words of Mr. Mill—*Elements* [2nd ed.], pp. 198-200.

In the first place, it may be observed, that if this argument is good for the growers of corn, it is good for every other species of producers whatsoever; if, because a tax is imposed upon the importation of woollens, a tax ought to be imposed upon the

importation of corn, a tax ought also to be imposed upon the importation of every thing which the country can produce; the country ought, in short, to have no foreign commerce, except in those articles alone which it has not the means of producing. This is a reduction to absurdity which appears conclusive. The argument moreover supposes that an extraordinary gain is obtained by the manufacturer, in consequence of his supposed protection; and that a correspondent evil is sustained by the corn-grower, unless he is favoured by a similar tax. The ignorance of principle is peculiarly visible in those suppositions, in neither of which is there a shadow of truth.

The man who embarks his capital in the woollen or any other manufacture, with the produce of which that of the foreign manufacturers is not allowed to come into competition, does not, on that account, derive a greater profit from his capital. His profit is no greater than that of the man whose capital is embarked in trades open to the competition of all the world. All that happens is, that a greater number of capitalists find employment in that branch of manufacture; that a portion, in short, of the capitalists of the country employ themselves in producing that particular species of manufacture, who would otherwise be employed in producing some other species, probably in producing something for the foreign market, with which that commodity, if imported from the foreign manufacturer, might be bought.

As the man who has embarked his capital in the trade which is called protected, derives no additional profit from the protection; so the grower of corn sustains not any peculiar loss or inconvenience. Nothing, therefore, can be conceived more groundless than his demand of a compensation on that account. The market for corn is not diminished because a tax is laid upon the importation of woollens; nor would that market be enlarged, if the tax were taken off. His business, therefore, is not in the least degree affected by it.

Not only is the existence of other monopolies no reason why the corn monopoly should be kept up, but the mutual support which every monopoly lends to every other, is one of the strongest reasons why they should all be destroyed. Every monopoly annihilated, takes one member from the confederacy; leaves one restriction less to be appealed to as a justification for others; adds something to the number and strength of those interested in freedom of trade, and takes something from the mass of interest enlisted on the side of restraint. The Corn Laws are not merely to be viewed as the cause of those evils which directly and immediately flow from them. They are to be judged, not only by the evil which they do, but by the good which they prevent from being done. If the landlords had no longer a monopoly of their own, they would no longer, perhaps, uphold the monopolies of others. It is no more their interest than it is that of the public, to pay dear for their goods; and the *protection of manufactures* might find fewer supporters in a certain honourable House, were it not for the necessity of conceding something to those who might be dangerous enemies to the protection of agriculture.

Nor are the mischievous consequences of our Corn Laws confined to this country. Who can know to what extent they may have served as a motive or as an apology for equally pernicious monopolies in other countries? But for the parliamentary slang of protecting agriculture, America might never have conceived the ridiculous idea of

protecting manufactures; since this is the cant word which custom has appropriated to those measures by which a nation renounces the benefit of all the peculiar advantages which nature has bestowed upon her in the production of particular commodities. The late Russian Tariff is believed to have been partly intended as a measure of retaliation upon us; and the last Corn Circular of Messrs. Almonde and Behrend observes, "It has been rumoured that our government intends to retaliate, or at least to meet the present prohibitive system of the Western countries by a similar measure as regards several expensive articles of importation which are not in the number of the immediate necessities of life; but little good," they add, "is expected from such a measure, as it would, perhaps, tend to annihilate trade altogether."

Were the exclusion of foreign goods a real advantage instead of a positive evil, it would yet be expedient for a commercial country to sacrifice this advantage, in order to obtain in its turn a similar concession from other countries; on the same principle on which every man would find it his interest, even if there were no laws, to refrain from picking his neighbour's pocket, lest by so doing he should provoke his neighbour to perform a similar *manœuvre* upon his.

We are continually calling ourselves a trading nation; and we boast of our commerce, no doubt very justly, as one of the grand sources of our wealth. Yet, who ever heard of a commerce which was not mutual? How can we expect to export without importing? or of what advantage would it be to us if we could? since, demonstratively, it is the imports alone, from which the benefit of foreign commerce is derived. Nobody is enriched by giving any thing away. Should we grow rich by exporting all that we have, and importing nothing? How truly, then, do we misunderstand our own interest, if we attempt to sell our own commodities to foreigners, and yet refuse to take theirs in exchange!

We wonder that it has never occurred to those governments, from whose territories we draw our foreign supplies of corn, to punish us for refusing to take their corn regularly, by not permitting us to take it at all. The foreign agriculturist, as he can never reckon upon our demand, of course never produces a corresponding supply; and we, if our price rises to 70s. rush in and carry off part of a crop which was not more than sufficient, perhaps was not sufficient, for the supply of the country from whence it was drawn. The extent to which this evil may be carried is little conceived in this country. Mr. Behrend informs us, that the cessation of our demand for Polish corn, since 1818, has caused such a falling-off in the supply, that were it suddenly to become known that 600,000 quarters of wheat would be speedily wanted for importation into England, he should expect the price in the Dantzic market to mount up at once to 120s. or 140s. And at no price, he says, in the present state of cultivation, could Poland furnish us with as much corn as she did in 1816. Thus, if our Corn Laws should not be repealed, two or three bad harvests may be expected to bring on us all the evils, not of dearth alone, but perhaps of actual famine.

It has been said, that although the home-growers have no claim to be more favoured than the importers, they have a claim to be equally so: that the home-grower is subject to many taxes, from which foreign corn is exempt; and that a countervailing duty

ought, therefore, to be laid upon the importer, equal to all the taxes which fall on corn of British growth.

If, in this country, raw produce were the only article subject to a tax, this argument would be perfectly just. It is now acknowledged that taxation should be so regulated as to disturb as little as possible that distribution of capital, to which the interests of individuals would lead in a state of perfect freedom. A premium should be given neither on importation nor on home production. A law which forces us to import our corn is as bad as a law which forces us to grow it at home. In both cases, the effect is, that we pay dearer for it than we ought.

But when other commodities are taxed as well as corn, we think, with the writer of the article already referred to in the *Edinburgh Review*, that the agriculturists are not entitled to a countervailing duty, unless they can show that they are more heavily taxed than other classes of producers; nor ought the duty even then to exceed the difference between the burthens of the agriculturists and those of others. The reason is, that if all commodities of home production are taxed exactly alike, even without countervailing duties, it is the same thing, with respect to trade, as if they were not taxed at all; since prices are not higher than if there were no tax, and there is no motive therefore to import any thing, which there would not be a sufficient motive to import in a state of perfect freedom. A protecting duty, in that case, would be a premium on home production, and, therefore, injurious. But if commodities are taxed unequally, those which are most highly taxed, rise in price, and there is an immediate motive to import them from abroad, paying for them in those which are less heavily burthened. To prevent this, therefore, there is need of a countervailing duty, equal to the difference between the two rates of taxation.

Should it appear, then, that agricultural produce is subject to higher taxation than manufactured goods, a countervailing duty would be required. The *Edinburgh Reviewer* is of opinion, that an *ad valorem* duty of 10 per cent would be amply sufficient.^[*] This would be equivalent to five or six shillings per quarter. But a fixed is obviously preferable to an *ad valorem* duty, as the latter, increasing with the price, falls heaviest in dear years, when it is of the greatest consequence that importation should be free. Should the time come, as come it must, when the tithe-tax shall cease to exist, the import duty may be totally discontinued.

Mr. Ricardo, who concurred in Mr. Whitmore's recommendation of a fixed duty of 10s. per quarter, advised, however, as a measure of indulgence to the agriculturists (to give them time for gradually withdrawing their capital from the land), that the duty should be originally fixed at 20s. and lowered 1s. every year until reduced to 10. We shall be believed when we say, it is with the greatest hesitation we presume to differ from so great an authority; but we fear, that, in general, these gradual changes, which are intended as a boon to the producers, are felt rather as an evil than as a good, even by those for whose benefit they are designed. On a recent occasion, when, to save the silk manufacturers from loss, the period of the reduction of the silk duties was postponed for a year, the silk manufacturers themselves very generally complained, that they would have suffered less from the immediate operation of the measure, than they did from the stagnation of business which was the consequence of the delay; and

we suspect, that if the gradual reduction, proposed by Mr. Ricardo, were adopted, the anticipated fall of price would occasion so general an indisposition to lay in any quantity, beyond what was wanted for immediate consumption, as might involve the producers in all the evils of a glut. We believe, therefore, that the introduction at once of that system which is intended to be permanently established, is the most desirable course for the agriculturists, as it certainly is for the rest of the community.

We cannot conclude these observations without again reminding our readers, that if ever there was a time when it was of importance that the public opinion should strongly and loudly declare itself upon this question, it is now. Mr. Whitmore has pledged himself to bring the subject before parliament in the present session.^[*] The good disposition of a portion of the ministry on this question is well known; of that enlightened portion to whom we are already indebted for the abolition of that worst of taxes, the duties on law proceedings; for the opening of the silk trade; for the free, or virtually free exportation of wool; for the partial abandonment of that ludicrous policy, which forms the basis of our navigation laws; and (in a great degree) for the repeal of those barbarous statutes, which were expressly designed to keep down the wages of labour.^[†] Ministers who have done thus much, will do more; and on the subject of the Corn Laws, they have already expressed the soundest opinions. Unfortunately, however, they are not all powerful in the cabinet; they will not always be in office, and should they continue as long in power as it is our wish that they may, they will need all the support which public opinion can give, to carry the repeal of the Corn Laws against half the cabinet, and the whole of the landed aristocracy.

We have given our praise, as we shall always give our censure, where we feel it to be deserved; nor is there any inconsistency in praising ministers, and censuring those institutions, under which such men are prevented from wishing all the good which they might do, or from doing even all that which they wish. Measures, not men, is our motto; and, had we a government constituted as we desire, we should not wish its administration to be placed in better hands. Freed from the trammels of sinister interest, they would then follow where their better inclinations would lead. And when we consider what is the ordinary effect of power upon the human mind, and what sort of beings ministers usually are; that persons situated as they are should have the smallest sympathy with the public, is a degree of merit which we scarcely know how sufficiently to praise. Should they succeed in relieving the community from the intolerable scourge of our Corn Laws, they will be justly considered as the wisest and best ministers whom this country has ever produced.

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PAPER CURRENCY AND COMMERCIAL DISTRESS

1826

EDITOR'S NOTE

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The *Parliamentary History and Review* was designed by the Radicals to provide a comprehensive record of the debates in parliament and the parliamentary committees, with extensive critical comment on the proceedings and the issues. One volume of "History" and one of "Review" appeared in 1826, covering the session of 1825 (6 Geo. IV), and later in the same year another two volumes appeared, covering the session of 1826 (7 Geo. IV). The final issue was of one volume of "Review" in 1828, covering the session of 1826-27 (7 & 8 Geo. IV); the "History" was dropped because the debates had by that date become more readily available.

Paper Currency And Commercial Distress

the opening of Parliament in February, 1826, found the nation still in the crisis of one of those commercial revulsions, to which all commercial countries are liable, but which, partly from the unrivalled magnitude of our commercial transactions, partly from vicious legislation, are more frequent and more ruinous in our own country than in any other.

This great calamity engaged the immediate attention of Parliament, and led to the adoption of certain legislative measures, into the expediency of which we shall now inquire. Before, however, we can be competent to pronounce upon the efficacy of the supposed remedies we must be sure that we clearly understand the cause of the disease.

The proximate cause of the commercial crisis was *speculation*. It is not here intended to stigmatize all speculative transactions. Among the transactions so designated, are to be found many of the most useful operations of commerce. By speculations, we understand all mercantile transactions attended with more than ordinary risk: by rash speculations, those in which the risk is great, and the prospect of gain not a sufficient equivalent. The years 1824 and 1825 abounded in speculations of this latter

description. Very rarely, at any former period, have mercantile miscalculations been carried to so great a length. A vast majority of these enterprises failed; but not until, for the purpose of carrying them on, many persons had come under engagements, which nothing but the success of the speculation could enable them to fulfil. The speculations proving unsuccessful, these persons became insolvent; and their ruin drew after it that of many others, who had not speculated, but who were dependent, for the means of fulfilling their engagements, upon the fulfilment of engagements towards themselves by persons who had.

Speculation, then, was the cause of the revulsion. But what was the cause of the speculation? This is evidently a most important question; and it is one which we shall find the means of answering without much difficulty. The cause of the late speculations, as of most former speculations, was anticipated deficiency in supply.

This solution will appear strange to those who imagine that the events of last year were something peculiar and unprecedented—something so entirely novel that they could not have arisen but from causes which had never been experienced before. This is an opinion, however, which can be entertained by no one who is even moderately conversant with our commercial history. Not to look back to the calamitous periods of 1784 and 1793; the present is the *fourth* commercial revulsion of the same kind, which has happened within the last sixteen years alone. The first took place in 1810 and 1811; the second in 1814 and 1815. Both were preceded by an immense increase of speculation. The same phenomena occurred, though to a less terrific extent in 1819.*
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There was, it is true, the *appearance* of more speculation at the recent period, than at any of those above cited; because there were more *projects*: and the projects, or bubbles, as they were called, although they in reality bore a very small proportion to the totality of the speculations, were almost the only part of them which the more mercantile portion of the public saw, or dreamed of. But we ascribe little agency to these projects, comparatively speaking, in producing the distress. The speculations in shares extended only to a small portion of the mercantile community. Moreover, the projects which were really bubbles, that is, which were fraudulent, and were never intended to be prosecuted, mostly burst while the amount of the instalments which had been paid was as yet moderate; generally, we believe, not exceeding 1*l.* or 2*l.* per share. Of the *bonâ fide* projects, a great proportion still continue to be carried on; and may yet turn out, some of them undoubtedly will turn out, advantageous investments of capital. During the general infatuation, exorbitant premiums, it is true, were given for shares in the more promising of these undertakings; and to those who purchased when shares were at the highest, the profits of the enterprise will never yield any thing like an adequate remuneration. It could, however, be no secret to the most sanguine projector, that the returns, even to the most successful of these schemes, must be distant. With this knowledge, it is extremely improbable that the honest purchaser should have invested a larger sum in shares, than he could afford, at least, to wait a considerable time for the repayment of. And as for those who bought shares at a price which they knew that no rational calculation would warrant, in the hope of finding dupes, or knaves of their own stamp, to purchase them again at a further advance, we

cannot say we greatly regret that their plans should have been thwarted, though it be at the expense of some loss and some inconvenience to themselves.

The speculations, by the failure of which so large a portion of the mercantile community has been brought to the brink of ruin, and so many actually ruined, were of a different kind. Their character was, not the investment of capital in new enterprises, but an enormous and improvident extension of dealings in many of the established lines of business. The proper name for these speculations is *over-trading*. The phenomena of over-trading are so little understood out of the mercantile circles, that a short exposition of them will be read with interest; and without it, we fear that much of our subsequent reasoning would scarcely be intelligible.

It is well known that there are dealers who are constantly upon the watch for every symptom either of an actual or a prospective increase of demand, or deficiency, in the supply of any article of general consumption. The moment any such symptom is perceived, these dealers come into the market and purchase, in order to profit by the rise of price which will take place when the deficiency, or the increase, of demand becomes known. Their purchases produce an immediate rise. The articles hence appear to be *looking up*: expectation is excited that they will rise still higher; and additional speculative purchases are made upon this prospect. In this manner, the prices of the articles which are the subjects of speculation, undergo a progressive rise; which will be greater or less, according to the strength of the impulse which has been given to the spirit of speculation. If the expected increase of demand, or deficiency of supply, be moderate, and not calculated to inspire great hopes of immense or rapid gains, the rise of price is probably not more than sufficient to call forth the required addition to the supply, and to produce, in the meantime, the necessary limitation of consumption. In this case, no loss is sustained, and the effects of the speculation are purely beneficial. But if the expected increase of demand, or deficiency of supply, be so considerable, as to produce anticipations of a great and rapid rise of price; and if these anticipations extend to several articles of general consumption at once; they give rise to what is frequently, though erroneously, called *general over-trading*. The few who watch prospectively the signs of future supply and demand, anticipating a great rise of price, make considerable purchases. These purchases produce a considerable immediate rise: and this in its turn tempts the many, who look no further than to the immediate turn of the market, to purchase in expectation of a still greater advance. These speculative purchases produce the very effect, in anticipation of which they were made. A progressive and rapid rise takes place; the holders of all the articles to which the speculation extends, appear to be making fortunes; and a general rush of capital takes place into those employments. Increased speculative purchases raise the price far beyond what the prospect of deficiency, or of increased demand, will justify. Immense orders are sent abroad, if the articles belong to the class of imported commodities; thus raising their price in the foreign market: if they be articles produced at home, equally extensive orders are given to our own manufacturers. Every one calculating upon being before-hand with all his competitors, provides himself with as large a stock as he thinks that the market will take off; not reflecting that others, equally with himself, are engaged in adding to the supply, nor calculating upon the fall of price which must take place as soon as this increased quantity is brought to market. The deficiency is soon changed into an excess. The first who come

into the market realize at the high prices, and make, or appear to make, enormous gains. An additional stimulus is thus given to the frenzy, and prices at length rise to such a height, as to induce a considerable number of the holders to think of realizing. Then commences the fall of prices. This operates as a signal to all the other holders to hurry their stocks to market, in order to secure what they can before the price relapses to its original level. The recoil is hence almost instantaneous. Not only do prices fall to the level from which they rose, but, from the increased quantity which has been imported or produced, they fall lower; commonly much lower. Of those who have bought largely at the high prices, a great proportion are ruined. Those who have contracted to take large additional quantities from the manufacturers, are unable to perform their contract; and the stocks remain in the warehouses of the producers, many of whom become unable to fulfil their engagements, or obtain the means of fulfilling them by forced sales, at an enormous loss. The failure of a few great commercial houses occasions the ruin of many of their numerous creditors. A general alarm ensues, and an entire stop is put for the time to all dealings upon credit: many persons are thus deprived of their usual accommodation, and are unable to continue their business. It is unnecessary to multiply details.

Such is the *rationale* of a period of over-trading. Every merchant, who remembers the commercial revulsions of 1810-11, and 1815-16, will testify that such are the events which always follow the opening of new markets, the expectation of deficient supplies, every thing, in short, which excites a confident hope of rapid gains. The additional supplies necessary are enormously over-estimated, enormous over-production and over-trading take place, the market is glutted, the holders suffer immense losses, many of them become insolvent, and their ruin draws along with it the ruin of many among the many others, who have given them credit, confiding in the enormous wealth which they appeared to have the power of realizing during the continuance of those high prices of which their own purchases were in a great measure the cause.

The speculation and over-trading of the years 1824 and 1825, had their origin in a state of circumstances precisely similar. They are thus explained by Mr. Tooke, in his work intituled "Considerations on the State of the Currency:"

The close of each year is the period at which, by annual custom, the stocks of goods on hand, and the prospects of supply and consumption for the coming season, are stated and reasoned upon by merchants and brokers, in circular letters addressed to their correspondents and employers. By these circulars it appeared, that of some important articles the stock on hand fell short of that at the close of the preceding year. From this the conclusion was more or less plausibly deduced, that the rate of the annual consumption of these articles was outrunning the rate of the annual supply, and that an advance in price ought to take place; at the same time there were, as in the case of cotton and silk, confident reports of failure of crops, or other causes, which would inevitably diminish the forthcoming supply. Expectation of scarcity was thus combined with actual deficiency in exciting the spirit of speculation. . . . The impulse to a rise having been given, and each succeeding purchaser having realized, or appearing to have the power of realizing, a profit, a fresh inducement appeared at every step of the advance, to bring forward new buyers. These were no longer such

only as were conversant with the market; many persons were induced to go out of their own line, and to embark their funds or stretch their credit, with a view to engage in what was represented to them by the brokers as a certain means of realizing a great and immediate gain. Cotton exhibited the most extraordinary instance of speculation carried beyond all reasonable bounds. Silk, wool, and some other articles, in which some advance was justified by the relative state of the supply and demand, became the subject of a speculative anticipation, and advanced much beyond the occasion.*_

It is evident, that what is lost to one person, in these fluctuations, is gained by another. In the view of national wealth, therefore, except to the extent of that portion of the gain which falls to the share of foreigners, together with the loss of interest on the capital which lies unemployed during the stagnation, the evil of such vicissitudes is small. In the view of national happiness, it is undoubtedly great; and the legislature, therefore, would be highly culpable in not applying a remedy, if a remedy were within the reach of legislation. But the cause of the evil is one which legislation cannot reach—the universal propensity of mankind to over-estimate the chances in their own favour. While this propensity subsists, every event which stimulates hopes, will give rise to extensive miscalculation; and every miscalculation upon a sufficiently extensive scale, will terminate in the ruin of multitudes. All that we are entitled to hope is, that as the world grows older it may grow wiser; that the time may come, when, in addition to reading, writing, and arithmetic, it may be thought not unnecessary for a young man who enters into a merchant's counting-house, to possess some knowledge of the circumstances which regulate the prices of commodities; that when improved education shall have been followed by improved mental habits, and when the liberation of trade from the restraints under which it now labours, and which so greatly aggravate all fluctuations, shall have given sober calculation a solid ground to rest upon, sober calculation may gradually take the place of gambling; that traders may one day acquire sufficient prudence to abstain from risking their own property in *rash* speculations, and sufficient probity to abstain from risking in *any* speculations the property of others.

His Majesty's Ministers saw the subject in another light. The root of the evil, in their opinion, lay much nearer the surface. According to them, the over-trading, and the revulsion which succeeded it, were either produced, or greatly heightened, by the system of our *currency*. Two laws were accordingly passed, by means of which, changes of considerable importance were made in the system of our currency. By the one, it was enacted, that no promissory notes, under the value of five pounds, should circulate beyond the 5th of April, 1829: By the other, the exclusive privileges of the Bank of England were so far curtailed, as to permit the establishment, at a distance not exceeding 65 miles from London, of banking associations with an unlimited number of partners.*_

The observation which first suggests itself, on the subject of these specimens of legislation, is, that they were enacted in a hurry. Legislation, like most other kinds of business, when it is performed in a hurry, is not very likely to be performed well. When, indeed, an enactment does no more than carry into practice, principles, either obvious in themselves, or universally admitted by all well-informed persons who have directed their attention to the subject; provided, also, that the applicability or

inapplicability of those principles to existing circumstances, depends upon facts, all of which are so obvious and familiar, as to be in no danger of being either mistaken or misinterpreted; it may then be safe to legislate, even in a hurry: And we do not deny that there may be dangers so imminent, as to justify the adoption even of an uncertain remedy, provided it be an immediate one. But no such danger existed in the present case. Nor was the purpose of this hasty legislation the mitigation of immediate suffering; which might have been some excuse for precipitation. It was never contended that the proposed measures had any tendency to alleviate the existing distress. It was even admitted, that the small-note measure was calculated to aggravate the distress, by discrediting an important part of the circulation; by which means the currency was further contracted, and additional force given to that recoil of prices, which was the immediate cause of the distress. As little could it be said that the suppression of the small notes was a measure borne out by received principles. Its proposers themselves never asserted, that the received principles were in its favour. They fully admitted that it was repugnant to received principles; but maintained that those principles, however plausible in theory, had been disproved by recent experience. With these representations before it, Parliament knew so little, or cared so little about received principles, that it was quite contented to set them aside on mere hearsay; being perfectly satisfied with the *word* experience, without giving itself any concern about the *thing*, or taking even so much trouble as would have been necessary to ascertain whether the supposed facts, on the ground of which it was thus called upon to renounce its strongest convictions, were really facts, or suppositions of the most unwarranted kind.

First appearances, indeed, had been sufficiently in favour of the ministerial theory, to enlist in support of it a large proportion of the public of all ranks, and of the public press. Long before the meeting of Parliament, a loud cry had been raised for the suppression of the small notes. Those who raised this cry, had seen, of the circumstances of the case, just so much as they could not help seeing, namely, the failure of banks, and the distress of many poor persons, who held the notes, especially the small notes, of those banks. To have seen thus much, required nothing but eyes; to see any thing further, required eyes, and a mind, capable of directing those eyes. All, therefore, who possessed the former, but were destitute of the latter, unanimously agreed, that the small notes ought to be suppressed. Uncultivated minds, minds unaccustomed to dwell upon any ideas beyond those of the immediate objects of sense, always jump at once from the good or evil which they see or feel, to the physical substance, the visible or tangible object, which sight or touch exhibits to them in the character of an instrument. In this point of view, there is no denying that the small notes were the cause of whatever losses were sustained by the holders of those notes; for certain it is, that, had there been no small notes, no person could have lost any thing by holding them. But we submit, that whatever was thus lost, was lost not by any pestilential quality in the piece of paper itself, but simply by the *insolvency* of the issuers. If, therefore, it be practicable to take perfect securities, that no person shall issue notes who does not possess property more than sufficient to meet their amount; it does appear, that the very possibility of loss to the holders of the notes would be completely obviated. That it is practicable to provide such securities, we have never yet found any person to deny; and something, though by no means enough, was done by one of the ministerial measures, towards providing them. Those

members, who introduced into the discussion on the small notes, pathetic descriptions of the misery occasioned by the failure of a country bank, might have reflected that the debate on the Bank Charter Act^[*] was the occasion on which such descriptions would have been in place.

We do not accuse ministers of having acted upon views so superficial as those which, we are persuaded, alone influenced the ignorant part of the public in the cry which it raised against the small notes. Ministers were well aware that the question turned upon far other considerations than these. But although they confessed that they were abandoning the established principles, they do not seem to have reflected, that to justify the abandonment of established principles, the most perfect knowledge that was attainable was not more than enough. After ascertaining the few facts which could be got at by merely ordering a parliamentary return, they took every other fact for granted, which the establishment of their theory required.

Take, for example, the supposed fact, to which so much importance was attached; that the currency had been increased for some time previous to the commencement of any efflux of gold. No fact ever admitted more easily of being proved or disproved before a committee; but ministers had reasoned themselves, or rather had been persuaded by others, into a belief that it *must* have been so; and, this settled, it was not considered needful, though it were only for the purpose of silencing adversaries, to ascertain whether or not, in point of fact, it *had* been so. Take next the assumption, that the small notes had operated greatly to facilitate the speculation and over-trading of 1824 and 1825. Against this supposition no less than five counter-suppositions might be suggested; not one of which was met, or *could* be met satisfactorily, without that inquiry into the facts, which it was not thought necessary to institute. The banks which issued small notes may not have facilitated speculation at all. Or they may have facilitated it by their large notes, and not by their small ones. Or they may have facilitated it by their small notes, but, if the small notes were suppressed, they might have it in their power to continue facilitating it by their large ones. Or they might have power to facilitate it by means of some substitute for notes, and without the assistance of notes, large or small. Or, lastly, they may have facilitated it by their small notes, and may not have power to facilitate it by any other means; but the utmost facility which they may be able to afford to it may not be so considerable, as to outweigh the counterbalancing advantages of a small note circulation.

Had Parliament exerted all the means which it possessed of ascertaining every fact material to the case, the discordance of the facts with the theory would probably have rendered any other mode of combating it superfluous. These means, however, were not exerted; and we must now proceed to examine into the validity of the theory, by a method more laborious in the process, though equally certain in the result; by reasoning from the nature and properties of currency and trade. We are persuaded, that even by this means, we shall be able to disprove the theory in every one of its essential parts, and by arguments so cogent, that the non-production of so many facts will only injure the simplicity, without detracting from the conclusiveness, of our reasoning.

We shall begin by exhibiting, in one view, the whole of the case which was attempted to be made out against the small notes. It will be seen that the principal arguments were, in substance, arguments, not against a small-note currency in particular, but against a paper currency of any description. The advantage which, it was stated, would result from the suppression of the small notes, was, that there would be less paper, and more gold: and all which was said against the small notes resolved itself into this, that paper money was bad, but that the worst sort of paper money was the small paper.

The following, then, were the objections to a paper currency.

1. That even in non-speculative periods, a paper currency, although convertible into specie, by law, at the option of the holder, is yet liable to *over-issue*.
2. That in speculative periods there is always an over-issue, which, by producing a general tendency of prices upwards, heightens and prolongs the spirit of *speculation*: That, when at length the revulsion arrives, the destruction of the extra paper which has been called into existence by the speculation, renders the recoil of prices more violent, and for this reason more destructive: And that these circumstances have actually taken place during the last three years.
3. That when the paper currency is suddenly increased, (at least if it be a paper currency issued, as ours is, chiefly through the medium of loans), a fall takes place in the *rate of interest*, which, by diminishing the incomes of the owners of small capitals, induces them to engage in hazardous speculations: and that this also actually happened during the last three years.

We shall now proceed to examine the evidence of these three propositions, one by one.

1. *Over-Issue*.—The first proposition is, That even in non-speculative periods, a paper currency, although convertible into specie at the option of the holder, is yet liable to over-issue.

The whole force of this argument lies in the word *over-issue*. Over-issue, however, is a thing oftener talked of than understood. What is meant by over-issue? Unless there be some standard by which it may be judged what is over-issue, and what is fit and proper issue, it cannot be determined whether a paper currency is liable to over-issue or not.

Over-issue, is any issue whatever, which *depreciates* the currency. We are aware that we are not using the word depreciation in its strict sense. We use it as a short expression for *lowering the value* of the currency; or, what is the same thing in other words, raising general prices. We assert, then, that however extensive the issues may be, unless the value of the currency is lowered, there is no over-issue. If this be doubted, which we can scarcely believe, let the reader merely revolve in his mind what possible harm can arise (while the issuers are solvent) from any issue of paper which does *not* raise prices, or lower the value of the currency.

This being assented to, we next ask, how the value of the currency can be lowered by any issue of paper *which displaces an equal quantity of gold*? If the answer be, as it must be, *not at all*; and if it be further admitted, as it universally is, that *every* issue of paper displaces an equal quantity of gold, so long as there is an equal quantity of gold in the circulation to displace; the inference must be, that while there is an ounce of coined gold in the country, there is proof positive of the non-existence of any over-issue.

Most assuredly the speakers in Parliament did not state the case to themselves in this way. In the minds of most of them there seemed to be a disposition to regard any issue of paper whatever as an over-issue. Loud and incessant were the complaints, that one-pound notes and sovereigns would not circulate together. The Bank of England and the country banks, were charged with a dereliction of duty, in not contracting their issues when the exchanges indicated that they were driving gold out of the country. Now, if it be a sufficient objection against paper that it displaces gold, there ought not to be any paper whatsoever. Every note of the thirty or forty millions of paper which are now circulating in this country, displaced, when it was first issued, an equal quantity of gold. This is so obvious, and now so perfectly familiar to the merest tyro in the theory of money, that it does not stand in need either of illustration or of proof.

Since the paper, which costs nothing, performs all the functions of currency as well, the large notes indeed much better, than gold; while every sovereign exported causes the importation of a sovereign's worth of productive capital, or consumable produce; the country gains, by the substitution, the whole value of the gold. There is a gain to the currency in cheapness, while there is no loss in steadiness of value. The currency is altogether in a more perfect state than before. When an issue of paper *ceases* to displace a corresponding quantity of gold, then, and not till then, is the currency depreciated; then, and not till then, is there an over-issue. But this, by universal admission, cannot happen while the Bank continues to pay in specie on demand.

The above argument may be thus briefly recapitulated:

No issue of paper can be called an over-issue, which does not depreciate the currency:

It cannot depreciate the currency, if it displaces as much coin from the circulation as it adds paper:

By universal admission every issue of paper has this effect, so long as there remains a single sovereign in the country:

Therefore, so long as there remains a sovereign in the country, there has been no over-issue.

Thus far, the argument has nothing in it particularly complicated, or difficult of apprehension. We must here, however, observe, that to understand the rest of the discussion, the reader must keep constantly in view the principles already established; and, to be sure of keeping them in view, must dwell upon them before proceeding

further, till they are quite familiar. Nothing less will be just to the writer, or entitle the reader to expect either profit or pleasure from the ensuing part of the argument.

With this remark we resume the thread of the argument.

An objection has been made to the above reasoning. Admitting that every million of notes issued causes the export of a million of coin, it is contended that this effect does not take place till after a considerable interval; during which interval the currency is actually increased to the extent of the extra million; its value, consequently, depreciated to that extent; and whatever bad consequences arise from a depreciation of the currency (of which speculation is asserted to be one) take place during that interval.

If the matter of fact involved in this objection were correct, the inference from it would be indisputable. If it be true that a considerable interval must elapse before the increase of the currency is carried off by the export of gold, all the evils arising from a depreciated currency must be experienced in the meantime. We maintain, however, that the interval is very inconsiderable. And upon this point we join issue with the opponents of a paper currency.

We shall proceed to state the reasons which have been assigned for the opinion that a considerable time must intervene between the issue of paper and the consequent export of gold. These reasons will be taken from the ablest publications on that side of the question. We should have preferred to take them from the speeches in Parliament, had the speeches in Parliament afforded them. But the only reason which was urged in Parliament was contained in one word—*Experience*: a reason, which, so long as we are not informed *what* experience, proves nothing whatever, except the ignorance of its propounder.

The reasoning of those, upon the authority of whose publications Parliament adopted this opinion, was as follows:

Until the exchanges have turned sufficiently against us, or, in other words, until foreign bills have risen to a sufficient premium, to yield a profit on the exportation of the precious metals, they will not be exported. But the exchanges turn against us, only when we have a balance to pay to foreign nations. The only process, therefore, by which the issue of paper can cause the exportation of coin, is the following. It first lowers the value of money, and raises prices. In so far as this rise of prices affects exported commodities, it reduces the profit upon their exportation. In so far as it affects imported commodities, it increases the profit upon their importation. Importation is thus encouraged, and exportation checked; the imports exceed the exports, a balance becomes due, the exchanges fall, and gold is sent abroad. Every step of this process, it is asserted, requires some time; and in particular, a considerable time must elapse between the sending out orders for additional imports, and the period when payment for them has to be made. During this interval, therefore, the currency will be depreciated.

Our answer to this objection is as follows.

That *some* time is required to effect the process by means of which a quantity of gold is carried off equal to the paper which has been issued, cannot possibly be denied. But it is evident that, for the purposes of the present inquiry, the only material question is, *how much*? If it requires only a few days, or even one or two weeks, to carry off the increase of the currency, any depreciation which can take place during that interval, is of small moment. But if the depreciation continues for many weeks, or months, its consequences may be very serious indeed. Let us therefore consider by what circumstances the length of the interval will be regulated.

The effect of the issue of paper, is to raise prices. We shall not here inquire what period of time, if any, would elapse, before the rise of prices took place. Suffice it to say, that until it has taken place, the currency is not depreciated, and therefore no evil is as yet produced by the issue. But as soon as there occurs a rise in the price of any of the great articles of import, immediate intelligence is sent off to Paris, or Hamburgh, and the merchants of those places immediately make their arrangements for profiting by the rise. The celerity with which the operations of commerce are performed when there is an adequate motive for so performing them, is matter of universal notoriety. Extensive shipments would probably be made within a week after the receipt of the intelligence. Nor is it correct to say that these shipments would not affect the exchange until the goods came to be paid for by the English purchaser. They would affect it immediately. There are few merchants who would be inclined to wait till the goods were sold, for a return to their capital. There are many who could not. These would immediately draw upon their correspondents, or agents, in London, to whom the goods had been consigned, and carry the bill to a bill broker in Paris or Hamburgh, to be cashed. This would bring bills on London to a discount; or what is the same thing, the exchange would rise. The next post would carry this intelligence to London, and without a day's interval the London exchange would undergo a corresponding fall.

That the exchange cannot rise on one side of the channel without instantly falling on the other, it is quite unnecessary to prove to any mercantile man. But to those who are not familiar with the facts, we will explain in what manner the variation, which had taken place at Paris, in the exchange between the two countries, would communicate itself to London.

The speculators on the exchanges, hearing that bills on London were selling in Paris at a discount, or, in other words, that English money could be purchased at Paris for less than its worth, would immediately send orders to their Parisian correspondents to invest as much money as possible in bills upon London, at the favourable rate of exchange. In directing their agent to make these purchases, they, of course, must, at the same time, supply him with the means. For this purpose they would go to a London bill broker, and demand bills upon Paris. This demand would raise bills to a premium, in a word, lower the exchange.

Instead of a long interval, therefore, there is a very short interval between a depreciation of the currency and a fall of the exchange. Two days carry to Paris information of the rise of prices; eight or ten days, at the utmost, suffice for the shipment of goods; bills are immediately drawn upon London for the amount; the

exchange rises at Paris, and no sooner is this known in London, than a corresponding fall in the exchange takes place there. As soon as the fall in the exchange, or in other words, the premium on bills, becomes sufficient to cover the expense of remitting gold, gold is exported for the sake of drawing against it and gaining the premium.

The expence of remitting gold to France does not amount to one per cent: a depreciation of the currency, therefore, to that extent, would be sufficient, after an interval of a few days, to cause the export of gold. The slightest excess above the expense of transit, is a sufficient motive to those who speculate on the exchanges; a class of men proverbially keen-sighted, and who are contented with very small gains, on account of the rapidity and certainty of the return. The exportation would in fact begin even *before* the exchange yielded such a premium as would be necessary to render the speculation a profitable one. There are transactions in anticipation of profit, as well as transactions for immediate profit, in this line of business as in others. To give an instance: Mr. Haldimand, in his Evidence before the Commons' Committee on the resumption of cash payments in 1819, mentions that in the October preceding, when France had engaged for very large payments to foreign powers, "the Paris bankers, anticipating a great demand for bills upon all foreign countries, were remitting specie to meet the drafts which they intended to negotiate to the agents of all those foreign powers, with a small advance upon their remittance."^[*]

Among the individuals who are constantly engaged in watching the minutest indications of possible profit in this line, it is sufficient to name Mr. Rothschild, in order to convince the reader that neither immediate nor prospective gains are in any danger of being overlooked.

Let us now recapitulate the substance of our argument against the first proposition.

The proposition was, that a paper currency admits of over-issue. We have seen, *first*, that there is no over-issue where there is no depreciation; *secondly*, that there is no depreciation, where the paper issued drives out of the country a corresponding quantity of gold; *thirdly*, that it always does this, while the Bank continues to pay in specie: and does it after an interval too short for the depreciation to be productive of any material inconvenience while it lasts.

Having thus, as we think, completely disproved in theory the proposition of our opponents, let us now revert to the phenomena of 1824-25: and though, for want of evidence, we cannot trace accurately the connexion of the events, we can prove at least, that what is known of them does not afford any ground for adhering to an opinion, the fallacy of which in theory has been so clearly shewn.

The great increase of the currency, which took place previously to the commercial crisis, has always been ascribed, and with justice, to the speculations of that year. It will be shewn presently, that the prevalence of speculation always leads to an increase of the currency: in the meantime, as this is an admitted fact, we shall consider it, and reason upon it, as proved. The tendency to speculation first manifested itself in a more than ordinary degree, in the spring of 1824. It increased gradually during the remainder of that year, and reached its greatest height during the first three months of

1825. Now it was also in the spring of 1824, that the efflux of gold commenced. The exchanges turned decidedly against us in July of that year: And we have the authority of Mr. Tooke,^[*] (on whose part it may be regarded as an admission, since it makes against his theory), that a considerable amount of gold had found its way out of the country by other channels, some time previous to the turn of the exchanges. Here, then, is no proof that the exportation of gold does not take place till a considerable time after the increase of the currency. The evidence is not very conclusive; but such as it is, it makes against this opinion, not in its favour.

We may perhaps be told, that we do not make a fair statement of facts. It may be admitted, that the exchanges turned, by the time that the *speculations* had caused any increase of the currency. But the currency, it may be said, had been increasing in amount, for a considerable time previous to the speculations. The country banks had been extending their issues ever since the year 1822: and had increased them considerably before the spring of 1824. They are even in the habit of increasing their issues as corn rises in price: and yet, the increase never affects the exchanges, nor sends gold out of the country.

These facts are undeniable: and they lead to the consideration of a law of our currency, which has never been sufficiently attended to; this is, the dependence of its value upon the Corn Laws.

A rise in the price of agricultural produce invariably increases the issues of the country banks. The notes of the country banks are chiefly issued in discounts, or other advances, to farmers and corn dealers. When the articles in which these persons deal, appear to be rising in price, they apply to their bankers for greater advances, in order to obtain the means of holding back their stock till the price has reached its height. If the rise continues for some time, the farmers need greater advances, that they may be able to add to the supply; and all speculators in corn, at the higher prices, require a greater quantity of money to make their purchases. Add to this, that when corn is high, all persons whose property is corn can give better security, and can therefore more readily obtain whatever loans they require. In this manner the issues of the country banks are increased, and, we admit, without affecting the exchanges, or driving gold out of the country.

We maintain, however, that this is not the consequence of our paper currency, but of those laws which injure us in so many other respects as well as this—our Corn Laws. We affirm, that the country banks could not thus extend their issues if the trade in corn were free; and that a similar extension will take place, even under a metallic currency, while that trade continues under restraint.

These assertions we shall now endeavour to prove.

A circumstance which must by no means be forgotten, is, that when commodities rise in price, it really requires an increased quantity of money to circulate them. When corn and other agricultural produce rise in price, more money, by some means or other, *must* be had in the agricultural districts; and if it be not permitted to be produced upon the spot, it will be sent from London. This will cause a diminution of

the circulating medium in London, and a fall of prices there. As in other cases, so in this, a fall of prices will produce an increase of exportation. Under a perfectly free trade in corn, the increased exports would be paid for, as they naturally and properly should be, by that additional importation of corn which the rise in its price would occasion: there would, therefore, be no increase in the amount of our currency; it would only be differently distributed between town and country. Under a restricted corn trade, the case is widely different. Corn cannot be imported. Other imports will not be increased, but diminished, from the fall of their price in our market. In what, then, can the increased exports be paid for, but in gold? And will not this gold be as real an addition to the currency, as the country paper? Gold will flow in, until the vacuum is filled, which was left in the London circulation by the country demands; since the balance between the exports and imports will not be restored until prices have again risen to their former level. The addition, therefore, to the currency, and the fall in its value, will be precisely the same in amount, whether under a paper currency, or under a metallic.

Lest this general explanation of the process by which depreciation would be produced, even under a metallic currency, when corn was dear, should not be deemed sufficiently intelligible, we will now enter more minutely into the detail.

If, when corn is dear, there be need of additional loans in the agricultural districts, (which is the fact assumed by both parties as the basis of their arguments), the need would not be less under a metallic currency than under a paper. The farmers and corn dealers would still apply for increased advances; and as the country bankers are the great money dealers, to them the application would still be made. The country bankers, like the London bankers, would not cease to lend money, even though it were money manufactured by other people; and if they could not increase their issues, that would be no reason why they should not, if the security were good, increase their loans. Suppose then that they were prohibited from making loans in their small notes, in their large notes, or even in bills on London, they would not give up the point so long as any other medium was to be had; they would write to desire their agents in London to remit to them a sufficient quantity of Bank of England notes, or to exchange these notes at the Bank for specie, and remit the specie.*

If the Bank re-issue these notes, which it may safely do, here is an increase of the currency, just as much as if the country banks had made the increase themselves. If it do not, prices fall, and gold flows in, by the process which we have already explained.

We have now, as it appears to us, completely disposed of that argument against a paper currency, which is founded upon the fluctuations to which it is supposed to be liable, in non-speculative periods. We have shewn, that there is only one case in which the amount of our currency, relatively to that of our commodities, can be increased, without turning the exchange against us, and causing the immediate abstraction of the superfluous part of the circulating medium:—that this one case is that of a rise in the price of corn:—and that, although in fact our currency rises and falls in amount, as the price of corn rises and falls, this is a fluctuation by no means peculiar to a paper currency, but common to every currency in a country where there

are corn laws. It may consequently be added to the already long catalogue of the evils to which we are subjected by those pernicious enactments.

We are now prepared to pass to another head.

2.*Speculation*.—The second proposition is, That in speculative periods, if there be a paper currency, it is sure to be over-issued, and by producing a general tendency of prices upward, to heighten and prolong the spirit of speculation.

To this argument the same reply cannot be made as to the last. It would be in vain to say, that if the currency be increased in speculative periods, the exchanges will turn, and carry off the increase; for the increase of the currency which is produced by speculation, generally to a certain degree extends itself to those countries with which our principal commercial transactions take place; ^{*} and the exchanges, therefore, will turn against us, and drive out gold, not to the extent of the whole depreciation of our currency, but only to the extent of the difference between the foreign depreciation and our own. Conformably to this, it will be found, that the rise of prices during the speculative period of 1824-25 was so great, as to indicate an increase of the currency much above what would have been sufficient to drive out the excess, if the currencies of other countries had not been simultaneously increased; and although gold was at that very time flowing out at a most rapid rate, prices continued for many months at the same elevated range.

It cannot be denied, therefore, that our currency, as at present constituted, is liable, in speculative periods, to a fluctuation in value, of the nature of a depreciation.

What, however, may be maintained, and what we are prepared to shew, is, that to this depreciation a paper currency is not more subject than a metallic would be, if co-existent with so extended a system of commercial credit as exists in this country: that every country in which an extended system of credit exists, is liable to a depreciation of its currency in periods of speculation; and that the only effect of suppressing the country banks, would be, to cause the same depreciation to take place by means of credits of a far more objectionable description.

When it is supposed that paper-money is the cause of that depreciation of the currency which commonly takes place during periods of speculation, that property is overlooked, which speculation possesses, of creating the medium in which it is itself carried on.

It seems to be supposed by persons unacquainted with business, and who have paid no particular attention to the subject, that the whole of the currency of this country consists either of coin, or of bank notes of some description, issued either by the Bank of England, or by country banks; and that the currency can be depreciated only by an undue increase of one or other of these media. This, however, is a mistake.

A large portion of the circulating medium of a commercial country consists of mercantile *bills of exchange*. And the functions of currency are discharged, and the need of currency superseded, to a very great extent, by mere *credit*.

In what manner bills of exchange perform the functions of currency, is shewn in the following passage, from a work which has contributed more than almost any other to the diffusion of sound principles on the subject of currency:—

Let us imagine a farmer in the country to discharge a debt of 10*l.* to his neighbouring grocer, by giving to him a bill for that sum, drawn on his cornfactor in London for grain sold in the metropolis; and the grocer to transmit the bill, he having previously indorsed it, to a neighbouring sugar-baker, in discharge of a like debt; and the sugar-baker to send it, when again indorsed, to a West India merchant in an out-port, and the West India merchant to deliver it to his country banker, who also indorses it, and sends it into further circulation. The bill, in this case, will have effected five payments, exactly as if it were a 10*l.* note payable to bearer on demand. It will, however, have circulated in consequence chiefly of the confidence placed by each receiver of it in the last indorser, his own correspondent in trade; whereas, the circulation of a bank note is owing rather to the circumstance of the name of the issuer being so well known as to give to it an universal credit. A multitude of bills pass between trader and trader in the country in the manner which has been described; and they evidently form, in the strictest sense, a part of the circulating medium of the kingdom.*
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It is evident that if our currency is capable of being depreciated by an increase of that portion of it which consists of *bankers'* paper, it is no less capable of being depreciated by an increase of that portion which consists of *mercantile* paper.

Independently of the direct substitute for money presented by the employment of bills of exchange in making purchases,—an increased use of credit, whether given by means of bills or by mere entries in a book, also supersedes the use of money, though in a less direct mode, and consequently depreciates the currency. For the value of the circulating medium does not depend upon its quantity merely, but upon its quantity compared with the number and amount of the pecuniary transactions, in the settlement of which, it is employed. When, therefore, by an extended use of credit, the amount of transactions settled through the intervention of money is diminished, the same numerical quantity of money becomes *relatively* greater, and the value of the circulating medium is reduced.

It is well known that every increase of speculation is accompanied by an extended issue and circulation of mercantile paper, and with an extended use of credit. A period of speculation is invariably marked by great confidence. While prices are rising, every one seems to be growing rich, and on the strength of his supposed riches, every one finds his neighbour ready to give him credit. The speculator wishing, as the term implies, to extend his transactions, avails himself of this facility of obtaining credit, to the full extent which his speculations require. For most purposes, it is evidently more convenient to obtain a banker's note, for the purpose of making purchases, than to make purchases with a bill. Notwithstanding, however, the superior convenience of notes, a large increase is constantly made, in periods of speculation, to the quantity of mercantile paper performing the functions of currency. And the same, or a still greater increase, takes place in the amount of transactions which are settled without the intervention either of bills or of money; by mere transfers in a banker's or a

merchant's books. These additions to the currency have the same effect in lowering its value, which a similar increase in the issues of the country banks would have.

It is this unavoidable increase of the circulating medium, which renders the recoil of prices so destructive after a period of speculation. The speculation itself would only raise the prices of those articles which were the original objects of speculation. But suppose an article to be sold and resold ten times, (no uncommon event in speculative periods,) and suppose a bill to be drawn by each successive seller upon the purchaser, and all these bills to be added to the general mass of the circulating medium employed in making purchases: the effect which this must have in depreciating the currency, is most evident. By this depreciation, prices in general are raised, and commodities in general become objects of speculation.* The fresh speculations produce a fresh addition to the circulating medium, and a fresh rise of prices; and so long as this lasts, every person in business appears to be rapidly making his fortune; until at last the articles which rose first and highest begin to fall, from the increased supply which the high prices have called forth, or perhaps from the mere desire of the holders to realize their gains. This causes the ruin of a large proportion of the holders of those articles: *their* paper becomes worthless, and ceases to circulate: the circulating medium being thus diminished, the prices of all other articles begin to fall at an accelerated pace, scattering ruin as the fall proceeds, and not only annihilating the paper of all the firms which successively become insolvent, but spreading a general distrust, which renders every one unwilling to take even the customary amount of private paper. The circulating medium is thus reduced, and prices consequently fall to a much lower level than that from which they previously rose.

All that fluctuation, therefore, in the value of the currency, which takes place in periods of speculation, may thus take place without the intervention of bankers' notes, by mercantile paper and credit alone.

In case it should be objected, that, if bankers' notes were abolished, at least that portion of the increase in the circulating medium would be prevented, which takes place by the increased issues of the country banks;—we will now shew, *first*, that if all bankers' notes were this day abolished, their place would be filled by an equal amount of mercantile paper; and, *secondly*, that, in periods of speculation, the same addition to the currency, which is now made by bankers' paper, mercantile paper, and mere credit, taken together, would be made by the two latter media alone.

To the first of these propositions we have the evidence of reasoning, and the evidence of fact; both of them of the most conclusive kind.

Country notes are issued in loans made by the country bankers to their customers. Loans would still be wanted by their customers if country notes were no more: and the country bankers would still be the persons applied to, in order to furnish them. If they furnished these loans in specie, they would be obliged not only to go to the expense of bringing specie from London, but to go to the expense of procuring the specie itself. They would, therefore, prefer to make the required advances by granting bills upon their agents in London, which bills being sent to London when due, would

be exchanged without the intervention of money, by the operations of the clearing-house.

Accordingly, in Lancashire, where there are no local banks of circulation, bills on London, drawn by the bankers of that country on their correspondents, constitute the great mass of the circulating medium; as is proved by the following extracts from the evidence taken before the Lords' Committee on Scotch and Irish currency in the last session:—

John Gladstone, Esq. M.P.—‘We sell our goods, not for payments in cash, such as are usual in other places, but generally at credits from ten days to three months, to be then paid for in *bills on London* at two or three months' date: these bills we *pay to our bankers*, and *receive from them* bills or cash, when we have occasion for either to make our payments.’ (P. 216.)^[*]

Again: ‘We have a considerable portion of large Bank of England notes in circulation: these are generally used for the *payment of duties*, and also for the purposes of *remittance*; but the great mass of our circulation is in bills of exchange; sovereigns and smaller bank notes are only required for such objects as *charges of merchandize*, with *duties, freights*, and other items. I believe the circulation in bills of exchange is of great magnitude; the circulation of bank notes limited.’ (P. 219 [p. 513].)

Lewis Loyd, Esq. says, that before the notes of certain banks in neighbouring counties found their way into Lancashire, the currency consisted of ‘nine partsbills of exchange, and the tenth part gold and Bank of England notes. I am inclined to think the bills of exchange bore a *still greater* proportion.

The money [he was asked] which you suppose the manufacturer draws for *wages*, you are in the habit of paying in gold or Bank of England notes?—Yes, we are wholly.

If he draws upon his deposit account, and it is supposed not to be for wages, how do you make payment upon that account?—It is generally made in *bills of exchange drawn on London*, but we accommodate his wishes as much as we can.

Some of these bills of exchange are drawn from one part of Lancashire on another, are they not?—The bills of exchange called for by a manufacturer in such a case as that put, are mostly drawn in Manchester in his favour, and he uses them as he likes.

Supposing a manufacturer in Manchester were to have a deposit account with you, and to make *repeated demands for gold beyond what you thought necessary for the payment of wages*, what would be your conduct?—We should say that we *could not supply him*. There is an understanding between the manufacturer and the banker: the manufacturer is to be supplied with what his wages require; but *the ordinary demands of business beyond wages are usually paid in bills of exchange*; and if he did not conform to that practice, *we should complain, and object to his manner of conducting his account*.

Do those bills of exchange circulate from hand to hand in Manchester? Yes; when a bill is drawn in favour of a manufacturer, he endorses it usually to the person to whom

he pays it, and the person to whom he pays it pays it again to another, and it goes on often till *it is covered with endorsements*.

So that in fact *it forms a part of the circulating medium?*—the principal part.

Have you not seen bills of exchange of that nature, for the value of 10*l.* with *fifty or sixty names upon them?*—Yes; with *twice that number*. I have seen slips of paper attached to a bill as long as a sheet of paper could go, and when that was filled, another attached to that.'

Again: 'Do you know any system adopted in Lancashire, from which there arises a check upon the quantity of those bills of exchange that may be issued?—The check upon them is their convertibility into Bank of England notes; that is, the facility with which they are discounted in the London market.

That is the only check, is it not?—Yes it is.' (P. 299.)^[*]

Mr. *Henry Burgess*, a manufacturer at Leeds.—'What is the general circulating medium of Lancashire, independent of those promissory notes,' (of the Blackburn and Macclesfield banks?)—'the great mass of the circulating medium of Lancashire, as in all the manufacturing districts in the North, is bills of exchange; a part of the circulation is in gold and silver, and Bank of England notes.

Are not many of those bills of exchange for sums from 10*l.* to 30*l.*?—A great portion certainly from 10*l.* to 30*l.*

Are there many below 10*l.*?—No.

What proportion do you suppose those bills of exchange bear in value to the Bank of England notes and gold which circulate in Lancashire?—I should say that on the first of December last those *bills of the value of 10*l.* and not exceeding 30*l.** amounted to four-fifths.

If you do not confine your answer to bills of exchange under 30*l.* what proportion does the gold and Bank of England notes bear to the bills of exchange in Lancashire?—I should say that the bills of exchange were more than twenty to one. I have this day received a letter from a bank in Lancashire, who states the amount at much higher than that.

Have you any objection to state the name of that banker?—Mr. Roby, of Rochdale, of the firm of Fentons and Roby.

At what does he state them?—He says they are as fifty to one.^{*}

Do you know of any system by which an effectual check can be given to the amount to which these bills of exchange may be circulated?—Inasmuch as these bills of exchange all, or in great measure come to London, and *are exchanged at the clearing-house without the intervention of bank notes*, except in the proportion of about one-twentieth part, the check is a very inefficient one.' (P. 294 [*ibid.*, p. 559].)

It would, no doubt, be easy for the legislature to abolish this kind of paper currency also, if it were so minded. Parliament might not only prevent credit from being given through the medium of the fittest persons, the bankers, in the most convenient form, that of notes; it might even prevent it from being given through the medium of those fittest persons in any form whatever. But could it put a stop to credit altogether? If not, is it not highly expedient that credit should be given in a mode which admits of publicity, and in which all loss to the lenders from the insolvency of the borrowers may be completely obviated? You would prevent a company of opulent merchants, with a large capital, from issuing notes which bear no interest, when you cannot prevent John-a-Nokes, without any capital at all, from issuing notes which bear interest, to any extent to which he can find persons to take them. You would prevent a merchant from receiving bills or notes from his banker, whose power to discharge them you may render certain, if you please; when you cannot prevent two merchants, on the brink of insolvency, from agreeing to draw bills to any amount upon one another, and with these defrauding any number of dealers of their goods, under pretence of a purchase.

After such testimony as the above, our first position, that if local notes were abolished, their place would be supplied by bills of exchange, can no longer be withstood. Our second, that in periods of speculation the same depreciation would take place by means of bills and credit, which now takes place by means of bills, credit, and country notes together, will appear upon a little consideration equally obvious.

The banks increase their issues in periods of speculation in the following manner. The speculator draws a bill, which he carries to be discounted in the banker's notes. This he does, because the notes are more convenient to him than the bill; but if he can find a banker to discount a bill for him, we may rely upon it that he could find a dealer to take the same bill in payment for goods. He who has credit enough to obtain a loan from a banker, has credit enough to obtain goods from a dealer. Whenever there is a disposition to give credit too easily, which there always is in periods of great speculation, we may be quite certain that this disposition is stronger among the other classes of the community, than among the bankers. Other persons have other business to attend to. The business of a banker consists hardly in any thing else, except in learning all that is to be learned concerning the stability of those with whom he has dealings. And though much has been said on the subject of the anxiety of a banker to get out his notes, we should be surprized if it were greater than the anxiety of a dealer to get out his goods.

Supposing even that it were found impossible to pay wages and perform the smaller retail purchases with bills, (though why small bills should not answer as well as small notes, we are unable to divine); it is not usually in paying wages, or in performing small purchases, that the speculator lays out the money which he borrows to carry on his speculations. And if one of the remote consequences of the speculation be the employment of additional men by the manufacturers, the absence of small notes would oppose no material obstacle to this, since the necessary quantity of gold might easily be spared from the retail transactions, by an extended use of bills in the latter; a change which, in a period of confidence, would be unattended with difficulty.

Thus, then, it appears, that in periods of speculation, the addition to the circulating medium and the depreciation of its value, are no greater with a local bank paper than without it.*
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Metallic money, therefore, has no advantage over paper in periods of speculation. But paper money has an immense advantage over metallic in the revulsion which follows.

During a commercial crisis, credit almost entirely ceases. None but the very best bills, and of the shortest dates, will pass current in the market; and for all other payments, ready-money must be provided. Those who have it, are unwilling to let it out of their hands; knowing that nobody who has demands upon them, will receive payment in any other medium. They therefore postpone all ready-money purchases. Thus, at the very moment when money and nothing else will be received in purchases, scarcely any money is offered; its purchasing power consequently is prodigiously increased, prices fall ruinously low, and insolvencies are multiplied a hundred-fold beyond what the mere destruction of the paper of the original insolvents could have produced. Now then, if a supply of paper, of undoubted security, can be poured into the market, sufficient to compensate the undue contraction of the currency, all this unnecessary evil is obviated. But if not, it must wait the tardy process of importing bullion from abroad: which, after all, may perhaps be hoarded as fast as it comes in.

If the distress of last winter was what it was, notwithstanding the issue of several additional millions of Bank of England notes; what might it not have been if the enormous contraction, natural at such a crisis, had been suffered to continue?

We have now, we hope, fully answered the second great proposition of our antagonists.

3. Rate of Interest.—The third proposition is, That when the paper currency is suddenly increased, a fall takes place in the rate of interest, which, by diminishing the incomes of the owners of small capitals, drives them to engage in hazardous speculations; and that this actually happened during the last three years.

The first position which we think it necessary to lay down, is one which, we presume, will be called *theoretical*; not because it is a *theory*, for that is a character common to all general principles, but because it differs from the theory of those who arrogate to themselves the exclusive appellation of *practical men*. The practical men generally imagine, that the rate of interest depends upon the quantity of the circulating medium. Our proposition is, that it depends upon no such thing; but purely upon the competition between the lenders and the borrowers; and can be affected by no circumstance which does not influence either the amount applied for by borrowers, or the amount offered by lenders.

This surely is almost as obvious of itself, as any illustration can make it. If, in one night, every piece of money in the country, of whatever denomination, were doubled, whereby all prices would be doubled, and the purchasing power of money reduced one-half; can any person suppose that the rate of interest would be lowered? True it is, that all who lent money would have twice as much to lend; but as it would now

require twice as much to perform any purchase, all who borrowed money would now find it necessary to borrow twice as much. The lenders and the borrowers would bear the same proportion to each other, and the rate of interest would remain unchanged.

This error, which consists in supposing, that the quantity of the currency regulates the rate of interest, and which is one of the most common of the many errors constantly committed by mere men of business, when they meddle with general reasoning, arises from that frequent source of incorrect inference, ambiguous language. The word *money* is used in two significations. In its common signification, money means money; currency; the circulating medium: the quantity of money means the quantity of currency; the value of money means its purchasing power. In the language of commerce, on the contrary, money means money *lent*, or rather money offered to be lent. The market for loans is called the money-market; by the value of money, is meant the rate of interest: great facility in obtaining loans is called plenty of money; great difficulty in obtaining them, is called scarcity of money.

This *equivoque* would, it might be thought, be too obvious a one, to impose even upon the most ignorant; nor do we believe that it would impose upon any body except the *practical men*; who, because they know better than other people a sort of facts which are not to the purpose, think themselves entitled to remain in perfect ignorance of all those which are. No other class of persons could have imagined, because *currency* and *loans* happened to be called by the same name, that an abundance of the one imported an abundance of the other. The practical men, however, imagine that it does.

But there is another and a more intelligent class of reasoners, who, allowing that it is an increase of loans, and not an increase of the currency, which operates to depress the rate of interest, affirm, however, that from the manner in which our paper currency is issued, exclusively through the medium of loans, an increase of the paper currency almost necessarily imports an increase of loans. It is upon this ground, that they ascribe to the paper currency, the speculations of the last three years. Before the speculations began, there had been, they contend, a greatly increased issue of paper, the whole of it in the way of discounts or other advances, by the country banks. This lowered the rate of interest, and by reducing the incomes of those who lived by the interest of their capital, drove them into all sorts of hazardous speculations. An increase of issues by the Bank of England afterwards took place, and still farther heightened the evil.

This opinion, though less absurd in principle than the foregoing, imports a misapprehension of the actual facts.

Allowing that an increase of lenders tends to lower the rate of interest, it will not certainly be contended that *every* increase of lenders has this effect. It is only when an increase of lenders takes place, *unaccompanied by a corresponding increase of borrowers*, that it produces a fall in the rate of interest. If an addition be made to the loans, coincidently with an equal addition to the demand for them,—much more, if the former addition is called forth by, and is the consequence of, the latter,—we might more reasonably expect that this variation in the state of the money-market, should be attended by a rise in the rate of interest, than that it should be productive of a fall. And

such, as we shall prove by documentary evidence, was the character of that increase of loans, which took place during the last three years. It therefore was not, we may infallibly conclude, the cause of any depression of the rate of interest.

The increased issues were made, partly by the country banks, and partly by the Bank of England.

It is allowed on all hands, by what circumstance the increased issues of the country banks were occasioned. They were occasioned by the rise which had been gradually taking place since 1822, in the prices of all descriptions of agricultural produce. Now, the only manner in which this could cause an increase of issues, was by causing an increase of applications for them. In what manner it does this has been explained in a former part of this essay. The increase of lending, therefore, was called forth by a previous increase of the desire to borrow. After the speculations began, a further increase of issues was produced, by a further increase of applications. The additional loans, therefore, did not come into competition with any part of the capital previously lent: and the increased issues of the country banks may be dismissed, as having had no tendency, direct or indirect, to depress the rate of interest.

The increased issues of the Bank of England stand upon somewhat a different ground. In the case of this establishment, the extension of its loans was its own spontaneous act, for the purpose of carrying off the superfluous quantity of specie in its coffers. And had its additional loans been made in the ordinary mode, (the discount of mercantile bills,) its tendency to lower, for a short time, the rate of interest, would have been out of dispute. The new loans were, however, made to a new borrower—the Government. They were made, in the purchase of the Dead Weight, as it is called; that is, the military and naval pension annuities.

Mr. Vansittart, when Chancellor of the Exchequer, finding that the military and naval pensions pressed heavier upon our finances than appeared to him to be pleasant or convenient, bethought himself of a plan for taking a part of the load off the shoulders of the present generation, and laying it upon posterity. This was to be effected by prevailing upon somebody to take upon himself the great, but constantly decreasing burthen of these pensions, upon condition of receiving, in return, from the public, a fixed annuity for 45 years. This was obviously equivalent to raising an annual loan to defray so much of the annual expense of the pensions as exceeded the fixed annuity; the loan to be repaid gradually, when, by the decease of a part of the pensioners, the annuity should in its turn come to exceed the pensions. To raise a loan, keeping up at the same time the mockery of a sinking fund, was exactly of a piece with that system of trickery and juggle which was the grand characteristic of Mr. Vansittart's financial career. But with this, or any other of the absurdities, with which this extraordinary measure was chargeable, we have at present nothing to do. The point essential to our argument is, that the Bank undertook the payment of a certain portion of the pensions, on condition of receiving from the public a fixed annuity of 558,740*l*. From the value of the transaction, its advances, in the first years, of course, greatly exceeded this annuity, and could not be made without either diminishing its accommodation to individuals, or increasing the amount of its issues. Its accommodation to individuals had already been greatly reduced, by its refusal to discount, except at a rate of interest

exceeding the market rate. But still the reduction had not been sufficient to admit of its making the new advances to Government, without an increase of its issues; which accordingly took place.

So much for the facts. Now for the application. The Bank extended its loans. But to the same extent to which it extended its loans, a new borrower appeared, in the person of Government. The new loans displaced no capital which was already invested, nor deprived any of its expected, or customary, investment. If the advances had been made by private capitalists, from funds which they had, previously, been in the habit of lending to individuals, who does not perceive that there would have been a considerable rise in the rate of interest? The effect of the extension of the Bank issues, was to prevent this rise. It produced no fall. From the nature of the case, it could not produce any.

The Bank does not make returns of the amount of its discounts, and other loans to individuals; and parliament was in too great a hurry to legislate on the subject, to think of calling for much *information* regarding it. They called, however, for returns of the amount of notes in circulation for some years back, on the fifteenth days of February, May, August, and November, in each year: periods chosen as being the remotest possible from the payment of the quarterly dividends, which always occasions a great temporary fluctuation in the amount of the currency; and therefore indicating, more nearly than any other periods which could be chosen, the average issues for the quarter. The annexed Table exhibits these quarterly returns for the three years, 1823, 1824, and 1825, compared with the average amount in circulation in 1822, computed from the same returns; and contrasted with the advances which the Bank had made, up to the same periods, on the dead weight. It will thence appear, that, with one exception, at every one of the twelve quarterly periods the advances on the dead weight exceeded, often greatly exceeded, the increase of the Bank issues.

Average amount of notes in circulation during the year 1822, taken from the quarterly
returns . . . £18,042,925

Year	Notes in Circulation	Excess above average of 1822	Amount of advances on the Dead Weight	Greater or less than the increase of issues
1823				
Feb. 15	£17,802,610	none	none}	
May 15	18,501,370	£ 458,445	£ 885,719}	Greater
Aug. 15	19,892,810	1,849,885	2,110,719}	
Nov. 15	20,353,130	2,310,205	1,885,719	Less
1824				
Feb. 15	20,357,160	2,314,235	3,060,719}	
May 15	19,961,900	1,918,975	2,835,719}	
Aug. 15	20,960,530	2,917,605	4,010,719}	
Nov. 15	21,184,420	3,141,495	3,745,719}	
1825			}	Greater
Feb. 15	21,301,930	3,259,005	4,880,719}	
May 15	20,046,070	2,003,145	4,615,719}	
Aug. 15	19,676,010	1,633,085	5,746,094}	
Nov. 15	17,980,620	none	5,453,224}	

At all these periods, except one, the reader will perceive, that the Bank had increased its loans to Government, more than it had increased the totality of its issues; its loans to individuals, therefore, by which alone the rate of interest (as we have shewn) could possibly have been affected, were diminished; and the effect, therefore, which the operations of the Bank were producing upon the money market at all these periods, must have been to keep up the rate of interest, instead of depressing it. The one period, which we mentioned as an exception, was that of November, 1823; at which the increase of issues did exceed the advances to Government by rather more than 400,000*l*. How far so trifling a variation as this, which is not greater than is happening, as the monthly returns shew, almost every month, and which was almost immediately withdrawn, is entitled to be considered as the cause of the fall in the rate of interest which took place, we leave the reader to judge.*

But what, then, it will be asked, was the cause of the great fall, which took place in the rate of interest, in 1823 and 1824?

We protest against the supposition, that we are under any sort of obligation, because we negative an alleged cause, to assign the real one. We will, however, make the attempt; premising that we do not pretend to do more than conjecture; nor are we by any means certain that in a case of this sort, any thing more than a conjecture can be made.

The rate of interest, like the prices of commodities, though it is subject to casual variations, has nevertheless a point to which it converges; and this point is regulated by the rate of profit upon mercantile capital. The rate of interest, on the average of a considerable number of years, always bears some proportion to the rate of profit.[†] If therefore, we had the means of ascertaining what rate of interest the ordinary rate of profit would warrant, we should have the means of discriminating between these fluctuations in the rate of interest which are casual and temporary, and those which are permanent.

Now, to a criterion of this sort, though we cannot obtain it exactly, we may distantly approximate. During the ten years of peace which followed the American war, and during which the rate of interest seems to have been tolerably steady, the average price of three per cent consols was about 76;^{*} and the rate of interest on the best security, measured by this test, would appear to be somewhat under four per cent. This, therefore, may be considered, with some plausibility, as the rate of interest which was at that time warranted by the average rate of profit upon capital. After this period ensued a war of 30 years. During war the rate of interest is always higher, relatively to the rate of profit, than during peace: because the immense loans which are then called for, with a view to unproductive expenditure, and not to profitable employment, render it necessary that a greater proportion of the holders of capital should be induced to lend it, in preference to engaging it in business: which inducement can only be held out by means of a rise in the rate of interest. In the meantime, the great increase of our population, combined with the Corn Laws, which have only come into operation since 1815, has raised the price of the necessaries of life greatly above the average of the years preceding the war. This has raised nominal wages, and by increasing that part of the cost of production of all commodities which consists of the subsistence of the labourer, has lowered the general profits of stock. Adverting, therefore, to the greatly increased prices of necessaries in the last ten years, as compared with the ten years preceding 1793, we shall not perhaps be far from the truth in conjecturing, that if 4 per cent. was a rate of interest justified by the rate of profit in 1788, 3½ per cent. is as much as is justified now.

This would show 85 or 86 as the natural and reasonable price of three per cent consols at the present time, and probably for some years to come. To this price, accordingly, the three per cents have always gravitated. From the close of the war the funds gradually rose, until their rise was checked by the commercial distress of 1819. Commercial distress, by producing a great immediate demand for ready-money, always lowers greatly the price of, in other words, increases the interest on, all securities which are immediately convertible. The three per cents fell in 1819 to 60¼.

But they soon resumed their tendency upward, and on the first of November, 1822, they stood at 82 $\frac{3}{8}$ %. For a few months afterwards, they were slightly depressed, by anticipations that this country might possibly become involved in the war which was then commencing between France and Spain. When these anticipations ceased, the rise of the funds recommenced, and on the second of December, 1823, they were at 84 $\frac{1}{8}$ %, not far from their present price (in December, 1826).

Thus far the fall of the rate of interest is easily and naturally accounted for, by supposing it to be a reasonable and proper fall, with reference to the rate of profit at the time. The subsequent rise of the funds from 84 $\frac{1}{8}$ % to 96 $\frac{5}{8}$ % in about five months, cannot be thus accounted for. It would be absurd to suppose that in so short a time a fall took place in the rate of profit sufficient to warrant so great a fall in the rate of interest. But the truth is that no fall took place in the general rate of interest, corresponding to this rise of the funds. We are assured by persons possessed of the most authentic information, that the rate of discount on the best bills never fell lower, during the last four years, than 3 $\frac{1}{2}$ per cent. To this level it had already fallen in July, 1823, long before that sudden rise in the public securities, of which we spoke. We have little doubt that this rise was merely the effect of speculations on the Stock Exchange. It occurred at a period when speculations were rife, and when, the funds having risen gradually with little interruption for three years, the speculators were very likely to calculate upon a further rise. At all events, from whatever cause the rise may have begun, it was sure, when it did begin, to set the speculators in motion, and to produce that ulterior rise from speculative purchases, to which the funds are liable in common with all other articles which are bought and sold.

We have now disposed of the three great arguments against a paper currency in general: viz. first, that it is liable to over-issue; secondly, that it affords facilities to speculation, when excited by other causes; lastly, that the fluctuations in its amount, produce fluctuations in the rate of interest, and that, when a fall of interest is produced by this cause, speculation is the consequence.

If the foregoing deductions are as conclusive as they appear to us, it has been established that these three objections either are not applicable to a paper currency at all, or not in a greater degree than to a metallic currency.

The expediency, therefore, of the suppression of the small notes, in so far as it depended upon any of these reasons for its support, may be pronounced to have been disproved.

Of objections applicable to the small notes, but not applicable to a paper currency at large, two only have been alleged. The first is, that the holders of small notes are the persons who suffer most from the insolvency of the issuers: The second is, that the small notes are the great cause of panics.

The first of these objections would be obviated, if the insolvency of banks of circulation were rendered, as it might be rendered, virtually impossible. The second appears to us to be unfounded.

Under a system of banking so wretchedly constituted as ours, where that general apprehension, which is called a panic, is often no more than a very justifiable alarm—it may be that the alarm (although it does not arise earliest) continues longest, and is most difficult to remove, among the holders of the small notes. And under such a system it may be said, with some plausibility, that the small notes are a cause of panics. Under a secure banking system, on the contrary, it is not the small notes, but the absence of small notes, which is apt to be a cause of panics.

In Scotland, where there is no reason for a panic, (only two banks of circulation, we believe, having there become insolvent in the last hundred years), it is in evidence before the committees that the people prefer notes to gold, because they feel themselves incapable of discriminating between real and counterfeit coin. This will always be the case, where the currency, with the exception of the subsidiary coins, is wholly paper, and where no insolvencies occur to shake the public confidence in the latter. If gold circulated in Scotland along with notes, the probability of a panic, under a banking system so perfectly secure, would even then not be considerable; but it is difficult to believe that it would not be greater than at present.

While ministers and parliament were wholly taken up by the vain attempt to remove the causes of mercantile revulsions, they neglected to apply many of those palliatives, which legislative wisdom would have suggested, to mitigate the destructiveness of those revulsions, when they occur.

Against one of the most distressing features in the late crisis, the failure of the country banks, they did indeed provide a partial remedy, by permitting the establishment of banks with an unlimited number of partners, in any part of the kingdom, beyond a circle of 65 miles round London. The Bank of England would not consent to any greater sacrifice of its exclusive privileges, except upon condition of a further prolongation of its charter: to which condition, much to their credit, ministers refused to accede; and England must, therefore, wait till the year 1833, when the Bank charter will expire, for the establishment of banks with more than six partners in and near London, or of banks with limitation of the responsibility of any of the partners, in any part of the kingdom. For what has been done, however, by ministers, to render banking partnerships more secure, we are willing to give them the due praise; and, in our opinion, much more has been done than many of the speakers in parliament were disposed to allow.

It was argued, by Mr. Baring and others, that unless the measure extended to the establishment of banks with limited responsibility, either upon the principle of a *commandite* or of a joint stock company, it would be nugatory; since very few banks had hitherto availed themselves even of the full number of partners allowed by law; and if even six persons had so rarely been willing to risk their whole fortunes by embarking in a bank without limitation of responsibility, it was, they argued, extremely improbable, that a still greater number of persons should do so.

The readers of our former volume^[*] are aware that we entertain an opinion highly favourable to such an alteration in the law as shall permit *commandite* partnerships, not only for banking purposes, but for all others.

Yet, we are far from going along with Mr. Baring in the opinion, that because this has not been done, nothing has been done. The difference, either in stability or in credit, between a bank with five and a bank with six partners, is a trifle: and the sixth place, being the last, will generally be kept open until some person, with capital and credit sufficient to be of material service, may offer himself to fill it. But the difference both in stability and in credit between a partnership of six and a partnership of sixty, is *cæteris paribus* very great; a bank, therefore, which has no motive to increase itself to six, might have abundant motive to increase itself to sixty partners, which it could the more readily do, as the risk to each of the sixty would only be one-tenth of what it now is to each of the six. The truth is, that associations of from six to twenty partners are by many degrees more unsafe than any other kind of partnerships. The majority of the partners, though their whole fortune is at stake, cannot personally superintend the management, and they are not sufficiently numerous to appoint a committee for the express purpose of watching over their interests. When the shareholders are more numerous, they appoint a Board of Directors to superintend and control the managing partners or officers; and that superintendence, which cannot be exercised by the partners individually, is regularly exercised by those of their number in whom they most confide.

It is difficult to conceive how Mr. Baring could assert, that persons would not be found to enter as sleeping partners into banking companies without limitation of responsibility; when he could not be ignorant of the great number of mining and other associations which exist in London without any such limitation; and when, (to say nothing of the newly-established provincial banks in Ireland,*) it is proved by the returns made to parliament, that six of the Scotch banks, without any limitation of responsibility, consist of 112, 147, 202, 446, 521, and 1238 partners respectively; and that there are five other Scotch unchartered banks, in each of which the number of partners exceeds sixty—while, of the twenty-nine unchartered banks, there are only five in which the partners amount to any number intermediate between eight and sixty-one; a fact strongly corroborative of our remark, that such partnerships hold out less advantages than any others.

Nor is there more weight in another argument which has been urged by some, to prove the unimportance of the late alteration in the law; namely, that a considerable number of the Scotch banks consist only of a small number of partners. It has never been asserted that the existence even of *chartered* banking companies, was incompatible with the existence of common banking partnerships. But it is incompatible with the existence of banking partnerships whose credit is not equal to that of a banking company; and this is surely as perfect a security as is necessary. Accordingly, the banks with few partners have in Scotland been found practically as secure as those with many.

The measure of ministers, therefore, was not only unobjectionable in principle, but will prove, we doubt not, useful in practice. Still, it was not the only security, which it would have been practicable and useful to take against the insolvency of bankers. And, such as it is, it will not, probably, come into full operation for some time. There is another and a still more effectual check, which might have been brought into operation immediately. It might have been rendered imperative upon the country

banks to make returns, at stated periods, of the whole amount of their notes actually in circulation, together with the property which, after satisfying all other demands, the concern possessed, as the means of meeting those notes. These returns should, like the returns for the purpose of the income tax, be liable to be verified on oath, if required; and should include all the assets of the concern, exclusively of the private fortunes of the partners. No banker, to whose credit the publication of these statements would be favourable, could feel any disinclination to furnish them; and while they would render it absolutely impossible for a bank to issue more notes than it possessed the means of paying, they would not be liable to the same objections as the regulation which has been suggested, requiring all banks of circulation to make deposits of stock, a plan which, to say nothing of several other possible inconveniences, would probably cramp exceedingly the power of the banks to afford accommodation to the public. The same regulation would meet the objection which we have sometimes heard against a currency consisting of small notes, that the influence of the country bankers is such as to render them virtually inconvertible. Under the present banking system this argument may have some weight. We can readily conceive that it may be in the power of a country banker to pass his notes among the poorer classes, although his credit is not sufficient to give them general circulation. But the plan which we have suggested would put an end for ever to the circulation of country notes of inferior quality. The *quantity* can never be unduly increased by the mere influence of the country bankers. For there is always *somebody* in every district who is beyond the sphere of that influence; and as soon as the amount of the circulation has been increased beyond the due extent, it is the interest of this *somebody* to buy up the notes and present them to the issuers for payment.

The Bank of England likewise should be required to make periodical and frequent returns of its issues; distinguishing according as the notes were issued in discounts, in purchases of exchequer bills, advances to Government, purchases of bullion, and so forth: not to obviate any danger of the insolvency of that establishment, but in order that any alteration in the amount either of its issues or of its loans, which could affect either the money market, or the value of the currency, might be known at the very earliest period possible. Such returns would not only remedy all the real defects of our currency, but, even if the defects were real, which we have shown to be imaginary, even to these they would provide an effectual remedy.

Another measure, which parliament did not think proper to adopt, but which, had it been adopted, would have done more to relieve the present, and mitigate future distress, than any other measure that can be named, is the repeal of the Usury Laws.

One of the chief peculiarities of a period of commercial distress is, that every body wishes to borrow, while nobody is willing to lend. From a fall of prices, or the failure of some one who is indebted to him, a merchant is disappointed of a sum which he expected to receive, and which was his only immediate means of meeting an engagement falling due the same day. Failure to pay a bill when it becomes due, is an act of insolvency; and a merchant will raise money at any sacrifice to avoid it. When many persons are placed simultaneously in this situation, it may be supposed for what an extraordinary amount, beyond the usual quantity of loans, a demand is produced. But the same cause which produces this desire to borrow, produces at the same time a

disinclination to lend: not only by reason of the little confidence which at such a period is likely to be felt in the solvency of the borrower; but because the fall in the public securities, and in the prices of goods, occasioned by the same attempts to raise money immediately, enables him who has funds at his command, to invest them at a profit greatly exceeding the legal rate of interest. Who would lend to a merchant at five per cent, at the risk of losing all by his insolvency, when by buying into the three per cents at 75, he can obtain immediately four per cent upon his money; and by selling out a year afterwards, when they have risen to 83, realize a profit of about ten per cent more, independently of the dividends accruing in the intermediate period, amounting in all to a gain of fourteen per cent in one year? The same persons might perhaps be willing, if they were permitted, for the sake of the immediate gain, to discount at short dates, at the rate of seven or eight per cent. Thus, by not being permitted to borrow money for a few weeks, at two or three per cent above the legal rate, many merchants have no doubt been ruined; while a far greater number have possessed themselves of the means of continuing their payments by the most enormous sacrifices in other ways. For here the absurdity of the usury laws shines out in the most glaring colours. The laws which prevent money from being raised by borrowing, cannot prevent it from being raised by forced sales of stock, or forced sales of goods. The same stagnation which renders it so difficult to borrow money, renders it still more difficult to dispose of goods, except at ruinously low prices. Mr. Tooke,^{*} in his pamphlet on the currency, states, that to his knowledge, during the late crisis, extensive sales were made of stock, at a loss of twenty or thirty per cent; and of goods for immediate money, at a still greater sacrifice. Mr. John Smith[†] “knew an instance in which, for a very large sum, no less than from 74 to 76 per cent had been paid. This, of course, had been done by a bargain in selling out stock for money.” And Sir Henry Parnell[‡] stated, that “a banker had told him that instances had come to his knowledge, in which,” by forced sales of goods, “a loss of 90 per cent had been incurred.”

The opportunity was lost of ridding the country of the nuisance of these laws, which, nugatory in periods of prosperity, exist exclusively to the effect of aggravating the pressure of commercial distress.

The list of palliatives which might have been adopted, is far too long for enumeration. We must, however, add one more, which we hold to be of considerable importance. The notes of the country banks ought to have been made payable in Bank of England notes only, and not in gold. It is evident that so long as the Bank of England is solvent, the security of its notes is equal to that of gold. By rendering them a legal tender in exchange for country notes, not only would the nation be spared the expence of keeping a reserve of gold in every country bank, but the evils of a panic would be greatly mitigated. It is well known that the great cause of the failure of so many London bankers in December 1826, was the immense drain upon them for specie to meet the demands of their country correspondents. The same demands produced that drain upon the bank, which so very nearly produced a second suspension of its payments.

To the above catalogue of remedies omitted, may be further added the repeal of the Corn Laws; which, as we have shown in a former place, are the cause of the chief

fluctuations to which our currency is liable, and which, moreover, by lowering the rate of ordinary mercantile profit, really produce that tendency to hazardous speculations which is so erroneously, though so commonly, imputed to the system of our currency.

If the views which have been promulgated in the preceding pages be correct, it must appear that parliament, in its attempts to legislate for the currency, and for the commercial crisis, has erred most widely, both in what it has done, and in what it has omitted to do.

These errors did not take place without a cause; and the cause, which led to such effects, must needs be one, which it is of no small moment to us to investigate.

Interest, in this case, is chargeable with no part of the blame. Neither Parliament, nor those who make the Parliament, had any interest in the question, other than the general interest of the nation: and the speakers from all sides of the two Houses demonstrated generally a laudable freedom from party feelings and prejudices. Yet, though every person obviously applied his mind to the subject with the most sincere desire of being right, it not only happened, in our opinion, that the great majority came to a conclusion which is wrong, but all who are even moderately conversant with the subject must allow, that but a small share of ability was displayed by either side, even in the statement of its case. Nobody seemed to have made the subject a matter of study. Nobody seemed to have made even an attempt at examining it in all its bearings. They had come to the consideration of the facts of a very complicated case, unprepared by a previous acquaintance with those general principles, which would have taught them what were the facts, among so great a number, which it was necessary to attend to. They remained almost universally in ignorance of the material facts, for want of knowing what facts *were* material; and attending only to the obvious appearances, jumped from one seeming coincidence, to a crude generalization. Even the most acute, for want of a clue to guide them, could do no more than can be done by mere sagacity, unassisted by knowledge; which is, to form a strong conception of some one or two of the material circumstances, and to draw, from these one or two circumstances, what would have been a just inference if there had been no *other* circumstances to be taken into the account, but in which all the other circumstances were overlooked. The crudeness of their conceptions was strikingly demonstrated by the inability of any of them to give any thing like a connected statement even of his own case. With the exception of the Marquis of Lansdowne* on the one side, and Major Maberly on the other, not a man could state the grounds of his opinion in a manner which would be deemed creditable by any well-instructed person who agreed with him. And even the Marquis of Lansdowne only professed to state the argument as he found it in Mr. Tooke's pamphlet. It is true that he could not have taken it from a better source: it is true, moreover, that he seems to have understood the pamphlet, and therefore, although in our opinion misled, he was misled by arguments by which it is no discredit to a man of sense to have been led astray. There were few of the speakers on this question, Whigs or Tories, in whose favour so much as this can be said.

This universal incapacity is not accidental, nor is it confined to this question. It may be observed on all questions requiring any depth of thought, or accuracy of knowledge; and it is only more conspicuous on a subject like the present, because it is not quite so easy to make words pass for ideas on such a topic, as on a question of government, judicature, or law. Nor will this incapacity appear wonderful, when we reflect, that the same cause which disables most of our public men from coming to the right conclusion on one subject, disables them equally on all—they have no general principles to guide them.

As there are quack physicians, and scientific physicians, so there are quack politicians, and scientific politicians. The characteristics of the quack are very seldom accurately conceived; and the word generally expresses little more than a vague and unanalyzed feeling of contempt. But the distinction between the man of science and the quack, is broad and obvious. The man of science is he who knows and applies the general principles, the theory, of his art. The quack, or empiric, is he who, ignorant of principles, generalizes upon the few particular instances which his own narrow experience has presented to him. Now, the general principles of the physician are the general laws, according to which it has been observed, or inferred, that the phenomena of the human body regulate themselves. The general principles of the statesman are, in like manner, the general laws, according to which it is observed, or inferred, that the phenomena of human society regulate themselves. By the diligent study of these laws, the philosophic statesman or physician has learned, what *causes*, in the field of his inquiries, are followed by what *effects*. By this knowledge, he is taught to look for the effect, only when he has perceived the cause: while the empiric, on the contrary, who is ignorant of the cause, expects the effect, whenever he has observed that, once or twice, in circumstances not obviously dissimilar, the same event, or something like it, has occurred.

The world has produced many scientific physicians, but few, very few scientific statesmen: nor is there much in the education or pursuits of our practical politicians, which warrants the expectation that many such will arise in their ranks for a long time to come.

In the first place, every scientific statesman must, in the present state of the world, be self-taught. In any established system of education he will meet with few helps, and many obstructions. He to whose skill the care of the human body is confided, finds every where some provision made for teaching him, in the best manner which the state of science in the age and country will allow, the causes which determine the good or ill condition of the human body. But he who is destined to direct the government of a nation, finds nowhere any adequate provision for teaching him the causes which determine the good or ill condition of the *political* body. In few countries do the laws of human thought, and human action, the principles of legislation, government, and political economy, form any part of the established course of education. In the great public seminaries for the education of the higher ranks of our countrymen in particular, not only are these branches of knowledge not taught, but every thing that is practicable is done to keep the mind of the student from turning towards them; partly by direct discouragement, partly by holding out rewards and honours exclusively to pursuits of a character diametrically opposite, and the

more trifling and unprofitable the better; thus drawing off, by the appearance of intellectual exercise, those active minds, which are ambitious of higher distinctions than that of being victor in a rowing match, or in a horse race.

If the education of our statesmen and legislators does so little to fit them for their business, their subsequent occupations do still less.

A part, after they leave the school or the university, enter into the subordinate departments of the public offices, and serve their apprenticeship to the highest functions of government by discharging the lowest. If these have not acquired a taste for the study of the general principles of political philosophy, before they enter upon this career, they are little likely to acquire it amid the official drudgery in which they are from that time immersed. It is not in the midst of such occupations as these, that the mind learns to contemplate, on an extended scale, the operation of the causes of national prosperity and decline. Facts, of a certain description, they may have opportunities of observing; statistical facts, which it is necessary that the statesman should know, as it is necessary that the physician should know the constitution of his patient, but which he can learn as well, or better, from the testimony of others, as from personal observation. But it would be as reasonable to expect that a bricklayer's labourer, by piling up bricks, should learn the principles of architecture, as that a clerk in an office should learn, in the exercise of his calling, the principles of good government. He who learns nothing but official details, knows nothing but official details: and if he would know any thing else, he must seek his knowledge elsewhere.

The next class from whom our legislators are drawn, is the mercantile and manufacturing class. After a life spent in the inspection of balance sheets, and prices current, they retire from 'Change, and frequent St. Stephen's, imagining themselves capable of managing the state, because they have succeeded in managing the counting-house. The circumstance which is most characteristic of this class, is the persuasion which they have universally imbibed, that on all subjects which concern the wealth or commerce of a nation, it belongs to them to decide, and to the rest of the world to obey. These pretensions they uphold by styling themselves practical men, and warning off the ground, with no very mild denunciations, all persons who, under any other title, venture to encroach upon it. The idea which, we presume, they wish to convey when they call themselves practical men, is, that as men of business they possess a practical knowledge of many facts, not equally well known to others, which bear upon the particular question under discussion. Even if this were true, it would not entitle their opinion to any particular weight; because the knowledge of facts does not necessarily impart any peculiar qualifications for drawing the right inferences from these facts; and besides, if they know facts not known to other people, let them state those facts; but let them not complain because their *inferences* from facts are not taken for facts, and received upon their authority. The assertion, however, that what are called practical men, possess any peculiar acquaintance even with the facts, on which the decision of great public questions usually turns, is devoid of truth. A merchant, as such, is not *necessarily* acquainted with any facts, except those which determine him to buy and sell: nor even here is his knowledge necessarily very profound. Those who have been behind the scenes know well, what an affair of mere routine mercantile business usually is. To produce, purchase, or import, every year,

about the same quantity which was produced, purchased, or imported, the year before, increasing or diminishing the quantity a little, as the market appears to be looking up or down,—constitutes, pretty nearly, the sum total of the art of commerce, as it is commonly practised. What the chancellor Oxenstiern said of the government of the world, may be said with almost equal correctness, of its trade, *Quam parvâ sapientiâ regitur!* The moment these men of practice quit the beaten track, strike out a path for themselves, and launch into the field of commercial speculation, all becomes mere guess work: the sort of experience which they have acquired is not of a nature to make them acquainted with the *remote* causes of the events which they hear and see; and their ignorance of these renders them mere gamblers; incapable of foresight, incapable of calculation; staking their fortunes upon the chances of the market, precisely as men of another description stake theirs upon the chances of the card-table.

It is not to be denied that a merchant has peculiar *opportunities*, if he knows how to employ them, of knowing *some* of the facts which bear upon many great public questions. But these very opportunities of knowing some of the facts, are apt to divert his attention from the remainder; and by knowing half the facts, being ignorant of the other half, he is still more likely to come to the wrong conclusion, than he who is ignorant of the whole. He may, in general, be trusted to, for judging, with tolerable correctness, of the effect which any measure will have upon his own immediate interest. That ignorance of remote causes, of which we spoke, disables him, in the majority of cases, from judging correctly of the effect of the measure, upon even his own *ultimate* interest: and of its effect upon the *public* interest, he is usually a worse judge than other people, because his attention is wholly fixed upon a different part of the subject. We might illustrate this observation by numerous specimens of the part which has been taken by the practical men on almost every great commercial question for the last twenty years. As might be expected from the extremely narrow range of their experience, they are in the habit of giving utterance to more absurd theories than any other class of human beings, and are notoriously the last persons who can be taught how to use their own eyes, or to comprehend the most obvious signs of the most familiar phenomena. At the time of the Bullion Report, they to a man maintained, that a currency could never be depreciated, so long as it was issued only in discounts at 5 per cent, upon bills of short date, and undoubted security; and averred, that since, at that time, guineas were not at a premium, it was a conclusive proof that the currency was not depreciated. To the above opinions, a portion of them continue to adhere.* The majority, having at length been shamed out of these extravagances, by men who had never crossed the threshold of a counting-house, and who were probably ignorant of the difference between a day-book and a ledger, now stride at once to the opposite extremity of the scale; imagine that this over-issue, which they had deemed impossible, is the one and only source of every evil that befalls the country; and after giving the whole weight of their support to a currency which *was* liable to excess, now join in raising the cry of excess against a currency which is not.

There is yet another class, from which a large portion of our legislators are taken—the country gentlemen; and these, having over the two former the advantage of leisure, and of not having their minds narrowed by exclusive devotion to one particular pursuit, would be, beyond question, the fittest class for the functions of legislation,

were their education so directed as to give them either the qualifications of a legislator, or a taste for the acquisition of those qualifications. But—so exquisitely is our system of education adapted to its end—to nine-tenths of them it teaches nothing; to the remaining tenth, nothing but what they do not want: and we consequently find that this class, in qualifications for business, is only distinguished from the other two, by possessing in a greatly inferior degree that diligence and attention, which, from early habit, commonly adhere to those who have been trained in the routine of the counting-house or of the office.

That a legislature thus composed should scarcely ever be *able*, even when it is *willing*, to legislate for a great nation as the wants of a great nation require, is a result which ought to excite neither disappointment nor surprise. By what rule can he, who has no scientific knowledge of the connexion between effects and causes in public affairs, distinguish causation from mere casual coincidence? And what is the quack, but he who confounds the latter with the former? And, accordingly, from time immemorial, it has happened to this country as to others, that its laws have been made by quack legislators, and its affairs administered by quack statesmen; while it is only now and then, at immense intervals, that a man has arisen, who made even an approach to the character of a scientific statesman or legislator. But though this be the deplorable picture which history exhibits to us, it holds out one great and encouraging lesson: That the man of general principles, even though imperfect, has ever thrown the men of tricks and expedients into the shade: That in every age, he who has approached the nearest to the character of a scientific politician, has been confessedly the first man among his contemporaries, and the only one whose reputation as a statesman has long survived him. What was it which made Edmund Burke, with all his errors, (and few men have committed more grievous ones,) soar so immeasurably above the vulgar orators, and still more vulgar statesmen of his day? What, except that he was a man of general principles? Imperfect, indeed, and in many important points erroneous, those principles were; but they will cause his name to be remembered, when the waters of oblivion shall have closed over the greatest and most admired of his contemporaries, and when the very existence of such men as Pitt and Fox, shall be remembered only by the places which they held.

From his time to our own, in so far only as Mr. Horner is an exception, the only man of general principles who has made his appearance in public life, was Mr. Ricardo. And the ascendancy, which, in the few short years of his parliamentary career, this great man acquired, over the minds even of those by whom he and his principles were abhorred, but who could not avoid feeling the infinity of their littleness when beside him, is an inspiring lesson to all who shall hereafter start in the same career of excellence, and a salutary antidote to the benumbing counsels of those preachers of indifference, who assiduously chaunt the parrot strain that true greatness is never appreciated, and who, by way of apology for their own firm determination to make no attempt at benefiting mankind, strive with all their might to persuade others that mankind are far too foolish and wicked, to render the idea of benefiting them any thing but the dream of a madman.

Of the present ministers, a part have adopted the conclusions which Mr. Ricardo had deduced by logical ratiocination from the most extensive and best established laws of

human action; and are so far superior to the mere statesmen of routine. But men born when they were born, educated as they were educated, and occupied as they have been occupied since they entered into life, could scarcely be expected to have attained so clear a conception of those general laws, or so much skill in following them out to conclusions applicable with unerring certainty to the particular circumstances of each particular case, as to be able to tread unassisted in his path. They are so imperfectly acquainted with the principles from which the opinions they have adopted are a deduction, that they are continually liable to make mistakes in the application. So conscious are they of this, that they always seem to be afraid of their ground, and distrustful of their own opinions: ready to follow implicitly the guidance of any plausible person, the general tenor of whose opinions coincides with their own; but their confidence in others as easily shaken as their confidence in themselves; vacillating; unsteady; and quickly frightened (not by fear for themselves, but by an anxious desire to do their duty, coupled with distrust in their own judgment) into the abandonment even of the opinions of the truth of which they have professed, and with sincerity, to be the most firmly convinced. Thus, on the very subject in discussion,—the subject of a paper currency,—they were at first so eager to put a stop to the circulation of the small notes, that they could not wait for the form of parliamentary sanction, but prohibited, on their own responsibility, the stamping of such notes. Then they grew alarmed at the stories which they heard concerning the discredit into which the small notes had fallen through their over-anxiety to get rid of them in a hurry; and they permitted the issue of the small notes of the Bank of England—beyond all question the worst sort of small notes—for a further period. But now with one accord the Scotch bankers, and all who were connected with Scotch bankers, raised an uproar; in which they were cordially joined by every Scotch jobber, who, hating ministers for the good they had done, stretched a point to oppose them even when they were doing mischief. The great novelist himself took the field, and put forth an entertaining story-book on the currency,^[*] in which, between an anecdote and a joke, he wedged in an insinuation, that Scotchmen had not yet forgotten the use of the claymore. Completely bawled down, ministers at length did for the Scotch and Irish currencies, what they ought from the first to have done for the English; they granted a Committee of Inquiry. The result was, that the proposed change was abandoned so far as respected Scotland, and postponed as regarded Ireland: and if ministers have one-half the discernment for which we give them credit, they have long since deeply regretted that they ever hazarded a measure, which has materially lowered them in the estimation of the public, and done no good.

The debates in Parliament were rather marked by general weakness, and ignorance of the subject, than by the peculiar absurdity of any one among the opinions which were broached. There was something deserving of attention, however, in the treatment which was sustained by the unfortunate science of political economy. On most questions affecting the public wealth, the party in the right is pretty much accustomed to be taunted, by the party in the wrong, with being misled by political economy. But in the present instance, *each* party was taunted, by the other with having been led into its present errors by that delusive study. Those who were for a gold currency, said, they had never concurred in the theories of the political economists on the advantages of a paper currency. Among these was Mr. Tierney,^{*} who said that on this point he was more obstinate than on any other, although (he added) he knew that good, wise,

and well-informed men differed from him, and although, he, for his part, affected to know no more, and see no farther, than his neighbours. Those who were for a paper currency said, that “excepting only the members of the Political Economy Club, there were no persons to be found who approved of the conduct of ministers.”[†] Another speaker on the same side, Mr. Hudson Gurney,[‡] “could not help attributing the source of all the evil to the Bullion Committee. Mr. Horner had come up to it from Scotland to confuse the question with Scotch metaphysics.” From all which it may be inferred, that there were at least some persons on both sides, who, although they differed in their opinions, agreed in their contempt for persons who were wiser than themselves.

Proportioned to the invectives of both parties against “political economy” and “metaphysics,” was the eagerness of each to shew that it had the practical men on its side; and vehement was the contest before they could settle, on which side the practical men really were. Mr. Baring, who agreed with ministers that the small notes were a nuisance, but who pertinaciously opposed their suppression, on the ground (if we comprehend him rightly) that a period of distress was the wrong time for such a measure, made a series of speeches, in one of which, amid bitter complaints of the sacrifices made to theory, and the disregard shewn to practical men, he exhorted the House to recollect, that, in spite of all eloquent speeches, it “stood in this situation—the men of business in it, from one end to the other, told the right hon. gentlemen to beware. He did not think there was one banker or merchant in the House, on whatever side he might be accustomed to vote, who ventured to say he thought this measure could be carried without injury to the country. . . . If any practical man would get up and say that this measure could be carried into effect without great suffering, he would give up the point.”^{*} His call was answered by Mr. Grenfell, who took a widely different view of the state of opinion among practical men. “As a practical man, his opinion was, that not only might this measure be carried with safety, but that there could be no permanent safety for the country without it. There was not a single practical man who would attempt to deny that the one pound note system was a nuisance which ought to be abated; that the evils which now afflicted the country originated in those notes, and that one of the remedies for those evils was to do away with that circulation.”[†]

The word *experience* was of course bandied from one side of the house to the other, and the average number of appeals were made to it from *theory*, by that numerous class, who are accustomed to judge of the wisdom of a measure exclusively by the event. Among these Mr. Brougham’s appearance will excite surprise. He candidly owned that he had once been of opinion that a paper payable in gold by law, on demand, could never exist in excess, and that “experience alone had shaken his firm belief in this theory.”[‡] We think that it would have been more to the credit of Mr. Brougham’s wisdom, had he remained silent on a subject which it is evident that he had not studied. It is not by merely glancing at the surface of the subject, and making himself acquainted with one or two of the more obvious facts, that a man becomes entitled to say what is or is not *experience*.

Among the speeches, the most deserving of attention, in many points of view, were those of Mr. Baring; and to these alone we shall further advert. We have not room for an examination of the numerous theories which that honourable gentleman let fall

while vituperating theory. But there is one of his theories—his darling theory—the theory so dear to him, that he could scarcely open his lips without pronouncing it, which must be noticed; the theory of a *double standard*.

At present, gold alone is by law a legal tender to any amount exceeding forty shillings, and is therefore the sole regulator of the value of our currency. Mr. Baring's theory was, that it would be a great improvement to make silver a legal tender also. Now, the reasons against this are cogent and obvious. If both metals were made a legal tender, they must be made so in a fixed ratio; say twenty shillings, to pay a debt of one sovereign. But the relative value of the two metals in the market is liable to variation; and, in point of fact, does vary not unfrequently. As soon as this happened, it would become the interest of all debtors to pay their debts in the metal which had relatively fallen. Not only, therefore, would the currency vary in its value with the fluctuations of two metals, instead of those only of one; but whenever one of the two metals became the standard, the whole of the other metal in circulation would be immediately melted.

Though we commonly object to the introduction of figures into a question of political economy, as in general raising more difficulties than it solves, in this instance we think that figures will render our meaning more intelligible. Let us suppose that a sovereign, and twenty shillings, are both of them made legal tender for a debt of one pound; and that this proportion accurately corresponds with the present value of both metals in the bullion market: the quantity of gold in the sovereign, and of silver in the twenty shillings, being severally worth in that market one pound. Let us now suppose that from a falling off in the supply of gold, or an increase in the supply of silver, from the mines, the quantity of gold in a sovereign becomes worth 21*s.* in silver, or the quantity of silver in twenty shillings becomes worth only 19*s.* in gold. In the first case, a speculator procures a sovereign with 20*s.*, melts it, and sells it for 21*s.* In the other, with his 19*s.* in gold he buys silver bullion, has it coined into 20*s.* at the mint; and by this addition to the currency, raises, among other prices, the price of gold bullion to 21*s.* when he procures a sovereign for 20*s.* melts it, and sells it for 21*s.*

Two evils are thus produced by a double standard: in the first place, double fluctuations; and secondly,—whenever, by a change in the relative values of the metals, one of them becomes the standard instead of the other,—the loss to the nation of the expence of coinage on half the coins in circulation.

Not only did Mr. Baring overlook these arguments, fully and repeatedly as they have been stated in almost all the writings on the subject, but he found, with one exception, nobody to remind him of them.* What is more, he found several members, and among others Mr. Huskisson,† to express something more than a half assent to the proposition. Mr. Peel also gave a modified assent to it, but with the following sensible reservation:—"It would be necessary to accompany it with a measure to guard against fluctuations in the price of silver, so that if there should be an increase in the quantity of silver, the man who had contracted obligations in gold should not be allowed to discharge them in silver."*—No doubt the measure would be harmless with this condition, for it would be nugatory. Where would be the advantage to the debtor of

being allowed to pay in silver, if he were obliged to pay it at the same rate, at which he might purchase gold with it, and pay in gold?

It is curious, that every one of Mr. Baring's arguments for two standards, were arguments only for making silver the standard in preference to gold. Such were, the greater facility of obtaining it in the requisite quantities; its being the standard of other countries, which rendered it impossible, unless it were ours also, to have a perfectly accurate par of exchange; the less liability of its value than of the value of gold, to be raised or lowered by the operations of speculators, &c.&c. All these circumstances may deserve ample consideration, regarded as reasons for making silver the standard, instead of gold; but they certainly are no reasons for having more standards than one.

A discussion of some interest took place in parliament, upon a proposition for authorizing the issue of several millions of exchequer bills to relieve the immediate distress. Ministers refused their assent to this proposition, but, in lieu of it prevailed upon the Bank to make advances to the extent of three millions upon the security of goods.

The propriety of this course appears unquestionable: yet, strange to say, scarcely any part of their conduct excited so much reproach. The practical men not only gave them no thanks for what they did, but would not cease urging them to do what they had refused to do: and ministers were bitterly inveighed against, for unfeelingly suffering such a depth of distress to continue unassuaged, merely because they would not deviate from a general principle, which was not applicable to such extreme cases. Of those from whom this lachrymation proceeded, there was not one who seemed capable of seeing that an advance by the Bank afforded all the relief which an issue of Exchequer bills *could* afford; probably much more than it *would*.

Two evils were expected to be remedied by this measure: first, the depression of prices, owing to the contraction of the currency by the immense destruction of mercantile and country paper; and, secondly, the difficulty, or rather the utter impossibility, of obtaining loans, except at extravagant interest. Both these evils were materially mitigated by the advances of the Bank. By these advances, three millions were added to the currency, and three millions were added to the loans. By the issue of exchequer bills, very little would have been added to either. Exchequer bills do not, except to a very limited extent, circulate as currency; and for this reason, neither could they have been of any use as a loan, to the merchant who received them, unless they were first cashed. If cashed by the Bank, they would have operated in the same manner precisely, as the Bank advances upon goods under Government guarantee. If cashed elsewhere, they would not have added to the aggregate of loans, but would merely have enabled the holder to borrow money, which otherwise would probably have been lent to some one else. If the measure, therefore, had averted bankruptcy from one individual, it would only be by bringing it upon another. To a certain extent, indeed, it might have drawn out funds, which would not have been lent upon any inferior security; and so far, but no farther, it would have afforded relief. But the advances of the Bank, by immediately superadding the whole of their own amount, to the funds which were already seeking an investment in the money-market, did at

once, and to the full extent, what, to a certain extent, the other measure might *possibly* have done.

Yet this measure the practical men pronounced to be nugatory, while their hearts were exclusively set upon the other. One reason they had for this preference; and a curious specimen it was, of the empiricism of the mere practical men, in every thing which they say and do in public matters, and which they call, following experience. The issue of exchequer bills had been tried in 1793, and had succeeded! while the Bank advances had never been tried before! There are few quacks, in tolerable practice, who cannot produce hundreds of instances in which their nostrum has been taken, and in which, afterwards, the patient has recovered. The practical men could produce only one such instance: and even to that, there were objections, to which newspaper cases in general are not liable: for patients, we know, do not always recover, even when the doctor is dismissed; but a commercial crisis *must* abate, some time or other: and if it begins to do so just after the exchequer bills have been administered, people are sure to suppose that had it not been for the drug, it would have continued till doomsday.

Hear how a practical man can rail against theory while in the act of theorizing, and theorizing, too, upon a single instance.

Mr. Bright: "What did Mr. Pitt do on that occasion? He issued exchequer bills, and the distress of the country was cured, not only without loss, but with benefit to the state. Why should we now adopt new expedients? Why not profit by the experience and the wisdom of our ancestors? He was no speculatist, no theorist, and disliked the fashionable philosophy of the day, and he asked the country to adopt the wise course of Mr. Pitt."*
—

Mr. Tierney made a speech, which, as usual, was full of wit, and pleasantry, and point, but somewhat barren of ideas. The only thing particularly remarkable in it, was the principle of morality by which he professed to be guided in his public conduct: "He approved of the issue of Exchequer bills in 1793. On that occasion he was not in Parliament; but had he been, he would in all probability, like a good soldier, have fought under the banners of his party, and he believed they opposed it: but the measure was sound and good."*
—

We commend Mr. Tierney for his frankness; and shall know, hereafter, for what degree of sincerity to give him credit, when he declares to the House, on party questions, that the salvation of the country depends upon its following his advice. We are greatly edified by the notion which he entertains of the duty of a public man. It consists, he says, in being "a good soldier." Permit us to ask, whose soldier? Not that of the people; for *their* interest is indissolubly linked with every thing that is open, and honest, and sincere. Of whom, then, is he the soldier? We need not go very far for an answer.

The Usury Laws also produced something of a debate. Our sentiments on this subject, having been fully declared in our preceding volume, need not be repeated here. The baneful operation of these laws during the panic having done much to strengthen and spread the opinion of their badness, it was to be expected that the country gentlemen

would, in defending them this session, exhibit marks of peculiar irritation. Such marks they accordingly did exhibit; and poured out the vials of their wrath to the very dregs, upon the unfortunate proposer, and upon all who were of his opinion.

Mr. Davenport “called upon Government to take a part in stopping the eagerness for introducing such bills.”^[*] Mr. Bright, who richly deserves to have been born a country gentleman, “was glad that the bill was thus early opposed. It was essential that the country gentlemen should not be year after year agitated in their minds, and more particularly at a time when they ought to be kept at ease. He condemned in the strongest manner the re-introduction of such a bill as that now submitted for their consideration; it could be productive of no good, and would disturb existing arrangements.”^[†] On second thought, it occurs to us, that the above observations are ironical. The principal sentence is evidently a sly hit at the extreme sensitiveness of the country gentlemen in money matters, which he artfully represents as having risen to a disease in their minds, and complains that they are not treated with the tenderness due to valetudinarians. Mr. R. Gordon could not contain his indignation against Mr. Sykes, for merely expressing his surprise that the country gentlemen should think the Usury Laws injurious to them. “The landed interest did not stand in need of the suggestions of the honourable member. He condemned the honourable gentleman’s avidity to assist the landed gentlemen with new theories; it would be better to allow the country gentlemen to take care of themselves; for surely they ought to be the judge of what suited their own affairs.”^[*] Had Mr. Bright been in his merry mood when these observations were made, he would have remarked, in continuation of his former view of the subject, that the country gentlemen already began to demonstrate that instinctive aversion to their keepers, which persons in their unfortunate situation so generally display.*

The only argument which was even named, against the repeal of the Usury Laws, was, that it would shake the security of mortgages; by which is meant that, if higher interest than 5 per cent were permitted to be taken, all mortgages would be called in, and 2 or 3 per cent additional interest immediately laid on. There is something so incredibly silly, as well as something so much worse than silly, in this language, that it deserves most particular notice. In the first place, it is scarcely credible that men should be found in the present day, to stand up and affirm what is here implied, that the lender is the person who fixes the rate of interest; and that too, with full experience before their eyes, that the lender cannot even keep the rate of interest from falling *below* the legal limit, to say nothing of rising above it. Nor do we believe that even the landlords would have committed so gross and so obvious a mistake, were it not for their inveterate habit of taking their opinions on all money matters from their attornies; to whom the Usury Laws, and the evasion of the Usury Laws, are the source of profit without end, and who, therefore, unanimously agree that those laws, and their evasion, are equally indispensable to the security of the social order. In the next place, suppose it true that these laws do keep down the rate of interest on mortgages below its natural rate: is there any set of men, save those who, like the country gentlemen, have so long been accustomed to make the interest of all other classes yield to theirs, that it appears to them almost a miracle to meet with resistance from any other class in the attempt,—is there any other set of men, who would have the assurance to say—We are dealers in corn, and we will therefore compel you to buy it

of us at our own price; we are borrowers of money, and we will therefore compel you to lend it to us at our own rate; and all this, not on account of any service which we have done or intend to do you in return, but because we and our pockets are of such vast importance to the nation, and their being well filled so absolutely essential to the maintenance of the constitution and to the prosperity of the state, that no Englishman will grudge to contribute his share, in this or in any other way, towards filling them!

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THE SILK TRADE

1826

EDITOR'S NOTE

Westminster Review, V (Jan., 1826), 136-49. Unsigned; not republished. Original heading: "Art. VI. *Rise and Progress of the Silk Trade in England, from the earliest period to the present time. Founded on Official Documents.* By César Moreau. Treuttel and Würtz. 1826." Running head: "The Silk Trade." Not mentioned in JSM's bibliography or *Autobiography*. Identified as his in the Mills' copy, Somerville College, which contains, as well as the identification, two pencilled corrections in JSM's hand (see 134^{a-a} and ^{b-b} below). The cancelled original conclusion of the article is found on f.8v of the holograph MS of JSM's "Speech on the Church" (British Library of Political and Economic Science, Mill-Taylor Collection, Add. Mat. II, M463). The three variants below (138^{c-c}, ^{d-d}, 139^{e-e}) give the full final readings of this MS fragment, in which ^{c-c} is interposed between the other two passages. The identification of this article as JSM's removes the discrepancy between his bibliography and *Autobiography*: in the former he lists twelve articles contributed from the second to the eighteenth numbers of the *Westminster*; in the latter he says he contributed thirteen.

The apparent anomaly of JSM's referring in the "January" number of the *Westminster* to a speech of Huskisson's delivered on 23 February (see 139 below) is resolved by the announcement of the publication of this number in the *Morning Chronicle* for 4 April.

The Silk Trade

our readers are aware that, by an Act passed in the year 1824,^[*] the existing prohibition against the importation of wrought silks is to expire in July next. This measure did not pass without considerable opposition, and strenuous efforts are now making to obtain its reversal.

It might have been thought that a measure of reform, which had passed the ordeal of the two Houses of Parliament, could stand in need of no further evidence to shew that it was imperiously called for by the spirit of the age. With whatsoever faults those two assemblies may be charged, they can hardly be accused of a propensity to rash innovation; and when the public beheld the novel spectacle of ministers and Parliaments legislating upon a general principle, only fifty years after all thinking men had recognised it as a self-evident truth, they held up their hands in astonishment, and imagined that the millennium was at hand.

The commercial embarrassments, however, which became so unhappily general, as the period fixed for the expiration of the monopoly drew near, have afforded great

advantages to the discontented of all classes, in practising upon the public mind. A period of distress is a period of easy excitement. There is no one so irritable as he who is smarting under pecuniary loss; and the disappointed speculator is eager to lay the blame of his ruin upon government, or competitors—upon anything, in short, except his own folly. The monopolists have also been indebted to the late distresses for the support of a sort of persons, who, under the denomination of *practical men*, regard with dread every deviation from routine; and who, while they treat all attempts at generalization with disdain, under the appellation of *theory*, do not think it at all theoretical to generalize on the single fact, that about a year and a half after the passing of the act, distress in the silk trade ensued.

The existence of distress, unhappily, is not to be questioned; and there are many unthinking persons, who, having the evidence of their senses for this fact, take all the rest of the argument for granted. These are the persons to whom we now address ourselves, and whom we hope to convince that distress may exist, and may yet be owing to other causes than the new measure; and that, though it were owing to the new measure, that measure might be a very good one notwithstanding.

If the silk trade were the only trade to which the distress extended, there might be some colour for attributing it to the anticipation of the effect which the admission of foreign silks may have on the market. But distress prevails to an equal extent in the cotton, woollen, and many other branches of manufacture and trade, in none of which any apprehension is entertained of foreign competition. Even of the silk manufacture it is not pretended that all the branches will be affected by the change of system; yet which of them is there that is not distressed? In what branch is the depression greater than among the bombazeen manufacturers at Norwich? Yet nobody dreams that we can be rivalled in this article by nations not possessing the advantage of our wool.*_

It is acknowledged that during the last year, speculation and overtrading were carried to an almost unexampled height. It is a fact that all the branches of trade which participated in the mania are now participating in its deplorable consequences: of these branches the silk trade was one. When we have here one perfectly sufficient cause of the distress, need we go to look for another? Are the silk manufacturers alone, in the commercial world, to be permitted to charge the consequences of their own madness upon the government? Mr. Canning characterised their conduct in proper terms, in his speech of the 13th of February:—"By the employment of a great multitude of labourers, and by large purchases of raw material, they had accumulated both raw material and manufactured stock to double their previous amount, and then, when the re-action came, they raised a cry, and upon the obstacles to the measure, which they themselves had created, they founded an argument for further time."[*]

The silk trade, in fact, was never brisker than it was during the first year subsequent to the passing of the act of 1824. The quantities produced exceeded all former example. Although new mills had been erected for throwing silk, the manufacturers were obliged to wait for months, before they could get silk from the throwsters; and in the year 1825, as compared with the preceding year, the importation of thrown silk was nearly trebled.† Still the goods were sold as fast as they came out of the loom; and wages not only did not fall, as was predicted after the abolition of what was called the

Spitalfields act,^[†] but such was the demand, that in some instances they actually rose. This demand continued unabated (except by the change of season) till the very day when a number of manufacturers held a meeting at the London Tavern, and put forth a declaration, that the French could undersell them 60 per cent, a notion which they have ever since been sedulously endeavouring to propagate.* We do not think it very much to be wondered at, that the public should have taken them at their word.

The distress, therefore, in whatever way we may explain it, has no bearing whatever upon the question.

In the claim of the monopolists, two things are implied:—that they cannot support themselves under a free trade; and that, if they cannot support themselves, they ought to be supported by the nation. If they would say any thing in point, they must prove both these assertions; that they have hitherto been content with assuming them, it requires very little consideration to perceive.

Two sorts of persons have on this occasion entered the lists in favour of the monopoly: they take their stand on very different grounds, and must be met by very different arguments. One set profess themselves enemies to political economy, and favourable to the *old system* of restrictions upon trade. Their doctrine, if they can be said to have any, seems to be, that we ought to produce every thing for ourselves, the production of which, with our soil and climate, is not physically impossible; or at least, that every manufacture which has ever existed in this country ought to be upheld, no matter at what cost to the community. Others, on the contrary, are ambitious to be thought proficient in political economy, at the same time that they are striking directly against its first principles. These profess the utmost reverence for the abstract principles of free trade, and acknowledge that a manufacture, which cannot stand against competition, ought to fall. This, however, they contend, is by no means their case, or, at least, would not be, if ministers had begun at the right end, and commenced their operations by abolishing the corn monopoly. This it is which disables them from competing with foreigners, and while this subsists, to deprive them of *their* monopoly, is, according to them, a cruel injustice.

We shall reply to these two classes of opponents in their order, and we begin with the first.

If we were looking out for a reason why foreign silks should be admitted, we do not know what better reason it would be possible to give, than the very reason which is given by these persons for not admitting them, namely, that they are *cheaper* than those we have. This, however, is a reason which is any thing but satisfactory to “practical men.” To the understandings of practical men, particularly of silk manufacturers, the dearness of their goods presents itself as a conclusive reason for forcing the public to buy them. And so much pains do they take to inform us that we can purchase our goods cheaper elsewhere, that one would imagine they thought that there was something particularly attractive to buyers, in the idea of buying at a high price.

The sort of opponents against whom we are now contending, are perfectly willing that we should be permitted to purchase of foreigners, whatever we can buy cheaper at home. They have no sort of objection to foreign commerce, provided they can by any means guard themselves against the misfortune of not having to pay enough for their goods; but so soon as commerce threatens to be productive of any such fatal consequence as cheap commodities, they tremble at the thoughts of it, and yet, it is only by affording cheap commodities, that foreign trade contributes to the national wealth.

The utility of trade does not consist in the large fortunes which are made by merchants. The gains of merchants (except in the narrow case of an exclusive company) do not exceed the ordinary profits of stock: and the same capitals would, for anything that appears, have afforded the same profits, if foreign commerce had never been heard of. Still less do the exports add any thing to the national wealth. Were we to export without importing, or to import nothing but money, we should not be enriched but impoverished. It is only by our being enabled to import goods, at a less cost than we could afford to produce them at home, that our national wealth derives any sort of advantage from the existence of foreign trade; and every prohibition, therefore, on importation, operates *pro tanto* to render commerce useless. There is nothing more characteristic of a weak mind, than an incapacity of discerning inconsistencies; and it belongs to the same mind to boast of "British commerce," as the grand source of our national prosperity, and to uphold that system which, if consistently acted upon, would not long leave us any commerce to boast of.

If what is lost to the consumer by the exclusion of foreign manufactures, were gained by the producer, something more might be said for its wisdom. But what is lost to the consumer, is not gained by the producer; it is wholly swallowed up by the expenses of production. Manufacturers do not derive the same advantage from restrictions upon trade that landlords do. The landlord really derives an addition to his income, though we think a very small one, from the operation of the corn monopoly. Not so the manufacturer: he, under a restricted trade, receives no more than the ordinary profits of stock: which he would equally have received had he embarked his capital in any other employment. The tax which the consumer pays, nobody receives; it is a dead loss to the country.

But what! say the silk manufacturers: is all the capital which we have invested in the manufacture, and all the hands that are invested in it, to be sacrificed to a theory?

To a theory, no: if by a theory be meant the mere pleasure of trying an experiment. But it is not necessary that they should be sacrificed at all; not that, if proved to be conducive to the general good, this or any other sacrifice ought to be grudged. But we are of opinion, first, that the silk manufacturers will not be called upon for any sacrifice, except that which must always attend a temporary disturbance of prices; and secondly, that if the sacrifice were ever so great, instead of clamouring for the renewal of a restriction which does them no good, and the public great harm, they ought to make an estimate of the amount of their loss, and prefer a claim to compensation.

We will first suppose, that they cannot stand the competition, and we will then give our reasons for believing that they can.

As it is certain that, by abandoning their business, the silk manufacturers would not lose the whole of their capital, they could not justly claim to be indemnified for the whole. The capital of a manufacturer consists of the materials of the manufacture; the stock in hand, the buildings, and machinery. The buildings, whether warehouses or manufactories, would be available for a hundred other purposes. As for the machinery, if our absurd laws against the exportation of it were removed, it would easily find a market in Italy or France. There remains the material, and the stock in hand. The former could be re-exported: the Bengal and China silk without any loss, the Italian with the loss of the cost of carriage. The stock in hand could be disposed of, though at a reduced price; and the amount of the indemnification necessary to cover the loss, could be more easily estimated than indemnifications usually can. We thus see how small a compensation would cover the losses of the silk manufacturers, even if their apprehensions were realized; and how little, at best, their *argumentum ad misericordiam* is worth: as for the journeymen, they are a very numerous body, and their interests deserve a proportional degree of attention. Their temporary distress is greatly to be lamented; and whatever can be done for its relief, consistently with what is due to the rest of the community, ought to be done. A weaver, however, can easily change his employment. It is not, perhaps, generally known, that the silk manufacture at Manchester is carried on chiefly by persons who were originally cotton-weavers, and at Norwich by woollen-weavers: so easy is the transition from one of these kindred branches of manufacture to another, and in some parts of Devonshire the lace manufacture has in the same manner superseded the woollen. All these lines, it will be said, are over stocked with hands. This may be true; but if we were to import our silks, additional hands would be required to produce the cotton, woollen, or other goods, by the export of which we should pay for them.

We shall now state the grounds which there are for supposing that, notwithstanding competition, the silk manufacture will continue to prosper. We wish to keep this question perfectly distinct from the more general one, whether foreign competition ought to be admitted; because there is really no connection between the two questions, and because it is the grand artifice of the monopolists to mix them together. If the French silks are not either cheaper or better than the English, nobody will buy them; and if they are, we have already observed, that it is not a reason for keeping them out but for letting them in. If foreign silks cannot profitably be imported, to take off a restriction which prevents them from being imported may do no harm, but it will do as little good. It would be of as much use to abolish a prohibition against carrying coals to Newcastle, as against importing an article which we can make cheapest at home. How can we expect other nations to believe us sincere in our newly adopted liberality, if they see us taking as much pains to keep out foreign goods when we are taking off restrictions, as we could do if we were laying them on? Mr. Huskisson has been nearly as much sneered at, for his doctrine of free trade, in France and America, as he has in this country, though for an opposite reason: our monopolists cry out that foreign competition will ruin them; foreigners say that our pretence of admitting competition is hypocrisy, that we know our own interests too well, that we take good care to keep the door shut against all foreign productions, except those which we

know will never come, and that the sole purpose of our sham liberality is to delude other nations into commercial concessions. We hope that they will be undeceived by the operation of the act of 1824. We hope, therefore, that, in some articles at least, their silk manufacturers may be able to undersell ours. In a few fancy articles we believe they will; but in no others.

If they have any advantage in the *material*, it must be either in the article of *raw*, or of *thrown* silk. Raw silk is obtained from Bengal, China, and Italy.* Bengal and China silk foreigners purchase from us. The Italian can be obtained by the English and by the French manufacturers on the same terms, as is sufficiently evident from a comparison of the cost of freight and profits of capital; and it is besides confirmed by the evidence of Mr. Davison, a wholesale silk dealer, before the lords committee on foreign trade in the year 1821. Being questioned concerning the price of raw silk in France, he answered, "I believe the price of raw silk, exclusive of the duty, is pretty much the same as it is here: the land carriage costs them pretty much the same as our carriage by sea."^[*] And the duty in this country is now a mere trifle.

The duty on thrown silk, though greatly reduced, is still much higher than in France. With the exception of this difference of duty, which may and ought to be got rid of, the foreigner has no advantage in this article over our own manufacturer. However much the interests of our throwsters might be affected by a still further reduction of the duty, their monopoly ought not to stand in the way of so salutary a measure: but the following extract from the evidence of Mr. Hale, of Spitalfields, shows, that if they sustained any injury from the reduction, it would be their own fault. "I inspected," says he, "the machinery at Turin, and was very much surprised to find they were so backward, in proportion to what they were in the north of England; the old silk mills at Derby that were working perhaps fifty years back, were on much the same construction as the mills now are at Turin; the mills I saw working organzine were on a construction which has been long exploded by the best manufacturers of organzine in the kingdom. The same remark might hold good in the silk manufactory at Lyons, but I saw no organzining in any part of France, and I did not hear of there being a single mill to throw organzine in that country."^[†] Well might the committee before whom the above evidence was delivered express surprise in their Report, "that, though the manufacture of organzine is one *almost entirely carried on by machinery*, and requiring, in great part, only the labour of women and children, yet that it cannot be made here at less than double the price for which it is thrown in Italy;"^[‡] but the reason assigned by the committee, the recent introduction of this branch of the manufacture, seems scarcely adequate to account for so great an anomaly, were it not for the absence of that stimulus to ingenuity and skill which would be the natural effect of free competition. With that stimulus and the advantage of British machinery, unless our throwsters be an inferior race to the rest of mankind, they may hope to supply not only our market, but perhaps even that of France. Surely if they cannot, there needs no better proof that throwing is a business not suited to this country: that the foreign manufacturer has as little advantage over ours in *machinery*, or other contrivances for abridging labour, as he has in *material*, is notorious, and admitted by the monopolists themselves.* In the various articles used in dyeing and preparing the silk, if he enjoys any advantage, he owes it to our absurd taxes on barilla, tallow, soap, ashes, cochineal, madder, &c. which might either be abolished or greatly

reduced with a very inconsiderable (if any) loss of revenue. But this branch of the subject we leave in the hands of the manufacturers themselves. When they are tired of clamouring for the privilege of ^alevying a tax upon the public, they may perhaps think of praying to be *relieved* from taxes, the burthen of which is shared between the public and them.

It is in the article of *wages* that the supposed advantage of the foreign manufacturer exclusively consists, and this brings us into contact with the less bigotted ^bparts of the opponents of the new measure; with those who admit the propriety of taking off the prohibition, but who urge that parliament ought first to have taken measures for lowering wages, by abrogating the corn laws.

Now were we to affirm that the low rate of general wages in France does not afford any advantage to the French manufacturer, we should affirm that which could not be maintained, since it unquestionably gives him higher profits.

This, however, may be maintained, and maintained correctly, that the low rate of wages in France does not induce the French manufacturer to sell his goods one *sou* cheaper, either in his own country or in ours, than if the wages he had to pay were as high as in England, and consequently does not induce him to undersell the British manufacturer.

Thus much is no doubt true, that if he were content to sell his silks at the bare cost of production, and did not care what profit he made, or whether he made any profit at all, the price at which he would be able to sell his article without loss would be low just in proportion as wages were low.

It is however certain that he will not choose to undersell the British manufacturer, unless by so doing he can realize the ordinary profits which are yielded by other capitals in his own country.

If, therefore, profits are higher in France than in England, and higher exactly in proportion as wages are lower, the lowness of wages will not enable the French manufacturer, consistently with his own interest, to undersell the English manufacturer.

That the profits of stock really are higher in France than in England is an undisputed fact, supported by incontestable evidence, and it is, besides, a necessary consequence from the comparative lowness of wages.

If wages were lower in one employment only, prices would also be lower in that employment. But wages are lower in all employments; and the supposition of *general* low prices, except from some cause affecting the circulating medium, is absurd.

The advantage of low wages is shared by *all* French capitalists, and it cannot be supposed that the French silk-manufacturers will give an advantage to the consumers which in any other employment they might keep to themselves.

The conclusion, therefore, is manifest, that the high rate of wages occasioned by our corn laws, though highly prejudicial to all classes of capitalists, by lowering the general rate of profit, is not more prejudicial to those who are exposed to foreign competition than to those who are not; and that nothing, therefore, can be more utterly unwarranted than the claim of the silk manufacturers to peculiar protection on account of it.

Were it necessary, we might remark how greatly the silk manufacturers have exaggerated the difference of wages in the two countries. The rate of wages (our readers will be surprised to hear) in an article (*gros de Naples*) on which more hands are employed than on any other, and which may therefore be considered a near approximation to an average of the whole, is *almost exactly the same* at Manchester and at Lyons. In Spitalfields indeed it is 60 per cent higher. It is evident that so great a difference of wages in the same employment cannot continue. The attempts of the weavers to keep their wages above the average level can only tend, if persevered in, to drive the manufacture altogether into the country.

It was only a week or two ago that a complaint was made at the Worship Street Police Office, by a master whose property had been injured in the loom, and the windows of the weaver's house broken, because his daughter, rather than apply for a part of His Majesty's bounty, agreed to work under the old price, though she would still have obtained 25 per cent more than is paid in the country.

Another instance has come to our knowledge in which a man refused to work for 22*d.* per yard, the regular rate being two shillings, although the same article is made forty miles from London, at 16*d.*

We might, if it were worth while, urge a very powerful *argumentum ad hominem*. Allowing for a moment that the effect of the corn laws upon wages laid our manufacturers under a disadvantage, as compared with their foreign competitors; we might show that the protecting duty which they still enjoy is much more than a compensation for this disadvantage. Judging from the data with which we presented our readers in an article in our sixth Number, on the corn laws,^[*] it is allowing very much to the effect of these enactments, if we suppose them to raise the price of corn 24 per cent. The weavers may be supposed, one with another, to expend about half their wages in agricultural produce. An addition, therefore, of 12 per cent to the wages which they would otherwise have had, indemnifies them completely for the whole effect of the corn laws. Assuming, then, that the silk manufacturer expends half his capital in materials, machinery, &c. and the remaining half in the payment of labour, it is evident that a protecting duty of 6 per cent would be an ample equivalent for any addition to his expenses, which can be justly ascribed to the corn laws. Instead, however, of 6 per cent he has 30, or suppose that it were 20 per cent. It is obvious, therefore, even on their own principles, how lame a case that portion of the monopolists can make out, who rest their claims to monopoly upon the existence of the corn laws.

In maintaining that the low rate of general wages in France does not enable the French manufacturer to undersell ours, we, of course, do not mean to deny the advantage

which he may have from the comparative cheapness of a particular *sort* of labour. Such an advantage in the production of fancy articles it is well known that he has. From the comparative rarity of the sort of skill and taste which are indispensable in that branch of the manufacture, the price paid in this country for these attainments, is, compared with the ordinary remuneration for labour, remarkably high. At first, therefore, it is not probable that our manufacturers could compete with foreigners, in the production of this class of articles. Eventually, it is probable that the stimulus which will be given to the exertions of our manufacturers will, with the advantage of mechanics' institutions as schools of design, enable them, even in this branch, to maintain a successful competition. If so, it would be an entire branch of trade gained to our manufacturers, in consequence of that competition which they dread.

Much of the recent increase of the silk trade has been owing to patterns copied from France. The silk trade, previously to the discussions in Parliament, was really a disgrace to the country. In taste, ingenuity, and enterprise, the French left our manufacturers far behind, and the old imperfect looms continued to be used in this country many years after Lyons had improved hers.

The manufacture of artificial flowers presents a striking illustration of the stimulus afforded by a free trade. This article having somehow been omitted in the catalogue of prohibited commodities, the manufacture, it was supposed, could not survive the peace, as indeed it could not, had not the producers, by the importation of French workmen, and of some of the raw materials, which could not be, or were not, made in this country, and by great exertions for the improvement of the manufacture, succeeded in supplying so much cheaper and better an article, than had ever before been produced in this country, that instead of falling off, the business greatly increased, and now employs a much greater number of hands than it did at any period during the war.

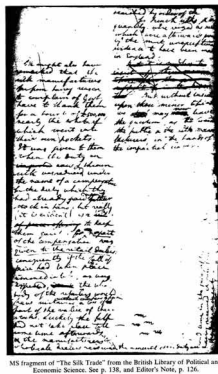
There is one of the statements put forth by the silk manufacturers, which, as much stress has by some of them been laid upon it, requires some notice. This is, that the East India company is in the habit of selling India wrought silks at the same price per pound as the raw material. The inference to be drawn is, that when the prohibition on the sale of India wrought silks for home consumption expires, the company will drive the manufacturer out of the market. This has afforded an opportunity to some of the silk dealers, for animated invectives against monopoly; though they might have remembered, that, so far as concerns the Indian trade, the East India company has no monopoly; and that much of the raw silk, and by far the greater portion of the wrought silks, sold at the company's sales in the last seven years, have been the *bonâ fide* property of private traders.

The allegation, however, that raw and wrought silks may be purchased of the company weight for weight at the same price, is contrary to fact. In Bengal, there are two modes of winding the raw silk from the cocoon; one is the old native mode, which produces the raw silk known by the name of country-wound; the other, which is the European mode, has been introduced by the company, and produces the superior kind of silk termed filature. This is produced chiefly for exportation to Europe. The raw material of which the Bengal wrought silks are made, still continues

to be wound after the old manner. Now we are enabled to state, that Indian Bandannoes (to which article the importation of Bengal silk manufactures is almost entirely confined) have, on the average of every year, for the last seven years, obtained at the company's sales a price greatly above the price of an equal weight of country-wound silk, the material of which they are made. In the last year (1825) in particular, it was nearly double. Filature silk, a much better sort of material, did, in the year 1819, obtain a higher price, weight for weight, than the manufactured article; but in no subsequent year has the same circumstance, or any thing approaching to it, occurred. So much for the diatribes of monopolists against monopoly.

Being desirous to confine the reader's attention to the main question, we have not touched upon many collateral arguments of great weight. One of these is the prevalence of smuggling, against which no prohibitions can afford "protection," and which our preventive service, with all its expense, has hitherto proved inadequate even to obstruct.* We might ask what becomes of the Bandannoes which are annually sold in Leadenhall-street? or what market it is imagined they are intended for—France, where they are scarcely worn at all, or England, where they are worn by every body? And whether it is not well known that they are exported to France for the purpose of being clandestinely re-imported into England? The facilities of smuggling French silks are still greater from the utter impossibility of distinguishing the French and the English manufacture from one another; insomuch that a few months ago, when the warehouse of an eminent silk-dealer was ^c[searched by the Custom-house officers, a quantity of silks were seized as French, which were afterwards positively proved to have been made in England.](#)^c Freedom of importation at a duty not exceeding the expense of smuggling, would put an entire stop to all this evil; to the great benefit of the revenue and of the public morals, and to the detriment of nobody.

^d[We might also ask of the silk manufacturers \(who consider themselves to have been so ill treated by the government\), whom they have to thank for the bounty of £500,000, which was granted them under the name of a reimbursement on the reduction of the duties on the raw material? The real object of this *bonus* will be evident, when we say, that no part of it was given to the retail dealers; who would yet have sustained, if the price had fallen, the same proportional loss as the wholesale dealers and manufacturers, and who were far less able to bear it, but whose influence in the legislature was not, it seems, equally formidable. Temporary circumstances, fortunately, prevented the fall from taking place, till a considerable time afterwards; and the consequence was, that the manufacturers and wholesale dealers received their indemnification twice over; once under that name, and again in the price of their goods.](#)^d



MS fragment of “The Silk Trade” from the British Library of Political and Economic Science. See p. 138, and Editor’s Note, p. 126.

^eBut without insisting upon these minor topics, we leave the question, as between the public and the silk manufacturers, to the judgment of the intelligent reader.^e

Since the above article was written, we have read Mr. Huskisson’s speech in the House of Commons, in defence of his commercial policy, a speech which, while it has raised him higher than ever in our estimation, has convinced us more than ever, that it is the duty of all lovers of their country to raise their voices at this crisis in his support.^[*] With the exception of Turgot, the history of the world does not, perhaps, afford another example of a minister steadfastly adhering to general principles in defiance of the clamours of the timid and the interested of all parties: and if the people are not true to him—if they do not show as much zeal for their own interests as the monopolists of all sorts are showing for theirs—they will deserve that defeat which they will most assuredly sustain; and long will it be before they find another minister who will encounter obloquy from his oldest supporters, and brave the displeasure of almost all the powerful classes, in the vain hope of benefitting *them*.

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THE NEW CORN LAW

1827

EDITOR'S NOTE

Westminster Review, VII (Jan., 1827), 169-86. Unsigned; not republished. Original heading: "Art. IX.—*A Catechism on the Corn Laws; with a List of Fallacies, and the Answers.* By a Member of the University of Cambridge. Third Edition, with additions. London. Ridgway. 1827. pp. 60." (JSM seems, for the most part, to have been using the 2nd edition of T. Perronet Thompson's *Catechism*; see 816 below.) Running head: "New Corn Law." Identified in JSM's bibliography as "An article on the New Corn Bill, which appeared in the 13th number of the Westminster Review" (MacMinn, 8). In his *Autobiography* there is only the general reference cited above (46) to the corn laws as one of his special subjects. Identified in the Somerville College copy, without corrections or variants.

The New Corn Law

ministers have at length produced their long-expected proposition for the amendment of the Corn-laws.^[*] It has already been once altered, and, we need scarcely say, made worse, in the House of Commons. How much worse it will be made before it passes, or whether it will pass at all, we are unable, as yet, to conjecture; but, even in its original shape, it was almost futile, and would not have effected any one of the ends which it pretended to aim at. Let those be disappointed who looked for any thing better: we confess that our hopes were never very sanguine. It would argue little experience of human affairs to expect from monopolists the abandonment of a monopoly; from landlords the voluntary abatement of rent. And we should almost feel inclined to sit down content with whatever may be obtained, and to thank our masters for giving any thing, when they might have withheld all, were we not aware that what they have yielded has been yielded to their fears alone, and that greater fears may in time obtain for us those greater concessions which they have taught us not to expect from their benevolence, or from their patriotism.

A system of duties is to be substituted for a system of prohibition. If the proposed bill should pass, corn may lawfully be imported at all times. This, certainly, is something gained, at least in point of principle. But coals, likewise, may lawfully be carried to Newcastle, and steam-boats to the moon. Nominal permission is fruitless if coupled with conditions which amount to a real prohibition. It makes little difference to the consumer whether the law *forbids* corn to be imported, or so orders matters that it is never *shall*.

The vices of the *existing* Corn-law have so often been made the subject of discussion, both in other publications and by ourselves, that we may presume them to be distinctly in the recollection of our readers. It is sufficient to say, that they all adhere

to the proposed law, and in an almost equal degree. Except in name, the trade in corn will not, practically, be more free, the average price materially lower, nor the fluctuations less extensive or less violent, than heretofore.

The correctness of this representation it will be for the reader to estimate. We will lay the grounds of it before him.

The principle of the new Corn-law is briefly as follows. When wheat (to which we shall for the present confine ourselves) is at 60s. per quarter, the duty on importation is to be 20s.; and for every shilling by which the price exceeds 60s. the duty is to abate two shillings. This is to continue until the price reaches 70s., at which, and all higher prices, the duty is to remain stationary at one shilling per quarter. The following scale exhibits the rates of duty in a clearer form.

	Per Quarter	Per Quarter	Per Quarter
	{ 60s.	{ 61s.	{ 20s.
	{ 61s.	{ 62s.	{ 18s.
	{ 62s.	{ 63s.	{ 16s.
	{ 63s.	{ 64s.	{ 14s.
	{ 64s.	{ 65s.	{ 12s.
When the price is { 65s.	and below	{ 66s.	the duty is { 10s.
		{ 67s.	{ 8s.
		{ 68s.	{ 6s.
		{ 69s.	{ 4s.
		{ 70s.	{ 2s.
	{ 70s. and upwards		{ 1s.

On the other hand, when the price is below 60s., for every shilling by which it falls short of that mark, the duty is to increase two shillings. Thus at 59s. the duty will be 22s.; at 58s. 24s., and so on.

Amid all this complication, the only material question is, at what price this new system will enable us to commence importing. This point may, fortunately, be ascertained. From the data which we have exhibited in former articles,^{*} and which every authentic statement since given to the world has tended very strongly to confirm, it is established, that 52s. per quarter or thereabouts is the lowest return which will indemnify the merchant for importing corn into this country. When the price is 64s. the duty will be 12s., which leaves exactly 52s. to the importer. Until, therefore, the price rises to 64s., there can be no importation; except in the casual contingency of an unusually abundant harvest abroad. Against this contingency we must set that of an unusually scanty one, which would prevent us from importing, even at that price.

These results suggest two material observations: First, that we shall not, even now, be a regularly importing country. Mr. Canning stated, when he brought forward his measure, that the average price for the last four years, including no particular vicissitudes, and likewise for the last twelve years, which include very great

vicissitudes, had been about 60s.^[*] At this price the duty will be 20s.; which will leave the importer no more than 40s.; altogether an insufficient remuneration. The lowest price, therefore, which will admit of importation, is considerably above the price of British corn in average years.

The second observation is, that a law which virtually fixes the importation price at 64s. is not much better than the existing law, which fixes it at 70s. By the Corn-law passed in 1822, 70s. is the importation price. If Mr. Canning had contented himself with proposing that 64s. should hereafter be the importation price instead of 70s. would he not have incurred the ridicule, not merely of all men of sense for doing so little, but of all the world for pretending to have done so much? Whatever advantage there would be in simply reducing the importation price to 64s., that, and no more, is there in the measure which Mr. Canning has proposed.^{*} But because he has dressed it out with a complicated apparatus of figures, which cannot be distinctly comprehended without some little trouble; because he has overawed the public by the ostentatious accuracy of a graduated scale, and soothed them with flattering visions of a very low duty when corn is very high, he has succeeded in his immediate purpose, and it seems not unlikely that a majority of the public will, for the present, be satisfied with perceiving that the Corn-laws have been *altered*, and will wait for specific experience to learn, that the alteration has been very nearly nugatory.

Further, although 64s. be a sufficient price to remunerate the foreign grower, it by no means follows that, under the system now proposed, there will be importation at that price. We have before observed, that 64s. is considerably above the average price; there will, therefore, be no importation in ordinary years: but the foreigner will not raise corn for our market unless he has the prospect of being enabled to sell it to us in ordinary years. In the event, therefore, of a failure of our own crops, we must bribe the foreigner to afford to us a part of the supply which he has raised for the consumption of his own countrymen. It is universally known that the price of food is enormously affected by a trifling deficiency of supply, or a small extra demand. Suppose the advance of price on the occurrence of a demand to be 12s. per quarter (and all who are conversant with the corn-trade will allow that this is far from being an immoderate supposition); the importing merchant, to be remunerated, must then obtain 64s. *free of duty*. To afford this, the price must be 68s. (the duty at that price being 4s.); a price which wheat has not reached since the great year of importation, 1819. Without insisting upon the strict accuracy of a computation in which some of the quantities are conjectural, we think we have said enough to show what sort of a "free trade" we are likely to enjoy, and how much a father of a family will save, in his yearly expenses, by the permission to purchase foreign corn.

When it is shown that the *average* price of corn will not be materially diminished by the substitution of the new system for the old one, it follows, as an obvious consequence, that it will still remain liable to the same *fluctuations* as heretofore. These fluctuations, the range of which, during the last twelve years, has been from 112s. to 38s., were wholly occasioned by our high *average* price as compared with that of other countries.

We can bestow little praise upon what is probably considered the great merit of this Corn-bill as compared with former ones; the rapid diminution of the duty as the price rises. This is the popular feature of the plan. It is in appearance a boon, and a great one, conferred upon our own countrymen. But, in truth, it is precisely the reverse: it is a boon conferred upon the foreigner at their expense. A low duty is only then a benefit to the buyer, when it occasions a low price. When a low duty accompanies a high price, it is a benefit to the seller. A few words will render our meaning clear. When the people of Great Britain are made to pay 64s. per quarter, for corn which they might constantly obtain at 52s., they are evidently taxed to the extent of 12s. per quarter; a tax which, in so far as they consume *homegrown* corn, is partly wasted in useless labour on ungrateful soils, partly gained by the landlords, in the manner so often explained; but in so far as it falls upon *imported* corn, it comes into our own treasury, because the importation duty at 64s. is exactly 12s. Thus, when the price is 64s.: but what if the price rises to 70s. before the first ships arrive in port? In that case, the people of England are taxed no longer 12s. per quarter, but 18s.; and the Custom-house, instead of taking the whole 18s., as it would have taken the 12s., contents itself with one shilling per quarter. The remaining 17s. are not saved to the consumer; for he, by the supposition, is paying 70s. per quarter. They are, therefore, given away; gratuitously given away to the importer, and lost to the community. If this bounty were retained by the importing merchants, who may be our own countrymen, the evil would not be so great. But it is self-evident that this large accession to their profits will only enable them to give a higher price to the Polish farmer; that their mutual competition will oblige them to do so, and that the benefit intended to be conferred upon our own consumers by the gradually decreasing scale of duties from 12s. downwards, will be reaped principally, if not wholly, by foreigners.

The only reason which can be pleaded for giving this bonus to the foreigner, and we are willing to allow that it may be justly pleaded, is, that we could not otherwise obtain a sufficient supply; that the producer can obtain a remunerating price from his own countrymen, and, unless we outbid them, unless we hold out extraordinary advantages to the foreigner, unless, in short, we tax ourselves for his benefit, we shall not be able to obtain corn enough when we absolutely require it. We fear that there is too much truth in this statement. We prevent foreigners from raising corn for us, by refusing to take it in ordinary years; and the consequence is, that when their corn is necessary to our existence, we cannot obtain it without giving them a bounty for starving their own countrymen to feed us. This is a case of necessity, we admit; but who created the necessity? Our own unjust and foolish laws. If we fixed the duty so low as would enable us to be a *regularly* importing country, though it were to ever so small an extent, the foreigner would acquire a *habit of calculating* upon our demand. A few years' experience would inform him how much corn our market would carry off in an ordinary year: by this standard he would regulate his cultivation; and the quantity which would remain on his hands when we had a better harvest than usual, would supply our extra demand when we had a worse. His own countrymen need not then be starved for our benefit, and we ourselves might trust to the natural course of events, and not to bounties, for our foreign supply.

Radicals and political economists had always said, that if we did not choose to take the corn of foreigners in common years, we should not easily obtain it in uncommon ones. This was always indignantly denied, “agriculture” affirming that stores of corn had been accumulated in foreign granaries, sufficient, if the ports were opened, to sink the price almost to zero. It is true that this assertion of “agriculture” was contradicted both by reasoning and by facts; but when did “agriculture” regard facts or reasoning? Ministers, however, knew that what the landlords so strenuously denied was true. They knew and felt the difficulty of obtaining corn in one year from those from whom we will not take it in another; and what do they propose? A rate of duty which would enable us to import in *all* years was the obvious expedient; but this “agriculture” forbade. Instead of this, therefore, they tax the British consumers in the price of their bread, for the purpose of bribing the foreigner to part with his corn in those years in which “agriculture” thinks fit to let us buy it. But the people of Great Britain must be passive and quiescent indeed, if, besides paying one tax to “agriculture” in order to swell its rents, and another to be wasted in growing ten quarters of corn with labour the produce of which would purchase twelve, they will now consent to pay a third tax to foreigners in order to obtain foreign corn in those cases of absolute necessity, in which “agriculture” no longer ventures to shut it out.

From the foregoing remarks, it perhaps may be supposed, that we anticipate no advantage whatever from the pending bill. This, however, is not the case. The admission of corn from Canada, at a fixed duty of five shillings,^{*} is something gained; rather, however, for the colony than for the mother country: since, the very limited capital of Canada not permitting her at present to export so much corn as will materially affect our prices, the Canadian producers will enjoy the benefit of our high prices and their own low expenses. Until the laws are repealed, which, under the mistaken idea of favouring Canada, drive her capital into a trade not suited to her circumstances (see an article in our present Number on the Timber-trade),^[*] our agriculturists have little reason to dread the competition of Canada.

It is something, also, to render the importation of corn always lawful, even under such restrictions as will inevitably prevent it from taking place. The very inefficacy of the change will not be without its use, if it tends to tranquillize fears. The landlords who are in an agony of apprehension lest the present bill should reduce them to penury, the landlords who imagine that foreigners produce corn at no expense, and give it *gratis*, or nearly so, will have experimental proof, when this bill passes, of the unreasonableness of their alarm; and may perhaps be induced to hear with less terror of a second alteration at some future period.

We have read the late debates on this subject with some attention, unwilling that any symptom of improved virtue or intelligence in the arbiters of our destiny should escape our notice. Although we had not the satisfaction of making any such discovery, a few remarks occurred to us in the course of our labours, which, perhaps, may be worth the trouble of communicating.

The first of these is, that it has become fashionable, on both sides of the question, to treat with utter scorn the notion that there can be any difference of interest on the subject of the Corn-laws between the landlords and the other classes of society. Mr.

Brougham, in particular, represented the person who could harbour such a notion as a proper object not only of contempt but detestation.^[†] If this was said in order to soothe the landlords, and persuade them that it is not their interest to resist the march of improvement, the purpose at least was laudable; and not the less so, although the proposition is manifestly false. Doubtless, so far as the gratification of benevolent feelings is included in the word interest, it is the interest of all, that what is most beneficial to all should take place. But if pecuniary interest be meant, it really appears to us very idle to deny that the landlords have a different interest from the community, when the simple question is, whether or not the community shall be taxed for their benefit. If the whole of what the consumers lose is not gained by the landlords, a part of it is: the consumer cannot lose a shilling, but the landlord gains at least sixpence by the loss.

Mr. Canning, proceeding on the same scheme of, what we suppose he would term, conciliation, commenced his speech by declaring, that the conflicting opinions did not differ so widely as was commonly supposed, and that the question was only a question of degree. In this we cannot altogether concur with him; nor can we think that the difference between being taxed, and not being taxed, is no more than a question of degree. He proceeded to explain himself by saying, that no person advocated a perfectly free trade in corn; that the necessity of some protection to agriculture was universally acknowledged, and that the only question was how much. We respect Mr. Canning's honest intentions, and admire his eloquence; but really, when we find him uttering with a grave face the above assertion, we can neither give him credit for much knowledge of the subject, nor even for much acquaintance with the commonest writings upon it. We will take upon ourselves to affirm, that not only some, but almost all the writers against the Corn-laws, have advocated, and do advocate, a perfectly free trade in corn. From Adam Smith to the author of the tract which we have prefixed to this article, they have universally represented *any* tax on the necessities of life as among the most impolitic and injurious of all modes of taxation. They add, indeed, that if we are so unwise as to tax the corn which is grown at home in such a manner as to enhance its price to the consumer, we ought to tax imported corn in the same degree; not, however, for the purpose of *protecting agriculture*, which they regard as only a politer phrase for robbery; but in order not to compel, by a system of unequal taxation, the importation of corn which the powers of nature would enable us to produce cheaper at home.

Protection to agriculture is a phrase somewhat like Protestant ascendancy: interpreted literally, they mean nothing but what is altogether harmless, and rather desirable than otherwise. When turned into watchwords, and applied, the one to the Corn-laws, the other to the Catholic question, they mean something highly mischievous, but which, whether mischievous or not, is totally different from what the words themselves import. The expressions, therefore, are fraudulent.

Before we offer up our substance to an allegorical idol, let us hear what title it has to our worship. What is this "agriculture," of which you speak? When you say that no country was ever prosperous without agriculture, do you mean, that no country was ever prosperous without procuring food? If this be all, the truth of the proposition is not very likely to be disputed. But if you mean that no country was ever prosperous

unless it procured food by digging and ploughing, instead of procuring it by spinning and weaving, your assertion is altogether destitute of truth: since the Dutch republic, which procured the greater part of its food without digging or ploughing was one of the most prosperous communities which the world ever saw.

Let us again ask: when you speak of the necessity of protecting agriculture, do you mean the necessity of protecting the mere turning up of the ground? or the necessity of protecting the procuring of food for the people? If you mean the first, show us, if you can, any reason for desiring to procure food by turning up the ground, when we can procure more with the same quantity of labour in any other way. But if, by protection to agriculture, you mean protection to procuring food, there is no dispute about that. We are as desirous as you are, to afford protection to the procuring of food; provided always, that the procuring of food needs protection. But what is this contrivance of yours for protecting it? Simply this: to force the people to obtain ten bushels of corn by turning up the ground, when with the same degree of labour they might obtain twelve by growing it in their looms and in their cotton mills. If this be *protection* (which it is not, but *privilege*) it is protection only to the owners of the ground. A prohibition of gas-lights might be called, without any great impropriety, protection to the oil-companies; but would the oil-companies be permitted to term it protection for lighting? Yes; if lighting be protected by being rendered more expensive and more difficult. No, if this be, as it evidently is, the very reverse of protection. If agriculture means only turning up the ground, it deserves no protection. Turning up the ground is not a *bonum per se*. If it means procuring food, it is protected by excluding cheap corn, precisely in the same manner as the lighting of the streets of London would be protected by imposing a heavy duty upon gas.

Mr. Canning, in the course of a very humble apology for his intended measure, laid great stress upon one of its supposed merits, which we find it very difficult to understand. He said, that it gave the balance of price to agriculture, and that of principle to trade. We invite our readers to try, among all the meanings of the words balance, principle, and price, whether there be one which will make English or sense of this eulogium. If Mr. Canning means that he has given the name of an advantage to the consumer, and all the reality to the agriculturist, this, unhappily, is but too true. If he means any thing else, we should be glad to be informed what *principle* is concerned in the matter, except that of buying at the lowest *price*? If, in saying that he has given the balance of price to agriculture, he means that he has secured to the landlords as high a *price* as they had before, this is very true; but where is then the *principle* which he has conceded to trade? Let us further ask, why concede to *trade*, or concede to *agriculture*, at all? Are trade and agriculture the end, or only the means? And how happens it that our practical statesmen talk so much of the agricultural interest, so much of the trading interest, and so little of the *general* interest? It is of no consequence to the public whether it obtains its food by trade, or by agriculture. The sole concern of the public in regard to food, is how to obtain the most of it, and at the cheapest rate.

Perhaps, however, in looking out for a meaning, we are trying this passage by a test which it never was intended to bear. Words are often employed, and with effect too, for other purposes than that of conveying a meaning. Words frequently exercise a

strong persuasive power by their mere sound; and such was possibly the intention in this instance. It may have been thought that this phrase might help to persuade both parties that something had been conceded to each of them, and to render more secure the game of compromise which ministers had resolved to play. No one can be more ready than we are to make allowance for the dependent condition of ministers under a constitution like the British. We are aware that men in their situation are often under a necessity to compromise, in order to be permitted to effect any good whatever. We, on our part, being under no such necessity, shall endeavour to expose compromise wherever we find it: in Whig, Tory, or Radical; Lord Eldon, or Mr. Canning; a friend, or an enemy. If it be the purpose of ministers to do all the good they can, we shall most effectually aid their intentions, by pointing out the cases in which they have not done enough. If, on the other hand, they desire to do good only so far as they find it personally convenient, it may possibly happen that, by unmasking their fallacies, we may render it convenient to them to do more.

The word fallacies recalls our attention to the little tract^[*] at the head of the present article; which we have thus far omitted to notice, not because it was not highly deserving of our attention, but because we were desirous, in the first place, to express our sentiments on the subject of immediate interest, the present state of the Corn Question. The author (who signs himself T. Perronet Thompson)^{*} has given, after some prefatory matter, of which we do not think so highly as of the work itself, an enumeration of a hundred and sixty fallacies on the Corn-laws; or, to speak more accurately, ten or twelve fallacies exhibited in a hundred and sixty different shapes; with a sentence, or at most two or three sentences, in answer to each. Mr. Thompson is master of his subject, and has disposed of the fallacies with great philosophical accuracy, and considerable clearness, conciseness, and felicity of expression. As this mode of combating those Proteus-like fallacies, which are formidable less from their native strength than from the multiplicity of shapes in which they appear, seems to us to have peculiar advantages, we shall make room for the exposure of some of the most potent among these instruments of deception:—

That the manufacturers want great consumers; and therefore they should let the landlords consume.—*A.* The manufacturers want only great payers; and it is the same thing to them whether they find them in England or Poland. They have not the smallest wish that the landlords should consume for nothing, or for less than could be had from other people.

That the operatives are a lazy race, and seldom go to work before Wednesday.—*A.* The landlords never go to work at all. (P. 29.)

That the agriculturist is the manufacturer's best friend.—*A.* The manufacturer's best friend is he that will give him the most of what he wants, in return for his goods.

That the manufacturers, by selling their goods to foreigners, destroy their home market.—*A.* They destroy it, by selling for two bushels of corn abroad instead of one at home. (P. 30.)

That the manufacturers want a market, but not particularly a foreign market. They may sell to the inhabitants of Staffordshire, or Wales, as well as to the Poles or the Swedes.—*A*. The manufacturers want the market where they can get two bushels of corn for their goods, and not the market where they can get one. (P. 31.)

That we are altogether in an artificial state, and therefore must go on as we are.—*A*. This only means, that the community is losing by a great many hurtful monopolies instead of one. Men are agreeing to vote for a general famine, for the promise of a halfpenny roll a-piece to themselves. Each sees the mischief of his neighbour's bargain, but fears to lose his own; and so all suffer like fools together. (P. 32.)

The following passage we recommend to the particular attention of monopolists of all denominations:—

That if every thing was cheap, every body would be ruined.—*A*. The great fallacy of the enemies of free trade. When the traders in any particular branch obtain high prices, they get rich; what then so plain, as that if the traders in all branches get high prices from one another and from the public, they must all get rich; and the contrary?

This is the blunder of teaching a man to get rich by filling his purse out of his waistcoat pocket. If he fills either his purse or his pocket by itself, he may get rich; but not if he fills one out of the other. If John Adams, in his residence on Pitcairn's island, was to propose, for example, to get rich by making and keeping a canoe himself, when he could obtain yams cheaper by paying the natives of some neighbouring island for bringing them in canoes of their own, and was to set down the increased expense bestowed on his canoe as a gain to the shipping interest of John Adams, it would be plain that it was only John Adams making himself creditor by himself, and that whatever was the flourishing appearance of his shipping account, the real fact was, that he and his family lost and threw away all that might be saved by employing the cheaper mode. The case is the same in greater communities; except that it is one set of individuals that gain the shilling, and another that lose the pound.

If one man should be allowed to take a halfpenny a-piece from every individual in the united empire, he would get rich. But if all people had liberty to do the same, they would not all get rich. Some men cannot understand this, and therefore go on crying out, 'The shipping interest will be ruined, and the silk trade will be ruined, and you will all be ruined together, by giving over filling your pockets at the expense of one another, and trying to fill them by having more of every thing than you want.' And at the bottom of the whole will be found the land-owners, who are the only persons who have any thing really at stake in keeping up the delusion.

A time will come when the public will wake as from a dream, and ask who it was that persuaded them, that the way to be rich was for every body to give as much as possible for every thing. In the meanwhile there is nothing to be done, but to wait till the progress of knowledge makes men ashamed of being impoverished by such a fallacy. (Pp. 32-3.)

The following are highly deserving of attention:—

That we cannot have the blessings of civilization and wealth, and the cheapness of provisions which is found in unimproved countries.—*A.* We cannot have them both at once *from our own soil*; and there was never any question of doing it. The question was, whether cheap corn is not the best, wherever it may come from.

That the countries where cheap corn is found, are very miserable.—*A.* The question is not whether those countries are happy, but whether having their corn would make *us* happy. The objection is like saying, ‘On no account let your ladies wear furs. You have no idea what wretches the North-Western Indians are; and, above all, their women.’ The misery of the people quoted, proceeds neither from having corn nor having furs; but from totally different causes, which our buying their corn or furs is one step towards removing. They have all the qualities required in customers; which are, to want what we have, and have what we want. (Pp. 34-5.)

That an expense has been incurred on the inferior soils, and it would be waste to throw it away.—*A.* If some unwise gentleman, by raising grapes in hot-houses, had contrived to make wine equal to Port at the price of Tokay, the best thing his friends could recommend to him, would be to burn his hot-houses whatever had been the outlay, and take to drinking Port at four and sixpence like his neighbours. There is no doubt that the outlay will be lost; and the sooner, the better.

That the landlords who have made the outlay, and the people who are to benefit by its being thrown away, are different individuals, and therefore one has a claim to compensation from the other.—*A.* If the gentleman supposed, had built his hot-houses in consequence of the existence of a law prohibiting the introduction of foreign wine, the case would certainly be altered. The first question then would be, ‘Had the gentleman any hand in making the law himself?’ If he had originated the plan, and voted in parliament after parliament for its support, he would clearly have no claim. (P. 35.)

That there is no limit to the corn that can be produced at home, if people will pay for it.—*A.* This is like saying, that there is no limit to the milk which can be produced from a single cow, if people will only pay for the keep. There may never be a time when it is impossible to obtain another drop. But in the first place, it is clear that the quantity is limited after all. And next, that there is no reason why people should pay for feeding a cow on green peas, when by sending across the brook they may have good milk produced by one fed on straw.

That the produce of Great Britain and Ireland is equal to the support of their inhabitants.—*A.* This is only saying, that there are never more inhabitants than are fed. It would have been equally true, if nine-tenths of the present inhabitants had been starved. (Pp. 37-8.)

That if the manufacturers are already in such a state of distress as calls for emigration, to throw a number of agriculturists out of work must increase the evil.—*A.* Not if for every man thrown out of employment in agriculture, ten men are brought into employment in other ways. (P. 39.)

That if we receive corn from other countries, we are not sure that they will receive our manufactures in return.—*A.* They will receive what we have to give, or else not give us corn.

That it is the interest of a country to support its own population with the produce of its own soil.—*A.* Not if it can support them better with the produce of another. It might as well be said that it was the interest of the country, to supply its wine-drinkers with the produce of its own soil by means of hot-houses. (P. 40.)

That the proprietors of land have a *right* to the protection of the state.—*A.* They have a *right* to sell their produce to all who choose to buy it, and to let others do the same. If by protection they mean a protecting duty, a protecting duty means every where, giving men other people's money which they have no right to. It means giving a tailor two and sixpence for his work instead of two shillings, for the tailor's convenience. (Pp. 44-5.)

That if the result of free trade is the impoverishment and distress of the people, it will be ill compensated by an adherence to philosophical maxims and sentimental conceptions.—*A.* The philosophical maxims are, that every man has a right to sell the produce of his labour. The sentimental conceptions, that one man ought not to be starved, to please another.

That we ought not to follow the conceits of theory.—*A.* Conceits of theory mean, believing that two from four leaves two. (P. 45.)

In the following passage, the fallacy of *remunerating price* is happily exposed:—

That the question is, whether the country shall be cultivated or not?—*A.* The question is, whether the country shall be cultivated to the extent which is for the interest of the community, or whether it shall be cultivated to a greater extent for the advantage of the landlords and the injury of every body else? The counterpart of the fallacy would be, if the manufacturers had got a duty on English corn, and said, 'The question is, whether the country shall have manufactures or not?' (P. 47.)

That the man who made two blades of grass grow where there was one before, was always held to be a public benefactor.^[*] —*A.* The thing really meant is, making two bushels of corn to exist where there might have been four.

That the landlords will suffer by the permission of a free trade in corn; and no man ought to suffer.—*A.* When the question is, whether one man must suffer by a return to the rule of justice, or ten for want of it, the last must carry it. (P. 48.)

That the farmers and servants in husbandry, who are unquestionably real labourers, will suffer also.—*A.* It is true that some of them must change their occupation. But it is impossible to condemn ten men to the privation of the common right of all men to sell the produce of their own labour, that one may not be obliged to change the mode of his. The fallacy of bringing forward the sufferings of the agricultural labourers from change, consists in keeping back the fact, that ten times as many are unjustly suffering much more for want of it. And the suffering altogether is only part of the

consequences of the original injustice. It is in the nature of injustice to produce suffering, both during its continuance and at its removal; but this is not a reason why injustice should not be removed.

That the petty shopkeepers and others, who have the custom of the occupiers of land, must be ruined.—*A.* Not if they have an equal chance of selling to somebody else instead. (Pp. 48-9.)

That the manufacturing interest ought to be conciliatory.—*A.* It is not conciliation that is wanted, but justice. When Thomas is kept from selling in the market to please John, there is no use in telling Thomas he ought to be conciliatory. Give him justice, and the common right of all men. He must be an idiot if he licks John's feet, to obtain permission to sell the fruit of his labour to such as choose to buy it. (P. 51.)

That the French Revolution was introduced by calling for a free trade in corn.—*A.* All popular revolutions begin with an opposition to some crying injustice; which is a reason why crying injustices should be removed; not why they should not. If there was not something of this kind, there could be no revolution. The people never began an unnecessary revolution in the world; though some have been carried beyond the point of necessity after they were begun.

That all the mischief proceeds from defects in the system of currency.—*A.* The system of currency may be good, or evil; but its effects in either way cannot alter the fact, that the land-owners are putting restrictions on the industry of the community. A man may have suffered by bad shillings, but that was not what broke his leg. (P. 54.)

That the extreme opinion on one side is, that there should be a constant prohibition, the extreme opinion on the other, that there should be none; and that the point of justice and moderation lies somewhere between.—*A.* The extreme opinions are mis-stated. The statement is, that the extreme opinion on one side is, that John should keep Thomas out of the market; the extreme opinion on the other, that he should not; and therefore what justice and moderation require is, *that he should keep him out every other day*. The extreme opinions truly stated, would be, on one side, that the agriculturist ought to have a duty against the manufacturer; on the other, that the manufacturer ought to have a duty against the agriculturist; and therefore the just medium is, that each should sell for what he can get, without having a duty against the other at all. The way to examine the position is, to see how it would look if the same statement, *mutatis mutandis*, were advanced on the part of the manufacturers.

That we must reconcile conflicting interests.—*A.* There can be no conflict on a wrong. When the question is of a purse unjustly taken, it is a fallacy to say we must reconcile conflicting interests, and give the taker half.

That the differences between the parties are infinitely less wide than they are stated to be in argument.—*A.* Whatever may be the absolute magnitude of the difference, the principle is not the less important. If the question were whether the takers of purses should be allowed to keep the half or none, it would be no answer to say, the whole sums taken in a twelvemonth were under six millions. (Pp. 55-6.)

That land and trade must wax and wane together.—*A.* True, as long as they go on honestly in company. Not true, if one is endeavouring to wax by the robbery of the other. [P. 56.]

That the manufacturing interest ought not to use harsh terms.—*A.* There is nothing like calling things by their right names. The manufacturers will eat their brown loaf if they are obliged to it; but the devil and St. Dominic will not make them call it a leg of mutton.

That it is dangerous and wrong, to tell men they are injured.—*A.* The danger and wrong, are in injuring them.

That agriculture ought to be held in honour.—*A.* The art of having corn ought to be held in honour. The agriculturist who can make inferior land produce corn, or good land produce an increased quantity, *subject always to honest competition on the part of those who can produce corn out of their looms and their flatting-mills*,—has the same claim to honour as Arkwright and Watt. If Arkwright and Watt had invented machines *for making broad cloth at double the price that it might be had in other ways* their claims to honour would have been like those of the modern agriculturists.

That wealth emanating from land has a right to certain privileges above that which emanates from other sources.—*A.* This amounts only to saying, that the wealth of the community should be diminished, that the wealth of the agriculturists may be increased by a fraction of the difference. (P. 56.)^[*]

That money may as well be taken from the fund-holders as from the landlords.—*A.* This is saying, that it is the same thing to defraud a just creditor, and to prevent a shopkeeper from raising his prices by monopoly. (P. 53.)

The truths which are so happily expressed in the following passage, cannot be too often or too deeply impressed upon the public mind:—

That the *fund-holders* ought to be robbed.—*A.* To rob the fund-holders of their interest, after having spent their capital, would, besides all the evils of breach of contract, have the hardship of an *ex post facto* law, with the unique addition of being made in the teeth of the invitation of an existing law. The nation which should do it, would virtually declare itself incapable of contracting any national engagement, or performing any national act. A community must either acknowledge the possibility of being bound to-morrow by its act of to-day, or it must disband; for if it declares its own incompetency, it will be treated with as a community by nobody. And for any thing that could be gained by such a proceeding, it might as well be proposed to gain by robbing all the individuals who had red hair. The individual robbers might gain by it, but the community could not gain, because the red-haired men are themselves part of the community. If the principal expended could be called back again, it would be a different case. But nobody can seriously believe, that by what has been called applying a sponge to the national debt, the community would be one shilling the richer; or that by robbing one individual of five pounds per annum in order to put it into the pocket of another, the smallest progress would be made towards recovering

the hundred which was spent thirty years ago. A man might as well try to repair the loss of a leg, by shifting the deficiency from one side to the other. If every individual was a fund-holder in the same proportion that he is a tax-payer, it would be clear that the attempt was only shifting the leg. And it is just as true, when the case is as it is, with the addition only that the fund-holders are the smaller party, and therefore might possibly be robbed.

And this is not the fallacy of saying that a national debt is no evil. It is a very great evil; and the worst thing about it is, that there is no getting rid of it. When a million is borrowed and expended, the evil is inflicted *then*; and not by the shifting of the interest from one pocket to another afterwards.

The magnitude of the evil or punishment is the same as if there had been inflicted a judicial necessity for throwing the amount of the interest annually into the Thames. For if the money had never been borrowed, the man who is now the fund-holder would have had the principal in his pocket, and the tax-payer would have saved the interest, which is the same to him as saving it from the Thames. But there is a special provision of Providence, that when money has been thus raised, no possible dishonesty shall get rid of the burthen. If the principal had been borrowed from Prester John, the community might possibly gain by cheating him of his interest. But since the interest is owed to a component part of the community, it is in the constitution of things, that the community, however inclined to the practice of larceny, can gain nothing by robbing itself. (Pp. 51-3.)

And the following passages throw a just ridicule upon the panegyrics which the landlords are so much in the habit of pronouncing upon themselves in order to show that they ought to be protected in injustice:—

That the race of English country gentlemen, English farmers, and English yeomen, is worth preserving.—*A*. Not if they are to be kept at the public expense. As long as they keep themselves, every body is glad to see them.

That a bold peasantry is their country's pride.—*A*. The bold peasantry must keep their country, not the country them.

That the landlords are the Corinthian capital of society.—*A*. It is carrying the metaphor too far to say they must be supported by the rest.

That they are a source of light and knowledge to the lower orders.—*A*. They teach them what they are anxious they should learn; and others do the same.

That they have sound political principles.—*A*. They take the side which they think best for themselves; and other people do so too.

That they fought the battle against the Jacobins.—*A*. Which other people are paying for.

That all they get they expend.—*A*. Most other people do the same.

That they are supporters of the fine arts.—*A.* Wealth would produce the same effects in any other hands.

That they feed fat cattle.—*A.* And are paid for them.

That they keep up rural sports.—*A.* Men have no claim to be paid for amusing themselves as they like best.

That they kill foxes and others.—*A.* The mole-catcher would do it better.

That they sit at quarter-sessions.—*A.* And strange things they sometimes do there. For instance, in Buckinghamshire, they sentenced John Doe to five months' imprisonment for intending to assault the lord's hen-pheasant, and Richard Roe to three, for assaulting the serf's daughter.

That they are the unpaid magistracy.—*A.* If they demand to be kept, they are not.

That they are good moral characters.—*A.* Other men are so too. But it is impossible for all moral men to be kept.

That they are generous, brave, and humane.—*A.* All Englishmen from time immemorial, by their own account, have been so too.

That nobody could do without them.—*A.* Nobody could do without every body. But every body cannot be kept at the public expense. (Pp. 56-7.)

We have quoted enough to justify us in pronouncing this to be one of the most useful works which have appeared on this subject during the present controversy. We observe with pleasure that it has attracted the attention of lord King, who has fought the battle of free trade in the House of Lords nobly, and with weapons very similar to those of the present author. We think that it would be a speculation worthy the attention of a bookseller, to make a collection of all which lord King has said on this subject in parliament since it began to be discussed in 1825, and print it in a pamphlet, as a companion to the tract before us. Every thing which is most noxious and most offensive in the spirit of aristocracy has rarely received such hard and well-directed blows. The exertions of Mr. Whitmore and of lord Milton deserve no less praise; and their merit is enhanced by the disgraceful reception, disgraceful even in the eyes of indifferent spectators, which they have experienced from the House. But their country will weigh them and their opponents by a different standard, and will esteem and venerate them as deeply for having set at defiance the fury of the band of enraged monopolists by whom they have been insulted, as it would have despised them if they had stooped, with the vulgar herd of public men, to court the applause of those monopolists by the sacrifice of the best interests of their country.

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THE NATURE, ORIGIN, AND PROGRESS OF RENT

1828

EDITOR'S NOTE

Note III to Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*. Ed. J. R. McCulloch. Edinburgh: Black, Tait, 1828, IV, 100-25. Running head: "Rent." Unsigned; not republished. Identified in JSM's bibliography as "A dissertation on Rent, in the notes subjoined to McCulloch's edition of Smith's *Wealth of Nations*. (Some parts of this note were however, altered by McCulloch)" (MacMinn, 9). Not mentioned in JSM's *Autobiography*. Ney MacMinn and his fellow editors identify Note XXII, "Taxes on the Rent of Land" (*ibid.*, 535-8) as JSM's contribution, but it seems unlikely that he would describe this slight three-page note as a "dissertation on Rent". (There is actually a third note on the subject in McCulloch's edition, Note XXIX, "Additional Note on Rent" [*ibid.*, 574-8], which from the context and the argument is almost certainly McCulloch's.) The identification here offered is based on the copy of McCulloch's edition in Somerville College, as well as on likelihood. In that copy the pencilled notes reproduced at 173, 178, and 179 below occur; their wording, together with the description in the bibliography, and McCulloch's inscription in JSM's copy (see 812-13 below), provide the best evidence now available. Internal evidence suggests that, in addition to the marked passages, the concluding paragraph (179-80) is by McCulloch.

The Nature, Origin, And Progress Of Rent

there are few chapters in Dr. Smith's great work more unsatisfactory than his chapter on rent. It contains, indeed, many curious and valuable disquisitions on several topics connected with rent; but it leaves untouched all the great questions with respect to its origin, nature, and causes. Those theoretical principles which had been undiscovered by his precursors, remained undiscovered by him: it was left to subsequent inquirers to ascertain the causes of rent, the laws which determine its amount, and the manner in which it is affected by the progress of society.

The price of every commodity, according to Dr. Smith, must on the average be at least sufficient to replace the capital necessarily expended in producing it, together with the ordinary profits of stock; because, if the price were permanently lower than this, the commodity would not be produced. But although this is the lowest price at which a commodity can be sold for any length of time, it is not the highest. Some commodities indeed can never permanently sell for more than the lowest price which will enable them to be brought to market; but others can. Corn, cattle, and all the most important articles of raw produce, compose the latter class; their price is usually such as to leave a surplus, after replacing with the ordinary profits the whole expense of producing them and bringing them to market: and this surplus falls to the landlord, since the

farmer cannot permanently receive a profit on his capital exceeding what that capital could obtain in other trades.

Dr. Smith's investigations appear to have stopped at this point. It is obvious, however, that the nature of rent was yet only half-explained, or rather was not explained at all. It is no explanation to say, that rent is a surplus above the ordinary profits of stock; because the very fact to be explained is the existence of such a surplus. If the price of every other commodity depends upon what is necessary for replacing with the ordinary profits the capital expended in its production, and if competition will not suffer it for any length of time to exceed this limit, why does not competition also keep down the price of raw produce to what is sufficient for replacing the capital, and affording the ordinary profits? Dr. Smith apparently did not consider this to require explanation, or deemed it sufficiently explained by the greatness of the demand. "There are some parts," says he, "of the produce of land, for which the *demand must always be such as to afford a greater price than what is sufficient to bring them to market.*"^{*} —a reason which we must suppose him to have assigned rather because no other occurred to him, than because he was entirely satisfied with it, or had deduced it from any very careful analysis. A great demand is by no means sufficient to account for a high price. There are some commodities which, whatever might be the demand, would always be cheap; because they could always be produced and brought to market at a low price. Others, however trifling the demand, must always be dear; because if they were not dear, they could not be brought to market at all. Price, in short, does not depend upon the greatness of the demand. To produce a high price, the demand must be attended with some principle of limitation in the supply. Had Dr. Smith attended to this important truth, of which he has elsewhere proved himself to be well aware, he would have proceeded to inquire what is the principle of limitation in the case of corn; and this inquiry would most probably have disclosed to him the true theory of rent.

In the preceding note on *value*,^[*] commodities were divided into two classes; those which cannot be increased in quantity as the demand increases, and those which can. It was shown, that to the price and exchangeable value of the former class there is no limit, except the inability or unwillingness of the purchasers to give more; but that, of the other class, comprising the great mass of the physical objects of human desire, the price and value are determined by the cost of production; that is, by the quantity of labour required to produce them and bring them to market. Raw produce belongs to the latter class; since its quantity may be increased by additional labour, so as to meet any conceivable increase of demand. The value of raw produce, therefore, depends upon the cost of its production. But there is a peculiarity, in the circumstances under which raw produce is produced, which causes an apparent deviation from this law.

The value of every thing which is not limited in quantity, depends upon its cost of production. But suppose that there is a commodity which has two costs of production. The case is conceivable, and the following are the circumstances under which it would arise. Suppose that a commodity may be produced in two ways; one of them being much less expensive than the other, but depending upon the possession of a particular instrument, existing in limited quantity: and let there be a demand for a larger supply of the commodity than can be produced in the cheaper of the two ways;

so that recourse must be had to the dearer for a part of the supply. This commodity might be said to have two costs of production. Which of these costs of production would regulate its value? Evidently the dearer of the two; that which yields the smallest produce to a given amount of labour and capital. For if the value of the produce were not sufficient to replace with its profits the expense of producing the commodity in the dearer mode, no portion of it would be produced in that mode; and as the other mode is assumed not to afford enough to satisfy the demand, its value would rise, from scarcity, to the point which would enable a larger supply to be sent to market. It could not rise above this limit, otherwise the producers of the additional supply would obtain more than the ordinary rate of profit; which the competition of other capitalists would necessarily prevent.

It is clear, however, that the value or price which affords the ordinary profits of stock to those who produce a commodity by a certain process, must afford more than these ordinary profits to those who produce it by a less expensive process. And if the instrument by which the cheaper method of production is effected can be engrossed and appropriated by one or more individuals to the exclusion of others, the whole excess of profits which it yields—that is, the whole amount of produce, or its value, produced in the cheaper mode, over and above that which is produced in the dearer mode—will belong to the proprietors of the instrument, and will form rent.

It appears, therefore, that any commodity, of which, from the necessary circumstances of its production, equal quantities of labour or equal capitals yield unequal returns, may yield a rent as soon as, from the extension of the demand, the most productive of the capitals becomes unable to supply the whole market. The value and price of the commodity, too, must always be sufficient to replace with its ordinary profit the least productive of the capitals; but, if such a quantity of the commodity as the least productive capital can produce, affords to that capital the ordinary profit, an equal quantity will yield the ordinary profit to each of the other capitals: whatever, therefore, any of them produces beyond this, constitutes a fund to the extent of which rent may be paid.

Now, the produce of land is actually obtained under circumstances precisely analogous to those supposed in the above investigation. The quantity of corn or cattle in existence, may be increased by the employment of an increased quantity of capital or labour, but it cannot *always be increased in the same proportion as the capital*. A double capital applied to the manufacture of hats, will in general produce a double quantity of hats. A double capital applied to the growth of corn, will seldom afford a double quantity of corn. In the earlier stages of cultivation the quantity of produce may perhaps be doubled, and even more than doubled, by doubling the outlay. But land does not admit of being indefinitely forced with an equal return. And notwithstanding the occasional occurrence of improvements, it is invariably found that in the long run the effects of these improvements are overbalanced by the decreasing productiveness of the land; and that, speaking generally, additional supplies of food can only be obtained by a greater proportional sacrifice of capital and labour.

When an increased supply of corn comes to be required, it may be got in one of two ways. Land which remained uncultivated may be taken into cultivation; or the old land may be made to afford a greater produce, by a more complete system of drainage, the use of more powerful manures and implements, the employment of additional cattle or additional hands, &c.* It is characteristic of both these methods of increasing the produce, that a diminished quantity is, on an average, obtained in return for the same expenditure of labour and capital. In the case of new land this is obvious, since it would have been cultivated before, if its cultivation had not been less advantageous, all things considered, than that of the land which *was* cultivated. It is equally true, that when it is from the old cultivated land that the additional food is obtained, the additional capital which is employed scarcely ever produces so much in proportion to its amount, as the previous capitals. And if any proof of this be required, it is sufficient to observe, that otherwise none but the best lands, in fertility and situation taken together, would ever have been cultivated; for if the growing demands of the community could always have been supplied from those lands, without any enhancement of expense, the price of corn would never have risen sufficiently to enable the cultivation of any other lands to yield a profit.

It being established, therefore, that after a certain stage of cultivation a further supply of food must be obtained (if obtained at all) not only at a greater absolute, but at a greater comparative expense, it follows that when a further supply is wanted, the value and price of food must rise in proportion to the necessary increase in the cost of production;—and this, for one of the best of all possible reasons, viz. that until it has so risen, the food will not be produced. The exchangeable value of corn, therefore, has a constant tendency to rise with the increased demand occasioned by an increase of population.

The produce of land, then, being a commodity which has not one only, but several costs of production, and the greatest of these being of necessity the sole regulator of its price, it follows, in the manner which has been shown in the supposed case before examined, that the inequality in these several costs of production is at once the principal cause and the measure of rent.

If the nature of the land had been such that it had always yielded the same or a greater proportional return to every fresh outlay of capital and labour upon it, the entire supply of food required by the most populous nation, might, it is obvious, have been raised from one acre as easily as from millions. In such a state of things, prices could never have risen, and rent would have been wholly unknown. Neither could prices have risen, nor rent appeared, had there been an unbounded extent of good land. But it is because the earth is of limited extent, and because it yields, on an average, a constantly decreasing return, according as cultivation is extended, to the same outlay of capital and labour, that prices rise and rents are paid.

When, in the progress of cultivation, that indefinable stage is attained, at which the proportional return to any further application of capital begins to decrease, production will be carried no farther without a rise of prices. The cultivators will, in preference, invest their savings in some other employment, until the increase of population produces an increase of demand, which, not being met by a corresponding supply,

must of course raise prices. In consequence of this rise, fresh capital may now be applied by the agriculturists either to improve the best lands, or to cultivate those of a somewhat inferior degree of fertility. As much, therefore, of the return to the old capital as is over and above the return to the new, will now be over and above the ordinary profits of stock; it will therefore constitute rent.

Suppose, for instance, that the productiveness of capital, on a particular piece of land, of the first degree of fertility, begins to decline after it has been made to produce twenty bushels of corn. Let it be supposed, that by superadding another capital equal to the first, not twenty, but fifteen bushels would be added to the produce. These fifteen bushels might with propriety be spoken of as the produce of the second capital, and the twenty bushels as the produce of the first. As soon as this additional quantity of produce is called for, by the increase of the demand, corn must rise in value and in price until the fifteen bushels exchange for as much money, and as much of all other things whose value has remained constant, as the twenty bushels did before; for the twenty bushels, at their former price, did not afford more than the usual profits of stock; the fifteen bushels, therefore, will not afford so much as the usual profits until they rise to that price. But when fifteen bushels come to afford the ordinary profit to the second capital, which is equal to the first, fifteen bushels will afford it likewise to the first capital. The remaining five bushels are thus over and above the ordinary profit of stock; and this being the case, the competition of the farmers will render them willing to pay them as rent to the landlord.

To carry the illustration a little farther, let population continue to increase until it becomes necessary to raise a still greater supply of corn. This is to be obtained by a still farther increase of expenditure upon the soil, which will be attended with a still greater falling off in the proportional return. Suppose, for instance, that a third capital, equal to either of the foregoing, yields a return of no more than ten bushels. Before these ten bushels will be produced, they must have risen to the same price which the twenty bushels were sold for at first, and the fifteen afterwards. Ten bushels will now yield to the producer the ordinary rate of profit upon the last outlay of capital. But if ten bushels afford him the ordinary profit upon one third part of his entire stock, thirty bushels will afford him that rate of profit upon the whole. A surplus of ten bushels will therefore remain out of the produce of the first capital, and another of five out of that of the second,—in all fifteen; the whole of which, being above the ordinary rate of profit, will constitute rent.*_

We may now perceive in what sense we ought to take the proposition of Dr. Smith, that the price of food is always sufficient not only to replace the capital expended with the profit which it would have obtained in other employments, but to leave, besides, a surplus to the landlord. So long as all the food which is raised is raised at the same cost of production, the above proposition is not true in any sense. The value of the produce is then exactly sufficient to replace the capital with its profit, and no more. But when, from the increase of demand, and the limited extent and fertility of the soil, some portion of the total quantity of food produced has of necessity been raised at a greater cost than the remainder, its value rises. It never is more than sufficient, however, to replace, with the ordinary profit, that portion of the whole capital employed which is attended with the least return. But as all the corn sold in the same

market must be sold at the same price, and as that price is sufficient to replace with its profit the least productive portion of the capital employed, it must be more than sufficient to replace, with the same profit, all the remainder of the capital. Here, therefore, commences the surplus which Dr. Smith describes, and which he justly considers to be the measure of rent.

Let us now briefly recapitulate the important principles which we have endeavoured to establish:

1. That if the produce of land could always be increased in proportion to the outlay, there could be no such thing as rent.
2. That the produce of land cannot be increased in proportion to the outlay, but in a less proportion.
3. That the least productive, which, speaking generally, is the last portion of the outlay, must yield the ordinary profits of stock; and
4. That all which the other portions yield more than this, being above the ordinary profits, will constitute rent.

This result may be otherwise expressed in the following propositions:

1. That the causes of rent are, the limited extent of the land, and the inequality in the return to different portions of the capital expended on it.
2. That the rent which a piece of land may pay to its proprietor is equal to the excess of its produce, above what its produce would be if no part of the capital employed on it exceeded in productiveness the least productive agricultural capital in the neighbourhood; and—
3. (A corollary from the preceding)—That the least productive capital, among all those which supply the same market, pays no rent whatever:—a proposition of which some farther developments will be offered in the sequel.

Difference in proximity to the market is a source of rent precisely analogous to difference in fertility. When the produce of different lands is sold in the same market, and consequently at the same price, the land which is nearest to the market, and pays least for carriage, enjoys the same sort of advantage over the other as if it were more fertile. The price must be sufficient to indemnify the cultivators of both; it cannot, however, be sufficient to indemnify the one, without being more than sufficient to indemnify the other. It cannot afford to the cultivator of the more distant soil the profits of his stock, without leaving to the owner of the more adjacent one a surplus for rent; an equal price will always enable the nearer soil to be cultivated more highly than the distant one. When the towns are gradually compelled by the increase of their population not only to cultivate more and more highly the lands in their vicinity, but to draw a part of their supplies from a greater and greater distance, it may happen that the advantage of vicinity may more than counterbalance the disadvantage of barrenness, and lands of inferior fertility in the immediate environs of a large town

may yield a considerable rent, while much richer land at a distance from the market will afford little, perhaps none. As vicinity to a town is always a cause of rent, so vicinity to a road or a navigable river or canal, by diminishing the expense of transporting the produce to some great market, may have a similar operation. It must be kept in mind that it is not the absolute fertility or position of any given lands, but their superiority, in these respects, as compared with other lands, supplying the same market, that enables their cultivators to pay a superior rent. It is obvious, too, that the larger the surface from which any particular market draws its supplies, the higher, in proportion to their fertility, will be the rent of the lands in its immediate neighbourhood.

The two sources of rent above described, fertility and proximity to the market, are totally distinct from those peculiarities of soil or situation which afford a rent on the common principle of monopoly. A peculiar kind of produce, such as tokay, which can only be obtained from a peculiar soil, and in limited quantity, may, from deficiency of supply, obtain a price exceeding, in any possible proportion, the cost of production. The whole of this excess, after deducting the ordinary profit upon the capital, will naturally fall into the hands of the landlord. Land laid out in dwelling-houses, gardens, or parks, and possessing peculiar beauties of situation or disposition, is also of the nature of a monopolized commodity, and its rent is governed entirely by the demand. It cannot indeed yield a rent inferior to that which it would afford if devoted to agriculture, but it may yield more, without any assignable limit. When the advantage of any situation consists in its affording greater facilities for business, as, for example, when a shop, by being situated in a frequented part of the town, enables the occupier to obtain greater annual profits than could be made by an equal capital in a shop possessing no peculiar advantages of situation, the difference between these extraordinary profits and the ordinary profits will be added to the rent of the ground. It will be easy for the reader to trace, in this and similar cases, how much of what is termed rent is analogous to the price of a monopolized commodity, and how much is analogous to rent properly so called.

If the theory of rent, thus explained, be sufficiently clear and intelligible, the mode of explanation adopted above has this advantage, that it frees the doctrine at once from a variety of objections which have been very idly urged against it when expressed in other language, and propounded in a different form.

None of the eminent economists, who have given expositions of this theory, ever imagined that it depended wholly on the unequal fertility of different soils. They all knew that the inequality in the returns to different portions of capital successively expended on the same soil, was, equally with the different qualities of soils, a source of rent. Not only indeed were they fully aware of this cause of rent, but they have all of them directly and unequivocally laid it down; expounded it with the greatest possible fulness, and left none of its important effects on wages, rent, profits, and values, unexplained. When, however, after having been once explained at length, the doctrine of rent had to be incidentally alluded to, for purposes which did not render it necessary to advert to the distinction between one of the two sources of rent and the other, it was shorter and more convenient to speak of the *different qualities of the soil* as being the cause of rent, than to combine the two causes in one expression, and

speak co-ordinately of “the different qualities of the soil, and the difference in the proportional returns to the capitals successively applied to the same soil;” it being naturally supposed that every one would judge of the doctrine from the full and formal exposition of it, and not from incidental allusions. This laxity, however, has exposed them to misinterpretations which they can hardly be blamed for not having calculated upon. And it has been repeatedly urged, as a conclusive refutation of the new theory of rent, that there is no land which does not pay rent; that there would be rent if all the land was of uniform quality; and that all the lands of a country must pay rent, after all of them are taken into cultivation.

Any one who has read the foregoing exposition of the theory of rent, will perceive that these assertions, in so far as they are true, are corollaries from the very doctrine which they are supposed to disprove. If rent be the result of the unequal returns to different agricultural capitals, it follows necessarily, that whether the land be of equal or unequal fertility, it will all yield rent as soon as it is all cultivated, *beyond the point after which any farther cultivation would require a greater proportional expense*. Nothing, therefore, can be more idle than the objection, if this be all that is meant; and if any thing more than this be intended, it is erroneous.

It is not essential to the theory of rent, that there should be no *land* for which some rent is not paid. What the theory requires is, that of the whole *capital* employed in agriculture, there should always be one portion which yields no rent; one portion which barely replaces itself, with the ordinary profits of stock. *This principle is the real foundation of the theory of rent, and it neither has been nor can be called in question*. For if the price of produce be so high as to afford even to the least productive portion of the capital employed in the land, a surplus above the ordinary profit, it is obvious that at least the ordinary profit may be obtained by applying more capital, and cultivating still more highly. But as there is always, on the average, as much corn already grown as there is a demand for at the existing prices, this increase of cultivation, on a part of the land, must be counterbalanced by the entire abandonment of another part, or a glut will unavoidably ensue. In the one case the owners of the deserted land by their competition, in the other case the glut by a consequent fall of price, would extinguish the rent assumed to have been previously afforded by the least productive capital on the land.

It is evident, therefore, that there is always some portion of agricultural capital which neither does, nor at the existing prices can, yield rent. This being admitted, whether there is or is not any *land* which pays no rent, will be matter of mere contingency. It will depend upon the answer to this other question, whether there be in the country any land which returns to the *first* and *most* productive capital expended upon it, exactly the same proportional produce which the other cultivated lands afford to the *last* and *least* productive? If there be any such land it will be cultivated, and from what has been demonstrated above, it is evident that it can yield no rent. It is sufficiently obvious, that there will in general be land, in every extensive country, of this precise degree of fertility; because, in general, there is in such a country land of every degree of fertility, from the highest in existence down to that land which produces absolutely nothing. But whether there is or not, is, in so far as respects this theory, seldom worth the trouble of ascertaining; though it is unfair to argue that there

can be no such land, because no proprietor will let his land *gratis*. There may be land in every farm which would yield no rent, if offered to be let separately from the rest; there may be entire farms which can yield no rent, and which are therefore farmed by the proprietor. No landlord will let his land *gratis*; but if his land is so bad that unless it be let *gratis* it cannot be let at all, he must either let it with other land, farm it himself, or suffer it to lie uncultivated.

Another objection which has been recently urged against the theory of rent, is, perhaps, worthy of a cursory notice, not so much on account of its intrinsic importance, as because it has not yet attracted the notice of any of the principal expounders of this theory. The substance of this objection is, that it is a mistake to suppose, as Mr. Ricardo and others have done, that the most fertile lands are first taken into cultivation. The light and sandy soils, it is affirmed, are usually first cultivated, while the clay and alluvial soils, though ultimately by far the most productive, require a greater original outlay of capital to bring them into cultivation, than can be spared in the early stages of agriculture.

Now, admitting the facts to be as here stated, it is singular how any one could have supposed that they were in any respect subversive of the doctrines previously laid down. If the richest land is sometimes the last cultivated, it follows, indeed, that the last capital expended is not always the least productive; but it does not therefore follow that the least productive capital does not regulate the price, whether that capital be the first applied or the last. So long as the demand cannot be fully supplied by the cultivation of this rich and fertile land, the cultivation of that which is inferior must be continued: and even though the latter were thrown out of tillage, it would still be true that the price of produce must be determined by the cost of raising that portion which is obtained by the agency of the least productive capital, which it is yet necessary to apply to the ground.

^aThe main purpose, however, for which this objection is propounded, appears to be that of demonstrating the advantage of a high price of corn. Dear corn causes, it is said, the cultivation not merely of barren land, but sometimes also of lands *more fertile than any which are yet under tillage*; and, therefore, it is beneficial! The fallacy of this statement consists in the misinterpretation of the term fertile lands. Fertility is here supposed to be a peculiar attribute of those lands on which a great absolute quantity of produce may be raised, without reference to expense; whereas it ought to be considered as belonging more particularly to those lands which yield, not the greatest absolute quantity of produce, but *the greatest produce as compared with the expenses attending their cultivation*. Suppose, for example, that there are two qualities of land in tillage, the one of which yields 100 quarters on a given surface, and the other 150 on the same surface; and suppose farther that an outlay of capital and labour equal to 50 is required in the cultivation of the former, and that the outlay required for the latter is equal to 80. Under these circumstances, it is plain that the land producing the 100 quarters would be deemed by an agriculturist, and by every one else, to be the most fertile of the two; inasmuch as fertility is never estimated by mere quantities of produce, but by the proportion which these quantities bear to the necessary outlay. It might perhaps be possible, by forcing at an immense expense, to make an acre of Snowden or Ben-Lomond yield as large a quantity of produce as could be obtained,

under an ordinary system of management, from an acre in the vale of Gloucester or the Carse of Gowrie; but would any one maintain that they were therefore equally fertile? To suppose, indeed, that the *most fertile* lands should require a higher price of corn to keep them in cultivation than the less fertile, is an obvious contradiction.^a It is true that in a very early stage of society, when but little capital has been accumulated, it is sometimes necessary to consider, in the employment of it, not what will afford the greatest, but what will afford the most immediate return. Lands may not then be cultivated for want of capital, which it would be highly advantageous to cultivate if there were the means; but when the capital is found, and applied to these lands, *then*, if they are not only more fertile than the old lands, but more fertile *in proportion to the outlay*, they will admit of being cultivated at a *lower* price than before, instead of requiring a higher. The land which needs a higher price to make it equally profitable to the cultivator may be the more productive land, in as far as *gross* produce is concerned, but with a view to *net profit* it is unquestionably the more barren.

Besides the objections which have now been examined and refuted, another has been urged from time to time against the theory of rent, as now explained. The authors of this objection affect to suppose that Sir Edward West, Mr. Malthus, and Mr. Ricardo, considered the cultivation of inferior land as the *cause* of a high price of corn. But this, they allege, is to invert the order of the phenomena; the cultivation of inferior soils not being the cause but the effect of high price, and this high price being itself the effect of demand. This very doctrine, however, has been explicitly laid down by the distinguished authors previously referred to, and particularly by Mr. Ricardo.* They have nowhere contended that a high price of corn was *caused* by the cultivation of inferior land; what they contend is, that it is caused by the *necessity* under which every increasing population is placed, of cultivating such inferior land, or of being starved. The wants and desires of man are the *cause* why all commodities are produced, and are, by consequence, the cause of their value; but it is the difficulty experienced in gratifying these wants and desires, or, in other words, the most incurred in the production of commodities, that measures and regulates this value. This is the theory laid down by Mr. Ricardo and the other expounders of the doctrine of rent, and it cannot be in any degree affected by the petty cavils alluded to.

If the view which has been taken in the preceding pages of the regulating principle of rent be the correct one, it will furnish a solution of several problems, which were either unanswered, or answered very inadequately, by Dr. Smith and his immediate successors. One of these is the effect produced upon rent by the various changes incident to the progress of society.

The state of society, so far as respects the accumulation of wealth, is either retrograde, stationary, or progressive. Each of these states affects rent in a different manner; but none of them affects it exactly alike under all circumstances.

In a retrograde state of society, the rent of land has a tendency to fall. The diminution of the national capital, which is the distinctive characteristic of this state, does not indeed of necessity diminish the power of the people to buy corn, because they would probably renounce every other comfort before they would sacrifice their customary supplies of food. But the soil also produces the materials of many important

manufactures, and as the consumption of them would certainly be diminished, a smaller supply of these materials would be required; and the decline of population, which invariably results from any considerable diminution of the national capital, would in time diminish also the demand for food. The land would then cease to be cultivated so highly; the least productive portion of capital would be withdrawn, or, to use a more correct expression, would cease to be annually renewed; the price and value of raw produce would now be regulated by a more productive portion of capital, and the rent paid by that portion would be annihilated, and the corn rents paid by the superior portions would be reduced by an equal amount, while their value would be reduced by a still greater proportion. To revert to the numerical example previously exhibited, of the three capitals yielding 20, 15, and 10 quarters respectively, and affording a rent of 15 quarters; let the third and last be supposed to be withdrawn in consequence of the diminished demand. The second capital would then yield no rent, and the first no more than five quarters; being a reduction of two-thirds in the corn rent of the land: but as the price and value of corn would also have fallen in the ratio of 15 to 10, or one-third, the real reduction of rent will be, not as 3 to 1, but as 9 to 2. The interest, therefore, of the landlord, in so far as he is affected by a retrograde state of society, coincides with that of the community. What diminishes their wealth diminishes his, and generally in a decidedly greater proportion.

When the wealth of the community is stationary, rent also in general will be stationary. When the wealth of the community is progressive, rent in the most ordinary and natural course of things will be progressive. The growing demand for food requires a higher and higher cultivation, with a return continually diminishing in proportion to the outlay: the wealth of the landlord is therefore doubly augmented, first by the increasing corn rent, next by the continually increasing value of that corn.

The interest of the landlord, considered as affected by a progressive state of society, is so far identical with that of the community; and would be altogether so, were it not that in the progress of cultivation two counteracting principles usually come into play. One of these is an improved system of agriculture; the other is the importation of raw produce from foreign countries. Both these circumstances operate to increase the wealth of the community; both, however, are immediately, the latter perhaps even permanently, injurious to the pecuniary interests of the landlord.

A country which, in proportion to the fertility of its soil, is more thickly peopled than its neighbours, and in which, therefore, the land is more highly cultivated, and corn at a higher price, soon finds that it can increase its supply of food at a smaller sacrifice by purchasing a part of it from other less populous nations, than by pushing the cultivation of its own land any further. From this point, therefore, if importation be free, whatever increase may take place in its wealth and population, the demand for the produce of its land may not be increased, nor the price of that produce raised: and the income of the landlord may remain stationary, while that of the community is increasing; or if a forced increase of rent be produced by excluding foreign corn, and compelling the community to go on supplying its increasing demand by a higher cultivation of its own soil, the prohibition could not afterwards be taken off without depriving the landlord of the accession which he had gradually received to his income by the progress of population co-operating with a restricted corn trade. The wealth of

the landlord would thus be, in the first instance at least, diminished by what would both immediately and ultimately add to the opulence of the community. The interest of the landlord is, in this respect, no longer coincident with, but is in some respects opposed to the interest of the nation.

Improvements in agriculture also, though beneficial to the community, are generally, at least for a time, injurious to the landlord. They enable the same produce to be obtained with a smaller capital. The least productive portion of capital, therefore, would be withdrawn, or rather would cease to be renewed: and it is unnecessary, after the explanations already given, to repeat in what manner this would affect the price of the produce and the income of the landlord. If indeed the demand for corn were to increase in proportion to the cheapness, so that the same capital as before would still be required, the landlord would be uninjured. If, for instance, instead of 20, 15, and 10 quarters, 40, 30, and 20 could now be produced with the three capitals before supposed, and that the increased cheapness should encourage consumption so much that the whole of this increased quantity could find a market, the rent which before was 15 quarters, would now be 30, but as the value and price of corn would be reduced one half, the landlord would be benefited only in the greater cheapness of the corn which he consumed in his family. If, on the other hand, as is perhaps most probable, the demand did not increase in the same proportion as the cheapness, the landlord, as such, would sustain a positive diminution of his income.

It is not unusual to hear surprise and sometimes even indignation expressed at the paradox, (for such it is often considered,) that the landlords are not benefited by the improvement of agriculture. There is, however, nothing paradoxical in the opinion when properly explained. Every landlord is benefited by the improvement of his own estate. But why? because it increases the produce of his estate, without so far increasing that of the whole country, as perceptibly to lower the general price of corn. The proper way to try the truth of the proposition, is to consider, not whether it is the interest of a landlord to improve his own estate, but whether it is his interest that his neighbours should universally improve theirs.

Improvements in agriculture, however, are, in the end, highly beneficial, even to landlords, by removing the ultimate limit of cultivation to a greater distance. The limit beyond which cultivation cannot, under any given system of cultivation, possibly extend, is that at which the last labourer employed barely reproduces his own subsistence. But an increase in the general productive powers of the soil, occasioned by an improvement, evidently enables more labourers and more capital to be applied before this point is attained. As every application of additional capital, with a diminished return, adds to the rent, improvements in agriculture enable an amount of rent to be ultimately paid, which could not have been paid under other circumstances. And notwithstanding the undeniable tendency of agricultural improvements to produce a temporary diminution of rent, it may be doubted whether that tendency has ever, to any considerable extent, been realized. The improvements which have been introduced into agriculture are so extremely limited, when compared with those of which some branches of manufacture have been found susceptible; and they are, besides, so very slow in making their way against those old habits and prejudices, which are perhaps more deeply rooted among the farmers than among any other class

of producers, that the progress of population seems in most instances to have kept pace with the improvement of agriculture, and, in the same proportion as corn could be obtained cheaper, more corn has been required. It has not hitherto, indeed, been at any time the effect of an improvement to drive capital from the land, nor consequently to lower rent.

The adoption, by any considerable portion of the population, of a less costly food, of potatoes for instance, instead of wheat, is, in its effects upon cultivation, prices, and rents, exactly similar to an improvement in agriculture.

The above observations are of the greatest importance for removing the fallacies which frequently intrude themselves into discussions on the corn laws, and all other subjects involving the consideration of rent. Another corollary of equal importance from the principle of rent is the proposition, that rent does not form a part of the cost of production; or, as it is commonly, but somewhat vaguely expressed, that rent does not enter into price.

Dr. Smith, though his language on this point is not always clear or consistent with itself, seems to have perceived that rent does not form a part of the cost of production of raw produce. He lays it down, in substance, that *corn is not high because rent is paid, but rent is paid because corn is high.*^{*} Being of opinion, however, that from some cause or other the value of raw produce always exceeds its cost of production; and knowing that the cost of raw produce forms one part of the cost of all manufactured articles, he concluded, that the excess of the price of raw produce above its cost of production, or, in other words, rent, entered into the cost of all manufactures. The price of a manufactured article he thought must always be sufficient to pay not only the wages of the labour, and the profits of the stock, directly and indirectly employed in producing it, but likewise the rent of the land on which the raw material was grown; and thus, as he thought, rent, or at least the excess, which constitutes rent, is not only an effect but a cause of high price; since if that excess or that rent did not exist, all manufactures might be sold at a smaller price.

^bIt has now, however, been seen, that the price of raw produce does not exceed the cost of production, including in that expression the ordinary profits of the producer's capital. The aggregate price exceeds the aggregate cost of production; but this is because the cost of production is unequal. The price exceeds the lowest, but not the highest cost of production. And this highest cost, since it regulates the price of the whole, may be considered, without impropriety, as the cost of the whole; and the rent to be a peculiar privilege of favoured individuals; just as if a bounty were given to a select party of cotton manufacturers, who were not sufficiently numerous to supply the whole market, it could not properly be said, that the cost of producing cottons had been diminished, though it would be really diminished to the favoured individuals.^b

If therefore there were no such thing as rent, neither raw produce, nor consequently manufactures, could be sold cheaper than they are; rent has no influence either on value or price, and may be entirely left out of consideration, whenever these subjects are discussed.

It only appears necessary further to observe, concerning the rent of land, that it is not to be confounded with the consideration, annual or otherwise, which is paid to the landlord for building houses or fences, cutting drains, or effecting any other improvement on the land, which requires to be regularly renewed. These are as much a part of the capital employed in cultivation, as ploughs or thrashing machines, and differ only by being in general the property of the landlord. If the landlord supplied half the stock on the farm, part of his income would evidently be profit, not rent; nor is the case different when he supplies not only the land, but any of its appurtenances, which, if they did not exist, must be provided from the capital of the farmer.

The rent of mines is regulated by principles very similar to those which determine the rent of land. The cost of production at the least fertile of all the mines which must be worked to obtain the requisite supply, regulates the price of the produce obtained from all the others. The ideas of Dr. Smith, on this subject, were, as has been previously remarked, extremely inaccurate.*

^cThe chief difference between the principle of agricultural and that of mining rent, is, that the great law of the application of capital to land, the inequality of the return to different portions of the capital employed, does not apply to mines. It is true that the difficulty of working a mine increases as it becomes deeper. The return, therefore, to any new capital, applied to a mine, is generally a diminished return; but the return to the old capital diminishes along with it: there are not, as in the case of land, two portions of capital invested in the same mine, one of them producing more, and another less.^d Among the consequences which flow from this circumstance, one is, that the least productive mining capital may yield a rent.^d The productiveness of different mines does not differ by imperceptible degrees, like that of different capitals on the same soil. If, for example, the richest mine could singly supply the demand of the whole world, the undertaker might keep the price of his produce above the cost of production at his own mine, provided he kept it a little below the cost of production at any other; and by this surplus, as by every other surplus of the same kind, it would not be the capitalist but the proprietor who would benefit.^c

The theory of rent, explained in the foregoing note, was, with the exception of the principle of population, to which alone it is inferior in importance, the first great discovery which followed the publication of the *Wealth of Nations*. It was first announced to the world in two pamphlets, published in 1815, by Mr. West, (now Sir Edward West, chief-justice of Bombay,) and Mr. Malthus. A pamphlet explanatory of the same doctrine was published by Mr. Ricardo,^[*] two years after: but, although he was posterior to the authors above named, in promulgating the doctrine, and less happy in his mode of explaining it than Sir Edward West, it is well known to many of his friends that he was in possession of the principle, and was accustomed to communicate it in conversation, several years prior to the publication of the earliest of these works. This is no disparagement of the merits of Sir Edward West, the originality of whose views cannot be doubted; and whose exposition of the principle, as well as of several collateral conclusions, evinces a thorough understanding of the subject, together with a perspicuity of style and clearness of arrangement, which entitle his essay to a very high rank among the works of political economists. His mode of treating the subject, being that which is best adapted to a reader who comes

directly from the perusal of the *Wealth of Nations*, has for the most part been adopted in this note. Mr. Malthus also, though not quite so comprehensive and methodical, has clearly explained the fundamental principle of rent, but has fallen into some errors in its application, of which the length to which this note has already extended forbids any particular examination. The most important of them consists in supposing, that if an improvement took place in agriculture, which had the effect of economizing labour, or if the wages of labour were reduced, the saving thus made would be added to the rent of the land. It has been shown above, ^[*] that in the first of these two cases, the price would fall, and the benefit of the saving would be given to the consumers. It will be shown hereafter, ^[†] in treating of profits, that what would be saved to the producer by the other cause, a fall of wages being a saving not peculiar to agriculture, but common to all employments whatever, would be added to profits, and gained, not by the landlord, but by capitalists in general.

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THE CURRENCY JUGGLE 1833

EDITOR'S NOTE

Dissertations and Discussions, I (2nd ed., London: Longmans, 1867), 42-55.
(Hereafter referred to as *D&D*, with edition, volume, and page numbers.) Headed:
"The Currency Juggle." Reprinted from *Tait's Edinburgh Magazine*, II (Jan., 1833),
461-7 (unsigned), where the same title carries a footnote: "Evidence of Thomas
Attwood, Esq. before the Committee of the House of Commons, on the Bank Charter"
(*Parliamentary Papers*, 1831-32, VI, 452-68). Identified in JSM's bibliography as
"An article headed the Currency Juggle in the 10th numb. of Tait's Magaz. Jan. 1833.
(N.B. The foot-note at the end is not mine)" (MacMinn, 24). In his *Autobiography*
(128), JSM refers to the reprinting of the article in *D&D*. There are no corrections or
variants indicated in the Somerville College copies of the article in *Tait's* and in
D&D.

To the editor of *Tait's* he wrote (7/11/32) in part: "I am highly gratified by what you
say of my paper on Currency, and no less so at the notes you propose to add as from
yourself, as I agree with you so decidedly and so warmly on both points that if we
could have known each other's minds before I wrote the article, I would gladly have
touched upon those collateral questions in the text" (*Earlier Letters, Collected Works*,
XII, 130).

The following text, taken from the 2nd ed. of *D&D* (the last in JSM's lifetime), is
collated with that in *D&D*, 1st ed. (London: Parker, 1859), and that in *Tait's*. In the
footnoted variants, *D&D*, 2nd ed., is indicated by "67"; *D&D*, 1st ed., by "59"; *Tait's*
by "33".

The Currency Juggle

all friends of 'the Movement'—all persons, be they Ministers, Members of
Parliament, or public writers, who look for the safety and well-being of England, not
through the extinction, but through the further progress of ^a[political](#)
reform—commit, in our opinion, an egregious blunder, if they devote themselves
chiefly to setting forth what innovations ought *not* to be made. Once open a door, and
mischief may come in as well as go out—who doubts it? But our fears are not on that
side: ^b[improvement](#), and not conservation, is the prize to be striven for just now. ^c
The tide of improvement having once begun to rise, we know that froth, and straws,
and levities of all kinds, will be floated in multitudes up the stream ^d[but it is not the
business of Reformers](#) to watch for their appearance, and break each successive
bubble the moment it shows itself on the surface. ^e[These may be left](#) to burst of
themselves, or to be swept away by the efforts of such as feel themselves called upon
by their duty to make that their occupation. Be it ours to find ^f[fit](#) work for the new
instrument of government; it is enough that our silence testifies against the unfit. No
one can suffice for all things; and the time is yet far distant when a Radical Reformer

can, without deserting a higher trust, allow himself to assume, in the main, the garb and attitude of a Conservative.

There are, however, cases in which ^gthis wholesome^g rule of conduct ^h must be departed from, and the ⁱ evil incurred of a conflict between reformers and reformers in the face of the common enemy. Purposes may be proclaimed by part of the multitudinous body of professed Radicals, which, for the credit of the common cause, it may be imperative upon their fellow-Radicals to disavow; purposes such as cannot even continue to be publicly broached (not being as publicly protested against) without ^jserious mischief^j. In this light we look upon all schemes for the confiscation of private property, in any shape, or under any pretext; and upon none more than the gigantic plan of confiscation which at present finds some advocates—a depreciation of the currency.

In substance, this is merely a roundabout (and very inconvenient) method of cutting down all debts to a fraction. Considering it in that light, it is not wonderful that ^k fraudulent debtors should be its eager partisans; but what recommends it to them should have been enough to render it odious to all well-meaning, even if puzzle-headed, persons. That men who are not knaves in their private dealings should understand what the word depreciation means, and yet support it, speaks but ill for the existing state of morality on such ^lsubjects^l. It is something new in a civilized country. Several times, indeed, since paper credit existed, governments or public bodies have got into their hands the power of issuing a paper currency, without the restraint of convertibility, or any limitation ^mof^m the amount. The most memorable cases are those of Law's Mississippi scheme, the Assignats, and the Bank Restriction in 1797. On these various occasions a depreciation did in fact take place; but the intention was not ⁿprofessedⁿ of producing one, nor were its authors in the slightest degree aware that such would be the effect. The important truth, that currency is lowered ^o(*cæteris paribus*)^o in value, ^pby being^p augmented in quantity, was known solely to speculative philosophers, to Locke and Hume. The ^qPracticals^q had never heard of it; or if they had, disdained it as visionary theory. Not an idea was entertained that a paper-money which rested on good security—which ^rrepresented^r, as the phrase was, real wealth—could ever become depreciated by the mere amount of the issues.

But now, this is understood and reckoned upon, and is the very foundation of the scheme. ^sEverybody, with a few ridiculous exceptions, now knows^s, that increasing the issues of inconvertible ^tpaper^t, lowers its value, and thereby takes from all who have currency in their possession, or who are entitled to receive any fixed sum, an indefinite aliquot part of their property or income; making a present of the amount to the issuers of the currency, and to the persons by whom the fixed sums are payable. This is seen as clearly as daylight; and ^udo men therefore^u recoil from the idea? No; they coolly propose that the thing should be done; the *novæ tabulæ* issued; the transfer to the debtor of the lawful property of the creditor, and to the banker, of part of the property of every ^vone^v who has money in his purse, deliberately and knowingly accomplished. And this is seriously entertained as a proposition *sub judice*; quite as fit to be discussed, and as likely, *à priori*, to be found worthy of adoption, as any other.

At the head of the depreciation party are the two Messrs. Attwood, Matthias and Thomas: the first ^wa Tory, and^w nominee of the Duke of Newcastle: his brother, the chairman of the Birmingham Union, one who, as a man of action, willing and able to stand in the breach, the organizer and leader of our late victorious struggle, has deserved well of his country. But the ability required for leading ^xa congregated multitude to victory, whether in the war of politics or in that of battles, is one thing; the capacity to make laws for the commerce of a great nation, or even to interpret the ^ycommonest^y mercantile phenomena, is another. If any one still doubts this truth, ^zhe may learn it from^z Mr. Thomas Attwood's evidence before the Bank Committee.

Mr. Attwood has there given vent to speculations on currency, which prove that on a topic to which he has paid more attention than to any other, he is yet far beneath ^aeven^a his recent antagonist, Mr. Cobbett.^[*] Mr. Cobbett, in truth, sees as clearly as any one, that to enact that sixpence should hereafter be called a shilling, would be of no use except to the ^bperson^b who owed a shilling before, and is now allowed to pay it with sixpence. And, it being no part of Mr. Cobbett's object to produce any gratuitous evil, he has ^ccommon^c sense enough to see that it would be absurd, for the sake of operating upon ^dexisting^d contracts, to render all future ones impracticable except on the footing of gambling transactions, by making it impossible for ^eany one^e to divine whether the shilling he undertakes to pay will be worth a penny or a pound at the time of payment. Mr. Cobbett, therefore, is for calling a spade a spade, and cancelling, avowedly, a part, or the whole, as it may happen, of all existing debts; permitting the pound sterling to be worth twenty shillings, as before. Future creditors would thus have the benefit of knowing what they bargained for, though they might, indeed, feel a slight doubt whether it would be paid. In this scheme there is only knavery—no folly; ^fsave that^f of expecting that a great act of national knavery should be a national benefit. Mr. Attwood, on the other hand, is for the robbery too; but then it has not so much the character of a robbery in his eyes; for if it ^gbe^g done in ^hthe^h way of a depreciated ⁱpaper currencyⁱ, such a flood of wealth, he ^jimagines^j, will be disengaged in the process, that the robber and the robbed, the lion and ^kthe^k lamb, ^lwill^l lie down lovingly together and wallow in riches. At the bottom of the fundholder's pocket, Mr. Attwood expects to find the philosopher's stone. As great a man as Mr. Attwood, the King of Brobdingnag, declared it to be his creed, that the man who calls into existence two blades of grass where ^monly^m one grew before, deserves better of his country than the whole tribe of statesmen and warriors. Mr. Attwood has the same exalted opinion of the man who calls two pieces of paper into existence where only one piece existed before.

But first, we must ⁿsayⁿ a few words respecting the robbery itself: we will ^orevert afterwards to^o the accompanying juggle.

There ^phas been, and is,^p one sophism, which has enabled many well-intentioned ^qpersons^q to disguise from their own consciences the real character of the contemplated fraud upon creditors. This sophism ^rhas^r some superficial plausibility. More than half (it is argued) of the National Debt, as well as a great multitude of private engagements, were contracted in a depreciated currency; if, therefore, the interest or principal be ^spaid^s without abatement, in money of the ancient standard, we are paying to ^tpublic and private creditors more than they lent.

To this fallacy there are as many as three or four sufficient refutations, every one standing on its own independent ground. But the most conclusive and crushing of them all is not unfrequently overlooked, such is the shortness of men's memories, even about the events of their own time. Many who abhor the "equitable adjustment," join in condemning the restoration of the currency in 1819; ^uconcede that Peel's Bill^[*] plundered all debtors for the benefit of creditors; but ^vurge, that the present fundholders and other creditors are, in great part, ^wnot the same persons^w who reaped the undue benefit; and that to claim damages from one set of ^xpersons^x, because another set have been overpaid, is no reparation, but a repetition of injustice. This is, indeed, true and irresistible, even though it stood alone: there ^yneeds^y no other argument: yet there ^zis^z another, and a still more powerful one.

The restoration of the ancient standard, and the payment, in the restored currency, of the interest of a debt contracted in a depreciated one, was no injustice, but the simple performance of a plighted compact. All debts contracted during the Bank Restriction were contracted under as full an assurance as the faith of a nation could give, that cash payments were only ^atemporarily^a suspended. At first, the suspension was to last a few weeks, next, a few months; then, at ^bfarthest^b, a few years. Nobody ^ceven insinuated a suggestion^c that it should be perpetual, or that, when cash payments were resumed, less than a guinea should be given at the Bank for a pound note and a shilling. And to quiet the doubts and fears which would else have arisen, and which would have rendered it impossible for any Minister to raise another loan except at the most ruinous interest, it was made the law of the land, solemnly sanctioned by Parliament, that, six months after the peace, if not before, cash payments should be resumed. This, therefore, was distinctly one of the conditions of all the loans made during that period. It is a condition which ^dhas not been^d fulfilled. Instead of six months, more than ^eas many^e years intervened between the peace and the resumption of cash payments. ^fThe nation, therefore, has^f not kept faith with the fundholder. Instead of having overpaid him, we have cheated him. Instead of making him a present ^g(as is alleged)^g of a percentage equal to the enhancement of the currency, we continued^h, on the contrary,^h to pay his interest in depreciated paper ⁱseveralⁱ years after we were bound by contract to pay it in cash. And be it remarked, that the depreciation was at its highest during a part of that ^jvery^j period. If, therefore, there is to be a great day of national atonement for gone-by wrongs, the fundholders, instead of having anything to ^kpay back, should^k be directed to send in their bill for the principal and interest of what they were defrauded of during ^lthe first years of the peace^l. Instead of this, it is proposed that, having already defrauded them of ^mpart^m of a benefit which was in their bond, and for which they gave an equivalent, we should now force them to make restitution of the ⁿremainder.ⁿ

That they gave an equivalent is manifest. The depreciation ^odid not attain its maximum until^o the last few years of the war; indeed, it never amounted to anything considerable till then. It was during those years, also, that ^pthe^p largest sums were borrowed by the Government. At that time the effects of the Bank Restriction had begun to be well understood. The writings of Mr. Henry Thornton, Lord King, Mr. Ricardo, Mr. Huskisson, Mr. Blake,^[*] &c. and the ^qReport^q of the Bullion Committee,^[†] had diffused a very general conviction that the ^rcurrency was in fact depreciated^r, and that the Bank Directors acted on principles of which that evil was

the natural consequence. Does anybody imagine that the loans of those years could have been raised, except on terms never before heard of under a civilized government, if there had been no engagement to pay the interest or the principal in money of any fixed standard; but it had been avowed, to whatever point the arbitrary issues of the Bank might depress the value of the pound sterling, there it would be suffered to remain?

What avails it, then, to cavil about ^s paying more than ^twas^t borrowed? Everybody "who borrows at interest, and keeps his engagement, pays more than he borrowed". The question is not, have we paid more than we borrowed? but, have we paid more than we ^vcontracted^v to pay? And the answer is, we have paid ^wless^w. The fundholder, as the weaker party, has pocketed the injury; he only asks to be spared an additional and far greater one. We ^xcovenanted^x to pay in a metallic standard; we therefore are bound to do it. To deliberate on such a question is as if a private person were to deliberate whether he should pick a pocket.

So much for the substance of the fraud. There is, however, no political crime so bad in itself but what may be made still worse by the manner of doing it. To rob all creditors, public and private, is bad enough in all conscience; but, for the sake of robbing existing creditors, to give to a set of bankers the power of taxing the community to an unlimited amount at their sole pleasure, by pouring forth paper which could only get into circulation by lowering the value of all the paper already issued; what would this be but to erect a company of public plunderers, and place all our fortunes in their hands, merely because they offer to lend us our own money, and call the twofold operation "affording facilities to trade?" It were better worth our while to settle a Blenheim or a Strathfieldsaye upon every banker in England. ^yPecuniary transactions^y would shortly come to an end; in a few months we should be in a state of barter. No ^zone^z in his senses would take money in exchange for anything, except he were sure of being able to lay it out before the next day. ^aEvery one^a would begin to estimate his possessions, not by pounds sterling, but by sheep and oxen, as in the ^bpatriarchal times^b.

Mr. Attwood opines, that the multiplication of the circulating medium, and the consequent diminution of its value ^cdo^c not merely diminish the pressure of taxes and debts, and other fixed charges, but ^dgive^d employment to labour, and that to an indefinite extent. If we could work miracles, we would not be niggardly of them. Possessing the power of calling all the labourers of Great Britain into high wages and full employment, by no more complicated a piece of machinery than an engraver's plate, a man would be much to blame if he failed for want of going far enough. Mr. Attwood, accordingly, is for increasing the issues, until, with his paper loaves and fishes, he has fed the whole multitude, so that not a creature goes away hungry. Such a depreciation as would cause wheat to average ten shillings the bushel, he thinks, would suffice; but if, on trial, any labourer should declare that he still had an appetite, Mr. Attwood proffers to serve up another dish, and then another, up to the desired point of satiety. If a population thus satisfactorily fed should, under such ample encouragement, double or treble in its numbers, all that would be necessary, in this gentleman's opinion, is to depreciate the currency so much the more.

It is not that Mr. Attwood exactly thinks that a hungry people can be literally fed upon his bits of paper. His doctrine is, that paper money is not capital, but brings capital into fuller employment. A large portion of the national capital, especially of that part which consists of buildings and machinery, is now, he affirms, lying idle, in default of a market for its productions; those various productions being, as he admits, the natural market for one another, but being unable to exchange for each other, for want ^e of a more plentiful medium of exchange, just as wheels will not ^fturn^f with a spare allowance of oil. It was suggested to him, by some member of the Committee, that a small nominal amount of currency will suffice to exchange as many commodities as a larger one, saving that it will do it at lower prices; which, however, when common to all commodities, are ^gexactly^g as good to the sellers as high prices, except that these last may enable them to put off their creditors with a smaller real value. Mr. Attwood could not help admitting this; ^hbut^h it failed to produce any impression upon him; he could not perceive that high prices are in themselves no benefit, he could not get ⁱitⁱ out of his head that high prices occasion "increased consumption," "increased demand," and thereby give a stimulus to production.^[*] As if it were any increase of demand for bread, to have two bits of paper to give for a loaf instead of one. As if being able to sell a pair of shoes for two rags instead of one, when each rag is only worth half as much, were any additional inducement to the production of shoes.

Whenever we meet with any notion more than commonly absurd, we expect to find that it is derived from what is miscalled "practical experience;" namely, from something which has been seen, heard, and misunderstood. Such is the case with Mr. Attwood's delusion. What has imposed upon him is, as usual, what he would term "a fact." If prices could ^jbe^j kept as high as in 1825, all would be well; for, in 1825, not one well-conducted labourer in Great Britain was unemployed. ^kThe^k first liberty we shall take, is that of disbelieving the "fact." In its very nature, it is one which neither Mr. Attwood, nor any one, can personally know to be true; and his means of accurate knowledge are probably confined to the great manufacturing and exporting town which he personally inhabits. Thus much, however, we grant, that the buildings and machinery he speaks of were not lying idle in 1825, but were in full operation: many of them, indeed, were erected during that frantic period; which is partly the cause of their lying idle now. But why was all the capital of the country in such unwonted activity in 1825? Because the whole mercantile public was in a state of insane delusion, in its very nature temporary. From the impossibility of exactly adjusting the operations of the producer to the wants of the consumer, it always happens that some articles are more or less in deficiency, and others in excess. ^lTo rectify these derangements, the healthy working of the social economy^l requires that in some channels capital should be in full, while in others it should be in slack, employment. But in 1825, it was imagined that *all* articles, compared with the demand for them, were in a state of deficiency. ^mAn unusual extension of the spirit of speculation, accompanied rather than caused by a great increase of paper credit^m, had produced a rise of prices, which *not* being supposed to be connected with a depreciation of the currency, each ⁿmerchant or manufacturerⁿ considered to arise from an increase of the effectual demand for his particular article, and ^ofancied^o there was a ready and permanent market for ^palmost^p any quantity of that article which he could produce. Mr. Attwood's error is that of supposing that a depreciation of the currency *really* increases the demand for all articles, and consequently their production, because,

under some circumstances, it may create a *false opinion* of an increase of demand, which false opinion leads, as the reality would do, to an increase of production, followed, however, by a fatal revulsion as soon as the delusion ceases. The revulsion in 1825 was not caused, as Mr. Attwood fancies,^[*] by a contraction of the currency; the only cause of the real ruin, was the imaginary prosperity. The contraction of the currency was the consequence, not the cause, of the revulsion. So many merchants and bankers having failed in their speculations, so many, therefore, being unable to meet their engagements, their paper became worthless, and discredited all other paper. An issue of inconvertible bank notes might have enabled these debtors to cheat their creditors; but it would not have opened a market for one more loaf of bread, or one more yard of cloth; because what makes a demand for commodities is commodities, and not bits of paper.

It is no slight ^q[additional motive](#)^q to rejoice in our narrow escape from marching to Parliamentary Reform through a violent revolution, when we think of the influence which would in that event have been exercised over Great Britain, for good or for ill, by men of whose opinions ^r[what precedes](#)^r is a faithful picture.^s

We have no dread of them at present, because, together with the disapprobation of all instructed ^t[persons](#)^t, they have to encounter a strong popular prejudice against paper money of every kind. The real misfortune would be, if they should wave their currency juggle, and coalesce with the clearer-sighted and more numerous tribe of political swindlers, who attack public and private debts directly and avowedly.

But even thus, we do not fear that they should succeed. There are enough of honest ^u[people](#)^u in England ^v to be too many for all the knaves; and it is only for want of discussion that these schemes find any favourers among sincere men. The mischief, and it is not inconsiderable, is, that such things should be talked of, or ^w[thought](#)^w of; that the time and talents which ought to be employed in making good laws and redressing real wrongs, should be taken up in counselling or in averting ^x[a national iniquity](#)^x: to the injury of all good hopes, but most to the damage and discredit of the ^y[popular cause](#)^y, which is almost undistinguishably identified in the minds of many excellent, ^z[but](#)^z ill-informed and timid people, with the supremacy of brute force over right, and a perpetually impending spoliation of everything which one ^a[person](#)^a has and another ^b desires.^c

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CORPORATION AND CHURCH PROPERTY

1833

EDITOR'S NOTE

D&D, I (2nd ed.), 1-41, where it is headed: "The Right and Wrong of State Interference with Corporation and Church Property." Reprinted from "Art. 1.—Corporation and Church Property," *The Jurist, or Quarterly Journal of Jurisprudence and Legislation*, IV (Feb., 1833), 1-26 (unsigned). Issued also as an anonymous pamphlet: *Corporation and Church Property Resumable by the State*. London: Sweet, Stevens, and Maxwell, 1833. Identified in JSM's bibliography as "An article on Corporation and Church Property in the 10th number of the Jurist (in February 1833) printed also as a separate tract and entitled 'Corporation and Church Property resumable by the State' " (MacMinn, 25). In his *Autobiography* (128), discussing this article, JSM comments that in "the whole mass" of his writings prior to this and "The Currency Juggle" he considers nothing to be "of sufficient permanent value to justify reprinting." He then remarks: "The paper in the Jurist, which I still think a very complete discussion of the rights of the State over Foundations, showed both sides of my opinions, asserting as firmly as I should have done at any time, the doctrine that all endowments are national property, which the government may and ought to control; but not, as I should once have done, condemning endowments in themselves, and proposing that they should be taken to pay off the national debt. On the contrary, I urged strenuously the importance of having a provision for education, not dependent on the mere demand of the market, that is, on the knowledge and discernment of average parents, but calculated to establish and keep up a higher standard of instruction than is likely to be spontaneously demanded by the buyers of the article. All these opinions have been confirmed and strengthened by the whole course of my subsequent reflections."

The following text is collated with that in *D&D* (1st ed.), that in *The Jurist*, and that in the pamphlet reprint. In the footnoted variants, *D&D* (2nd ed.) is indicated by "67"; *D&D* (1st ed.) by "59"; *The Jurist* by "33" (there are no substantive variants between the pamphlet and *The Jurist*, except the correction indicated at 196^{s-s}). In the Somerville College copy of the pamphlet reprint, there is one inked variant (see 204^{c-c}); there are no corrections or variants in the Somerville *D&D*. In *The Jurist* and the pamphlet the article is divided into nine sections, indicated by arabic numerals (which are here omitted) at the beginnings of the paragraphs at 197.1, 198.4, 201.12, 203.21, 205.12, 209.4, 210.18, 218.9, and 221.29.

Corporation And Church Property

[^ait is intended^a](#), in the present [^bpaper^b](#), to enter somewhat minutely into the subject of Foundations and Endowments, and the rights and duties of the Legislature in

respect to them: with the design, first, of showing that there is no moral hindrance or bar to the interference of the Legislature with endowments, though it should even extend to a total change in their purposes; and next, of inquiring, in what spirit, and with what reservations, it is incumbent on a virtuous Legislature to exercise this power. As questions of political ethics, and the philosophy of legislation in the abstract, these inquiries are not unworthy of the consideration of thinking minds^c. But to this country, and at this particular time, they are practical questions; not solely in that more elevated and philosophical sense, in which all questions of right and wrong are emphatically practical questions; but as being the peculiar ^dtopics^d of the present hour^e. For no one^f can help seeing that one of the ^gmost pressing of the duties which Parliamentary Reform has devolved upon our public men, is that ^hof deciding what honestly^h may, and, supposing this determined, what *should*, be done with the property of the Church, and of the various Public Corporations.

It is a twofold problem; a question of expediency, and a question of morality: the former complex, and depending upon temporary circumstances; the latter simple, and unchangeable. We are to examine, not merely in what way a certain portion of property may be most usefully employed; that is a subsequent consideration: but, whether ⁱit can be touchedⁱ at all without ^jspoliation^j; whether the diversion of the estates of foundations from the present hands, and from the present purposes, would be disposing of what is justly our own, or ^krobbing^k somebody else of what is his; violating property, endangering all rights, and infringing the first principles of the social union. For the enemies of the interference of the Legislature assert no less. And, if this were so, it would already be an act of immorality even to ^ldiscuss^l the other question. It is ^mnot a^m fit occupation for an honest man, to cast up the probable profits of an act of plunder. If a resumption of endowments belongs to a class of acts which, by universal agreement, ought to be abstained from, whatever may be their consequences; there is no more to be said. ⁿWhether it does so or not, is the question now to be considered.ⁿ

If the inquiry ^owere embarrassed with no other difficulties than are inherent in its own nature, it would not^p, ^qwe think^p, detain us long. Unfortunately it is inextricably entangled with the hopes and fears, the attachments and antipathies, ^qof temporary politics^q. All men are either friendly or hostile to the Church of England; all men wish either well or ill to our universities, and ^rto^r our municipal corporations. But we know not why the being biassed by such predilections or aversions, should be more pardonable in a moralist or a legislator, than it would be in a judge. If the dispute were, whether the Duke of Wellington should be called upon to account for ^s100,000^s, it would be ^ta^t perversion of justice to moot the question of the Duke of Wellington's public services, and to decide the cause according as the judge approves, or not, of the war with Bonaparte, or Catholic emancipation. The true question would be, whether the money in the Duke's possession ^uwas his or not^u. We have our opinion, like other people, on the merits or demerits of the clergy, and other holders of endowments. We shall endeavour to forget that we have any. General principles of justice are not to be shaped to suit the form and dimensions of some particular case in which the judge happens to take an interest.^v

By a foundation or endowment, is to be understood, money or money's worth (most commonly land) assigned, in perpetuity or for some long period, for a public purpose: meaning by public, a purpose which, whatever it may ^wbe, is not^w the personal use and enjoyment of an assignable individual or ^x individuals.

The foundations which exist or have existed, in this or other countries, are exceedingly multifarious. There are schools, and hospitals, supported by assignments of land or money; there are also almshouses, and other charitable institutions of a nature more or less analogous. The estates of monasteries belong to the class of endowments: so do those of our universities; and the lands and tithes of all established churches. The estates of the Corporation of London, of the Fishmongers' and Mercers' Companies, &c., are also public foundations, and differ from the foregoing only in being local, not national. All these masses of property originally belonged to some individual or individuals, or to the State; and were, either by the rightful owner, or by some wrongful possessor, appropriated to the several purposes to which they now, really or in name, continue to be applied.

It ^ymay^y seem most natural to begin by ^zconsidering^z whether the existence of endowments is desirable at all; if this be settled in the affirmative, to inquire on what conditions they should be ^aallowed^a to be constituted; and, lastly, how the Legislature ought to deal with them after they are formed. But the problem, what is to be done with existing endowments, is paramount in present importance to the question of prospective legislation. ^bIt is preferable^b, therefore, even at the expense of an inversion of the logical order of our propositions, to consider, first, whether it is allowable for the State to change the appropriation of endowments, and, afterwards, what is the limit at which its interference should stop.

If endowments are permitted, it is implied as a necessary condition, that the State, for a time at least, shall not intermeddle with them. The property assigned must temporarily be sacred to the purposes to which it was destined by its owners. The founders of the ^cLondon University^c would ^dnot have subscribed their money^d, nor would Mr. Drummond have established the Oxford Professorship of Political Economy, if they had thought that they were merely raising a sum of money to be placed at the disposal of Parliament, or of the Ministry for the time being. Subject to the restrictions which we shall hereafter suggest, the control of the founder, over the disposition of the property, should, in point of degree, be absolute. But to what extent should it reach in point of time? For how long should this unlimited power of the founder continue?

To this question the answer is ^ein principle so obvious, that it is not easy to conceive how^e it can ever have been missed by any unsophisticated and earnest inquirer. The sacredness of the founder's assignment should continue during his own life, and for such longer period as the foresight of a prudent man may be presumed to reach, and no further. We do not pretend to fix the exact term of years; perhaps there is no necessity for its being accurately fixed; but it evidently should ^fbe only a moderate^f one. For such a period, it conduces to the ends for which foundations ought to exist, and for which alone they can ever rationally have been intended, that they should remain undisturbed.

All beyond this is to make the dead, judges of the exigencies of the living; to erect, not merely the ends, but the means, not merely the speculative opinions, but the practical expedients, of a gone-by age, into an irrevocable law for the present. The wisdom of our ancestors ^g[was mostly a poor wisdom enough](#)^g, but this is not even following the wisdom of our ancestors; for our ancestors did not bind themselves never to alter what they had once established. Under the guise of fulfilling a bequest, this is making a dead man's intentions for a single day, a rule for subsequent centuries, when we know not whether he himself would have made it a rule, even for the morrow.^h[_](#)

There is no fact in history which posterity will find it more difficult to ⁱ[understand](#)ⁱ, than that the idea of perpetuity, and that of any of the contrivances of man, should have been coupled together in any sane mind: that it has been believed, nay, clung to as ^j[sacred](#)^j truth, and has formed part of the creed of whole nations, that a signification of the will of a ^k[_](#) man, ages ago, could impose upon all mankind now and for ever an obligation of obeying him:—that, in the beginning of the nineteenth century, it was not permitted to question this doctrine without opprobrium: though for hundreds of years before, a solemn condemnation of this very absurdity had been ^l[incorporated](#)^l in the laws, and familiar to every judge by whom, during all that period, they had been administered.

During the last four hundred years or thereabouts, in England and Wales, the power of a landed proprietor to entail his land in favour of a particular line of his descendants has been narrowed to a very moderate term of years after his decease. During ^m[a](#) ^m[similar](#)^m length of time, it has been laid down as a maxim of the common law, in the sweeping terms in which technical jurisprudence delights, that “the law abhors perpetuities.” It is now a considerable number of years since a London merchant^{*} having by testament directed that the bulk of his fortune should accumulate for two generations, and then devolve without restriction upon a person specified; this will, rare as such dispositions might be expected to be, excited so much disapprobation, that an Act of Parliament^[*] was passed, expressly to ⁿ[enact](#)ⁿ that nothing of the same sort should be done in future.

Is it of consequence to the public by whom and how private property is inherited, which, whoever possess it, will in the main be spent in ministering to one person's individual wants and enjoyments—and is the use made of a like sum, specifically set apart for the benefit of the public, or of an indefinite portion of the public, a matter in which the nation has no concern? Or shall we say it is supposed by King, Lords, and Commons, and the Judges of the land, that a man cannot know what partition of his property among his descendants, thirty years hence, will be for the interest of ^o[the](#)^o descendants themselves; but that he may know (though he have scarcely learnt ^p[the](#)^p alphabet) how children may be best educated five hundred years hence; how the necessities of the poor may then be best provided for; what branches of learning, or of what is called learning, it will be most important to cultivate, and by what body of men it will be desirable that the people should be taught religion, to the ^q[_](#) end of time?

Men would not yield up their understandings to doctrines like these, if they were not under some strong bias. Such thoughts never sprung from reason and reflection. ^r[_](#) The

cry about robbing the Church, spoliation of endowments, &c., means only that the ^sspeaker likes better the purposes to which the monies are now applied, than those to which he thinks they would be applied if they were resumed:—a feeling which, ^twhen founded on conviction, is entitled to respect; but were it even just, we do not see why a ^uperson, who has got at his conclusions by good arguments, should defend them by bad. It may be very unwise to alienate the property of some particular foundation; but that does not make it robbery. If it be inexpedient, ^vprove it so; but do not pretend that it is a crime to disobey a man's injunctions who has been dead five hundred years. We fear, too, that this zeal for the inviolability of endowments proceeds often from a feeling, which we find it more difficult to bear with—that unreasoning instinct, which renders those whose souls are buried in their acres, or pent up in their money bags, partizans of the *uti possidetis* principle in all things; the dread that if anything is taken from anybody, everything will be taken from everybody; a terror, the more passionate because it is vague, at seeing violent hands laid upon their Dagon money, though it be but to rescue him from the hands of those who have filched him away.

That this is the real source of much of the horror which is felt at a bare proposal that the Legislature should lay a finger upon the estates of a public trust, although it be to restore them to their original purposes, is manifest from this; that the same persons can witness the most absolute perversion and alienation of the endowment from its destined ends, by the slow, silent creeping-in of abuse in the hands of the trustees themselves, and not feel the slightest discomposure. Wherefore?—^wBecause^w their solicitude was not for the objects of the endowment, but for the safety and sacredness of “vested rights.” They dislike the example of searching in a person's pocket, although it be for stolen goods. For them, it is enough if the nine points of the law maintain their wonted sanctity. Those they are sure they have on their side, if any troublesome questioner should^x, in their turn, incommode *them*. The tenth point is much more intricate and obscure, and they have not half so much faith in it.

To every argument tending to prove the *utility* of the Church ^yEstablishment^y, or ^zany other endowed public institution, ^aunprejudiced attention is due^a. Like all reasons which are brought to show the inexpediency of a proposed innovation, they cannot be too carefully weighed. But when it is called spoliation of property, for the State to alter a disposition made by the State itself, or by an individual who died six hundred years ago, we answer, that no ^bperson^b ought to be exercising rights of property six hundred years after his death; that such rights of property, if they have been unwisely sanctioned by the State, ought to be instantaneously put an end to; that there is no fear of robbing a dead man; and no reasonable ^cman who gave his money when living, for the benefit of the community, would have desired that ^dhis^d mode of benefiting the community should be ^eadhered^e to when a better could be found.

Thus far of the imaginary rights of the founder. Next, as to those rights of another kind, which, in the case of an existing endowment, have usually sprung up in consequence of its existence; ^fthe life interests of the actual holders. How far are these analogous to what are deemed rights of property?—that is, rights which it is unjust to take from ^gthe possessor^g without his consent, or without giving him a full equivalent.

There are some endowments in which the life interests amount to rights of property in the strictest sense. These are, such as are created for the application of their revenues to the mere use and enjoyment of individuals of a particular description: to give pensions to indigent persons, or ^hto persons devoted to particular pursuits; to relieve the necessities, or reward the services, of persons of a particular kind, by supporting them in alms-houses or hospitals.

There are probably ⁱbut a small proportionⁱ of these endowments which are fit ^jfor indefinite continuance^j: mankind have begun to find out that the mass of poverty is increased, not diminished, by these impotent attempts to keep pace with it by mere ^kgiving^k. All, however, who are ^lactually benefiting by such institutions, have a right to the continuance of the benefit, which should be as inviolable as ^mthe right^m of the weaver to the produce of his loom. They have it by gift; ⁿas much soⁿ as if the founder ^owere^o alive, and had settled it upon them by deed under hand and seal. To take it from an existing incumbent would be an *ex-post-facto* law of the worst kind. It would be the same sort of injustice as if, in abolishing entails, the *existing* landed proprietors ^pwere to be^p ejected from their estates, on the plea that the estates had ^qcome^q to them by entail from their predecessors.

These rights, however, are never anything but life interests. Such pensions or alms are not hereditary. They are not transmissible by will, or by gift. There is no assignable person standing in remainder or reversion; no individual specially designated, either by law or custom, to succeed to a vacancy as it arises. No person would suffer any privation, or be disappointed in any authorized expectation, by the resumption of the endowment at the death of the existing incumbents. There is no loss, where nobody will ever know who has lost. To say that the funds cannot rightfully be resumed at the expiration of the life interests, because somebody or other would succeed to them if they continued to exist, is tantamount to affirming, that the army or navy can never be reduced without an act of spoliation, because, if they were kept up, somebody, to be sure, would be made a cadet or a midshipman, who ^rotherwise^r will not.*

But there is another and a far more important class of endowments, where the object is not a provision for individuals of whatsoever description, but the furtherance of some public purpose; ^sas the cultivation of learning,^s the diffusion of religious instruction, ^tor the education of youth. Such, for instance, is the nature of the Church property, and the property attached to the Universities and the foundation schools. The individuals through whose hands the money passes, never entered into the founder's contemplation otherwise than as mere trustees for the public purpose. The founder of a College at Oxford did not bestow his ^uproperty^u in order that some men then living, and an indefinite series of successors appointing one another in a direct line, might be comfortably fed and clothed. He, we may ^vpresume^v, intended no benefit to them, further than as a necessary means to the end he had in view—the education of youth, and the advancement of learning. The like is true of the Church property: it is held in trust, for the spiritual culture of the people of England. The Clergy and the Universities are not proprietors, nor even partly trustees and partly proprietors: they are called so, we know, in law, ^wand for legal purposes may be so called without impropriety; but moral right does not necessarily wait upon the convenience of technical classification^w. The trustees are indeed, at present, owing to

the supineness of the Legislature, the sole tribunal empowered to judge of the performance of the trust: but it will scarcely be pretended that the money is made over to them for any other reason than because they are charged with the trust,—or that it is not an implied condition, that they shall apply every shilling of it with an exclusive regard to the performance of the duty entrusted to the collective body.

Yet of persons thus situated, persons whose interest in the foundation is entirely subsidiary and subordinate, the whole of whose rights exist solely as the necessary means to enable them to perform certain duties—it is currently asserted, and [in the tone in which men affirm a self-evident moral truth^x](#), that the endowments of the Church and of the Universities are [their property^y](#); to deprive them of which would be as much an act of confiscation as to rob a landowner of his [estate.^z](#)

Their property! In what system of legislative ethics, or even of positive law, ^{*} is an estate in the hands of trustees the property of the trustees? It is the property of the *cestui que trust*: of the person, or body of persons, for whose benefit the trust is created. This, in the case of a national endowment, is the entire people. [†]

The claims of the Clergy, and of the various members of the Universities, to the retention of their present incomes, are of a widely different nature from those rights which are intended when we speak of the inviolability of property; and stand upon a totally different foundation. The same person who is a trustee, is also a labourer. He is to be paid for his services. What he is entitled to, is his wages while [those^a](#) services are required, and such retiring allowance as is stipulated in his engagement. All his just pretensions depend on the terms of his contract. [He would have no ground of complaint, unless on the score of inhumanity, if, when his services are no longer needed, he were dismissed without a provision^b](#); unless the contract by which he was engaged had expressly [or^c](#) tacitly provided otherwise.

It is, however, [the^d](#) fact, that in the majority of cases, and particularly in the case of the Church and of the Universities, the incumbents hold their emoluments under an implied contract, which fully entitles them to retain the whole amount during the term of their lives.

If the army were to be remodelled, or to be reduced, and the whole of the officers changed, or a part of them discarded; and if these were thrown [upon^e](#) the world, without allowing them half-pay, or the pension of their rank, there would not ([it will probably^f](#) be allowed) be any spoliation of property. But it might be said, with [justice^g](#), that there would be a breach of an implied contract; because the State would be defeating an expectation raised by its own uniform practice. Half-pay, or a pension, is certainly not *promised* to an officer when he enters the army; he does not give his services on that express [condition^h](#). But the regulations of the army have from time immemorial sanctioned the practice, and led the officers to count upon it, and they give their services on that [understandingⁱ](#).

The case of the clergyman only differs from that of the military officer in this, that the one, by custom, may be deprived of his place, but retains a part of its emoluments; the other, by a different custom, retains his place, emoluments and all, [for the remainder^j](#)

[of his life^j](#) . If this were the practice in the army, then instead of half-pay an officer would never retire on less than full; and all persons would see that, whether this was a good practice or [not^k](#) , it ought not to be abolished retrospectively. The same argument holds good in the case of the clergyman.

It cannot be doubted that where the emoluments of a public officer have, by the uniform practice of ages, been considered as placed out of the control of the Legislature, to exercise that control to the disadvantage of the individual, without giving him notice before he accepts the office, is an injustice to him. It gives him reasonable ground for complaining of a breach of contract, and should be scrupulously avoided; even if it were not something more than merely impolitic, to immolate large classes of [persons^l](#) for the pecuniary gain of the remainder; and most unwise to teach a multitude of influential persons that their only means of maintaining themselves and their families in their accustomed comfort is by [m](#) a successful resistance to political reforms.

In return for the continuation of the life interests after releasing the incumbents from the performance of [theⁿ](#) accompanying duties, the State, of course, would acquire a right to the services of the individuals in any other mode in which it could turn them to [use^o](#) ; provided it were one suited to the station they had formerly filled.

We have endeavoured to make as clear as possible the real grounds of the moral question respecting the interference of the Legislature with foundations. We have [affirmed^p](#) that it is no violation of any right which ought to exist in the founder, to set aside his dispositions many years after his decease; but that where individuals have been allowed to acquire beneficial interests in the endowment, these ought in general to be respected; being, in most cases, either rights of property for life, or rights for life by virtue of an implied contract. But, with the reservation of these life interests, the Legislature is at liberty to dispose, at its discretion, of the endowment, after that moderate number of years has elapsed from the date of its formation, beyond which the foresight of an individual cannot reasonably be supposed to extend.

We feel certain that the conclusion which we have just stated is fully made out, and that nothing in the nature of an argument, capable of bearing examination, can be brought to invalidate it. But it is harder, in some cases, to convince men's imagination than their reason; and [scarcely anything which can be said is^q](#) enough to destroy the force of an objection, which is yet a mere illusion of the imagination, by the aid of a collective name.

Would you rob the Church? it is asked. And at the sound of these words rise up images of rapine, violence, plunder: and every sentiment of [repugnance^r](#) which would be excited by a [proposal^s](#) to take away from an individual the earnings of his toil or the inheritance of his fathers^t, [comes heightened in the particular case by the added idea of sacrilege^t](#) .

But the Church! Who is the Church? Who is it that we desire to rob? Who are the persons whose property, whose rights, we are proposing to take away?

Not the clergy; from them we do not propose to take anything. To every man who now benefits by the endowment, we have said that we would leave his entire income; at least until the State shall offer, as the purchase money of his services in some other shape, advantages which he himself shall regard as equivalent.

But if not the clergy, surely we are not proposing to rob the laity: on the contrary, they are robbed now, if the fact be, that the application of the money to its present purpose is no longer advisable. We are exhorting the laity to *claim* their property out of the hands of the clergy; who are not the Church, but only the managing members of the association.

Qui trompe-t-on ici? asks Figaro. [*]*Qui vole-t-on ici?* may well be asked. "[What man, woman, or child, is the victim of this robbery?](#)" Who suffers by the robbery when everybody robs nobody? ^v But though no man, ^w[woman, or](#) ^w child is robbed, the Church it seems is robbed. What follows? That the Church may be robbed, and no man, woman, or child be the worse for it. If this be so, why, in Heaven's name, should it not be done? If ^x[money or money's worth](#) can be squeezed out of an abstraction, we ^y[would appropriate it without scruple](#) ^y. We had no idea that the region

Where entity and quiddity,
The ghosts of defunct bodies, fly, ^[†]

was an Eldorado of riches. We wish all other abstract ideas had as ample a patrimony. It is fortunate that their estates are of a less volatile and airy nature than themselves, and that here at length is a "chimæra bombinans in vacuo" which lives upon something more substantial than "secundas intentiones." We hold all such *entia rationis* to be fair game, and their possessions a legitimate subject of invasion and conquest.

Any act may be a crime, if ^z[giving it a bad name](#) ^z could make it so; but the robbery that we object to must be something more than robbing a word. The laws of property were made for the protection of ^a[human beings](#) ^a, and not of phrases. As long as the bread is not taken from any of our fellow-creatures, we care not though the whole English dictionary had to beg in the streets. Let those who think it a robbery for the nation to resume what we say is its own, tell us whose it is; let them inform us, what human creatures it belongs to; not what letters and syllables. The alphabet has no property, and if it ^b[bring](#) ^b an action for damages in any court where we are judge, it shall be nonsuited.

But the Church, it will be said, is a corporation ^c, [\(or, in strictness of legal language, an aggregate of many corporations\)](#) ^c; and a corporation is a ^d[person](#) ^d, and may hold property, and bring an action at law. A corporation never dies, but is like a river, ever flowing, yet always the same; while it empties at one extremity it fills at the other, and preserves its identity by the continuity of its existence. Whatever is acquired for the corporation belongs to the corporation, even when all its members have died out, and been succeeded by others. So London stands upon the Thames as it did at the Conquest, though not one drop of water be the same.

It is quite unnecessary to remind us of all this. It is true that such is the law. We admit that the law can call a man now living, and a man not yet born, the same person; but that does not hinder them from being ^e different men. ^fHaving declared them one person, it may ordain that the income held by one in a certain capacity, shall pass, on his death, to the other. There is nothing at all inconceivable in the idea; so far from it, that such is actually the fact. It is as simple and as easy as to say that a man's income shall pass to the man's own son. It is one of the modes in which property may be legally transmitted. It is part of the law of inheritance and succession.

There is not the slightest intention entertained of disputing all this. The law is precisely as it is said to be: but because the law is so, does it follow that it ought to be? or that it must remain protected against amendment, more than any other of the laws which regulate the succession to property?

All, or almost all, laws give rights to somebody. By the abrogation of any, or almost any laws, some rights would ^gbe prevented from existing^g. But because a law has once been enacted, ought it to subsist ^hfor ever^h? We know that there are some alterations in the law, which would be, morally speaking, infringements of property. What makes them so? Not, surely, the mere fact, inseparable from the repeal of any law whatever, that the ⁱclass of rights which it created ceasesⁱ to exist. Where then lies the distinction? There is no difficulty about it, nor ever was. The difference is, that some laws cannot be altered without painfully frustrating existing and authorized expectations; for which, therefore, compensation is, in all or most cases, due. Now in the case of church property no authorized expectations are defeated, ^junless^j those of existing incumbents: this evil is prevented if the life interests of the incumbents are preserved to them.^{*} To make the semblance of an injury where there is none, nothing better can be thought of than to lump ^ktogether^k the living incumbents and their unborn successors into one undivided mass, call the entire heap one person, and pretend that not to give to the unborn man, is to take from the living one.

^lTo resume endowments would incontestably be to set aside, by an act of the legislature, a disposition of property lawfully made. It would be a change in the laws; but a change which is allowable, if to alter a disposition of law be ever allowable. The fact of its being a disposition of property can make no difference. Property surely may be appropriated by law, to purposes from which it may be highly desirable that it should be alienated. Much property is set apart by the laws of all idolatrous nations, for the special use and service of their gods. Large revenues are annually expended in offerings to those gods. To resume those revenues would manifestly be robbing Baal; they are his by law: law cannot give a clearer right of property than he has to them. A lawyer, addressing a court of justice, would have nothing to object to this argument: but a moralist or a legislator might say, that the revenues were of no use to Baal, and that he would never miss them.

We, of this generation, are not addicted to falling down before a Baal of brass or stone: the idols we worship are abstract terms: the divinities to whom we render up our substance are personifications. Besides our duties to our fellow-countrymen, we owe duties to the *constitution*: privileges which ^mlandlords or ⁿmerchants have no claim to, must be granted to *agriculture*, or *trade*: and when every clergyman has

received the last halfpenny of his dues and expectations, there ^o[remain](#)^o rights of *the Church*^p, which it would be sacrilege to violate.

^q[To](#)^q all such rights we confess our ^rindifference. The only moral duties which we are conscious of, are towards living beings, either present or to come; who can be in some way better for what we do or forbear. When we have done our duty to all these, we feel easy in our minds, and sleep with an untroubled conscience the sleep of the just; a sleep which the groans of no plundered abstraction are loud enough to disturb.

If ^s[the](#)^s case were not already far more than sufficiently made out, it would be pertinent to observe that the Church of England, least of all religious establishments, is entitled to dispute the power of the legislature to alter the destination of endowments, since it owes to the exercise of such a power all its own possessions.

The Roman Catholic Church derived its property from an earlier source than any of the existing governments of Christendom: it is moreover a society within itself, which existed anterior to the State, which is organized independently of the State, and no changes in the State can affect its identity, or its constitution. Its endowments, too, or a great part of them, came into its hands not for public purposes but for private; not in trust, but by fair bargain and sale; the donor taking out the value in masses for his private salvation; ^t[thereby, as he hoped,](#)^t effecting an earlier liberation of his individual soul from purgatory. If any ecclesiastical establishment, therefore, could be entitled to deem itself ill-used in having its property taken away from it, this might. Not so the Church of England; she, from her origin, never was anything but a state church; all the property she ever had, the State first took from the Roman Catholic Church; ^{*}exercising therein a just and proper attribute of sovereignty; but perpetrating a flagrant wrong in paying little or no regard to life interests, and consigning the incumbents to penury. The corporation which was then turned out of house and home, still exists, and is in every respect the same as before: but if the Church of England were separated from the State, its identity as a corporation would be gone: the present religious society would be dissolved, and a new one formed, under different rules and a different principle of government; from a monarchy it would be changed to a republic, from a system of nomination to one of ^uelection. A Catholic bishop can look out upon the fair and broad domains of his Protestant substitute, and say, all this would have been mine. But let the State endowments be once withdrawn from the Church of England, her mitred but unpalaced prelates will indulge in no such delusion: nobody, we suppose, will then stand up for the ^vsimoniacal abuses of lay-patronage and *congés d'élire*; and the divine who for his piety and learning shall have been elected rector of Stanhope, or bishop of Winchester, if he ever cast a wistful thought towards the pristine appendages of his dignity, will check it by the reflexion, that they would not have belonged to ^w[him](#)^w, but to some political tool, some tutor or chaplain of a minister, or ^x[the stupidest son of some](#)^x squirearchal house. A Catholic prelate, no doubt, believes at heart that he has been robbed; as the descendants of the Pretender would have believed to the latest generation, that they ought to be Kings of England. But an English Protestant bishop who (after his church in ceasing to receive state pay, had ceased also to be fashioned as a state tool) should still fancy that *he* was the ^y[person](#)^y losing by the ^z[abolition](#)^z of the salary, must be strangely ignorant of the history of England's political religion, as well as of something else which would have

taught him that a person honestly selected to serve God, was not a likely individual to have been appointed high-priest of Mammon.

^a[Considering it, then, as indisputable](#)^a, that endowments, after a certain lapse of time, may, at the discretion of the legislature, be diverted from their original ^b[purposes; it](#)^b remains to consider by what principles or rules the legislature is bound to govern itself in the exercise of this discretion.

We would prescribe but one rule: it is somewhat general, but sufficient to indicate the spirit in which the control of the legislature ought to be exerted. ^c When a resolution has been taken (which should never be, except on strong grounds) to alter the appropriation of an endowment; ^d[the first object should](#)^d be to employ it usefully; the second, to depart as little from the original purpose of the foundation, as is consistent with that primary object. The endeavour should be, even in altering the ^e[disposition](#)^e of the founder, ^f to carry into effect as much of his intention as it is possible to realize without ^g[too great a](#)^g sacrifice of substantial utility.

This limitation of the discretionary power of interference residing in the legislature, would meet, we suspect, with as much resistance (though from a very different sort of persons) as the discretionary power itself. It ^h[would](#)^h be objected to by some, because they are desirous to confiscate the existing endowments towards paying off the national debt, or defraying the current expenses of the State: by others, because they deem foundations altogether to be rather mischievous than useful, and the intentions of founders to be undeserving of any regard. This last opinion is the more entitled to notice, as among its supporters is to be numbered the great and good Turgot. That eminently wise man thought so unfavourably of the purposes for which endowments are usually made, and of the average intelligence of the founders, that he was an enemy to foundations altogether.

Notwithstanding our deep reverence for this illustrious man, and the great weight which is due to his ⁱ[sentiments](#)ⁱ on all subjects which he had maturely considered, we must regard his opinion on this subject, as one of what it is now allowable to call the prejudices of his age. The wisest ^j[person](#)^j is not safe from the liability to mistake for good the reverse of some inveterate and grievous ill. The clearer his discernment of existing evils, and the more absolutely his whole soul is engaged in the contest against them, the more danger that the mischiefs which chiefly occupy his own thoughts, should render him insensible to their contraries, and that in guarding one side he should leave the other uncovered. If Turgot did not wholly escape this error, which was common to all the philosophers of his time, ample ^k[allowance](#)^k may be justly claimed both for him and for them. It is not the least of the mischiefs of our mischievous prejudices, that in their decline they raise up counter-prejudices, and that the human mind must oscillate for a time between opposite extremes, before it can settle quietly in the middle. The prejudices of the French philosophers were such as it was natural should exist, ^l when all established institutions were in the very last stage of decay and decrepitude, preparatory to the catastrophe by which, soon after, they were swept away:—when whatever was meant to transmit light, had become a curtain to keep it out, and whatever was designed ^m[for the](#)^m protection of society, had turned ⁿ to preying upon society; when every trust which had been reposed in individuals for

the benefit of the species, had degenerated into a selfish job, and the canker had eaten so deeply into the heart of civilization, that the greatest genius of his time deliberately preferred the condition of a naked savage.

^oAt the head of the foundations^o which existed in the time of Turgot was the Catholic hierarchy^p, then almost effete; which^p had become irreconcilably hostile to the progress of the human mind, because that progress was no longer compatible with belief in its tenets; and ^qwhich^q, to stand its ground against the advance of incredulity, ^rhad been driven to knit itself closely with ^sthe^s temporal despotism, to which it had once been a substantial, and the only existing, impediment and control. After this came monastic bodies, constituted ^tostensibly^t for purposes which derived ^utheir value chiefly^u from ^vsuperstition^v, and now not even fulfilling what they professed; bodies, ^wof most of which the^w very existence had become one vast and continued ^ximposture^x. Next came universities and academical institutions, which had once taught all that was then known; but having ever since indulged their ease by remaining stationary, found it for their interest that knowledge should do so too—institutions for education, which ^ykept a century behind the community ^zthey affected to educate; who, when Descartes appeared, publicly censured him for differing from Aristotle; and when Newton appeared, anathematized him for differing from Descartes. ^aThere^a were hospitals which killed more of their unhappy patients than they cured, and charities, of which the superintendants, like the ^blicentiate^b in Gil Blas,^[*] got rich by taking care of the affairs of the poor; or which at best made twenty beggars, by giving, or pretending to give, a miserable and dependent pittance to one.

The foundations, therefore, were among the grossest and ^cmost conspicuous of the familiar abuses of the time; and beneath their shade flourished and multiplied large classes of men, by interest and habit the protectors of all abuses whatsoever. What wonder, that a life spent in practical struggles against abuses should have strongly prepossessed Turgot against foundations in general. Yet the evils existed, not because there were foundations, but because those foundations were perpetuities, and ^dbecause^d provision was not made for their continual modification, to meet the wants of each successive age.

The opinion of Turgot was sufficiently in accordance with the prevailing philosophy of his time. It is rare that the same heads and the same hands excel both in pulling down and in building up. The work of urgency in those days was to make war against evil: this the philosophers did, and the negation of evil was nearly all the good which their philosophy provided for. They ^eseemed^e to have conceived the perfection of political society to be reached, if man could but be compelled to abstain from injuring man; not considering that men need help as well as forbearance, and that Nature is to the greater number a severer taskmaster even than man is to man. They left each individual to fight his own battle against fate and necessity, with little aid from his fellow-men, save what he, of his own spontaneous seeking, might purchase in open market and pay for.

If this be a just estimate of the exigencies of human society; if man requires nothing from man, ^fexcept to be guarded against molestation; undoubtedly foundations, and many other things, are great absurdities. But we may conceive a people, perfectly

exempt from oppression by their government, amply protected by ^git^g, both against foreign enemies and against force or fraud as between its own citizens; we may conceive all this secured, as far at least as institutions can secure it, and yet the people in an abject state of degradation, both physical and mental.^h

The primary and perennial sources of all social evil, are ignorance and want of culture. These are not reached by the best contrived system of political checks, necessary as such checks are for other purposes. There is also an unfortunate peculiarity attending these evils. ⁱOfⁱ all calamities, they are those of which the ^jpersons^j suffering from them are apt to be ^kleast^k aware. Of their bodily wants and ailments mankind are generally conscious; but the want of the mind, the want of being wiser and better, is in the far greater number of cases unfelt: ^lsome of its disastrous consequences are felt, but are^l ascribed to any imaginable cause except the true one. This want has ^malso^m the property of disguising from mankind not only itself, but the most eligible means of providing even for the wants of which they are conscious.

On what, then, have mankind depended, on what must they continue to be dependent, for the removal of their ignorance and ⁿofⁿ their defect of culture? Mainly, on the unremitting exertions of the more instructed and cultivated, whether in the position of the government or in a private station, to awaken in their minds a consciousness of this want, and to facilitate to them the means of supplying it. The instruments of this work are not merely schools and colleges, but every means by which the people can be reached, either through their intellects or their sensibilities: from preaching and popular writing, to national galleries, theatres, and public games.

Here, then, is a wide field of usefulness open for foundations; and in point of fact, they have been destined for such purposes oftener than for any ^oothers^o. We are of opinion that such endowments are deserving of encouragement, where a sufficiency do not already exist; and that ^ptheir funds^p ought not to be appropriated in another manner, as long as any opening remains for their useful application in this.

A doctrine is indeed abroad, and has been sanctioned by many high authorities, ^qamong others by^q Adam Smith, that endowed establishments, for education or other public purposes, are a mere premium upon idleness and inefficiency. Undoubtedly they are so, when it is nobody's business to see that the receivers of the endowment do their duty; when (what is more) every attempt to regulate, or so much as to know (further than the interested parties choose to make it known) the manner in which the funds are employed, and the nature and extent of the service rendered in consideration ^rof^r them, is resented and exclaimed against as an ^sinterference^s with the inviolability of private property. That this is the condition of most of our own endowed establishments is too true.^{*} But instead of fixing our eyes exclusively upon what is nearest to us, let us turn them towards the endowed Universities of France and Germany, and mark if those are places of idleness and inefficiency. Let us see whether, where the endowment proceeds from the governments themselves, and where the governments do not, as here, leave it optional whether that which is promised and paid for shall or shall not be done, it be not found that, notwithstanding the acknowledged defects of ^tthose^t governments, the education given is the ^ubest^u which the age and country can supply. Let us even look at home, and examine

whether, with all the grievous abuses of the endowed seminaries of Great Britain, they are, after all, ^v worse than, or even so bad as, almost all our other places of ^weducation? We may ask, whether the desire to gain as much money with as little labour as is consistent with saving appearances, be peculiar to the endowed teachers? Whether the plan of nineteen-twentieths of our unendowed schools, be not an organized system of charlatanerie for imposing upon the ignorance of ^x parents? Whether parents do, in point of fact, prove themselves as solicitous, and as well qualified, to judge rightly of the merits of places of education, as the theory of Adam Smith supposes? Whether the truth be not, that, for the most part, they bestow very little thought upon the matter; or if they do, show themselves in general the ready dupes of the very shallowest artifices? Whether the necessity of keeping parents in good humour does not too often, instead of rendering the education better, render it worse; the real ends of instruction being sacrificed, not solely (as would ^yotherwise be the case^y) to the ease of the teacher, but to that, and ^zalso^z to the additional positive vices of clap-trap and lip-proficiency? We may ask whether it is not matter of experience, that a schoolmaster who endeavours really to educate, instead of endeavouring only to seem to educate, and laying himself out for the suffrages of those who never look below the surface, and only for an instant at that, is almost sure, unless he have the genius and the ardour of a Pestalozzi, to make a losing speculation? Let us do what we may, it will be the study of the ^amerely^a trading schoolmaster to teach down to the level of the parents, be that level high or low; as it is of the trading author, to write down to the level of his readers. And in the one shape as in the other, it is ^bin^b all times and in all places indispensable, that enlightened individuals and enlightened governments should, from other motives than that of pecuniary gain, bestir themselves to provide (though by no means forcibly to impose) that good and wholesome food for the wants of the mind, for which the competition of the mere trading market affords in general so indifferent a substitute.

It may be said, however, that where there is a wise government, and one which has the ^cconfidence of the people, whatever expense it may be requisite either to defray or to advance for national education, or any other of the purposes for which endowments exist, ought rather to be furnished by the government, and paid out of the taxes; the government being probably a better judge of good education than an average man—even an average founder.

To this ^dit may be answered^d, that the full benefit of the superior wisdom of the government would be obtained, in the case of old foundations, by that discretionary power of modifying the dispositions of the founder, which ^eought to be exerted by the government as often as ^fthe purposes of the foundation require^f. We certainly agree, that if the government is so wise, and if the people rely so implicitly on its wisdom, as to find money out of the taxes for all the purposes of utility to which they could have applied the endowment, it is of no consequence whether the endowment be alienated or ^gnot^g; the alienation is merely nominal. But all know how far the fact at present differs from ^hany such^h supposition. ⁱIt is impossible to be assured that the people will be willing to be taxed for every purpose of moral and intellectual improvement for which funds may be required.ⁱ But if there were a fund specially set apart, which ^jhad never come^j from the people's pockets at all, which was given to them in trust for ^kthe purpose^k of education, and which it was considered improper to

divert to any other employment while it could be usefully devoted to that; the people would ^lprobably be always willing^l to have it applied to that purpose^m. There is such a fund, and it consists of the national endowments.

If, again, it be said, that as the people grow more enlightened, they will become more able to appreciate, and more willing to pay for, good instruction; that the competition of the market will become more and more adequate to provide good education, and endowed establishments will be less and less necessary; we admit the fact. And ⁿit might be said with equal truth, that as the people improve, there will be less and less necessity for penal laws. But penal laws are one among the indispensable means of bringing about this very improvement; and in like manner, if the people ever become sufficiently enlightened to be able to do without educational endowments, it will be because those endowments will have been preserved, and prized, and made efficient for their proper purpose. It is only by a right use of endowments that a people can be raised above the need of them.ⁿ

So much with regard to old endowments; the application of which, to the purpose for which they were destined, ought to be as completely under the control of the government as if the funds were taken directly out of the taxes. But in addition to these old endowments, the liberty of forming new ones, for education and mental culture in all shapes, seems to us of considerable importance; and a limited number of years should, we think, be allowed, during which the disposition of the founder should undergo no alteration.

We deem this advisable, simply because governments are fallible; and, as they have ample means both of providing and of recommending the education they deem best, should not be allowed to prevent other people from doing the same. No government is entitled (further than is implied in the very act of governing) to make its own opinion the measure of everything which is useful and true. A perfect government would, no doubt, be always under the guidance of the wisest members of the community. But no government can unite all the wisdom which is in all the members of the community taken together; much less can a mere majority in a legislative body. ^o A nation ought not to place its entire stake upon the wisdom of one man, or one body of men, and to deprive all other intellect and virtue of a fair field of usefulness, ^pwhenever they cannot^p be made to square exactly with the intellect and virtue of that man or body. It is the wisdom of a community, as well as of an individual, to beware of being one-sided: the more chances it gives itself, the greater the probability that some will succeed. A government, when properly constituted, should be allowed the greatest possible facilities for what itself deems good; but the smallest for preventing the good which may chance to come from elsewhere. This will not be disputed if the government be a monarchy or an aristocracy: it is quite equally true when the constitution is popular. The disapprobation of the government, in that case, means the disapprobation of the majority: and where the opinion of the majority gives the law, there, above all, it is eminently the interest of the majority that minorities should have fair play. Sinister interest indeed is often found in a minority, but so, it must also be remembered, is truth: at ^qits^q original appearance ^rit^r must be so. All improvements, either in opinion or practice, must be in a minority at first.

We deem it important that individuals should have it in their power to enable good schooling, good writing, good preaching, or any other course of good instruction, to be carried on for a certain number of years at a pecuniary loss. By that time, if the people are intelligent, and the government wisely constituted, the institution will probably be capable of supporting itself, or the government will be willing to adopt all that is good in it, for the improvement of the institutions which are under the public care. For, that the people can see what is for their good, when it has long been shown them, is commonly true; that they can foresee it—seldom.

Endowments, again, are a ^s[natural](#)^s and convenient mode of providing for the support of establishments which are interesting only to a peculiar class, and for which, therefore, it ^t[might](#)^t be improper to tax all the members of the community. Such, for instance, are colleges for the professional instruction of the clergy of a sect; as Maynooth, ^u["Manchester"](#)^u, or Highbury.^v

If, then, it be in truth desirable that foundations should exist, which we think is clear from the foregoing and many other considerations; it would seem to follow, as a natural consequence, that the appropriation made by the founder should not be set aside, save in so far as paramount reasons of utility require; that his design should be no further departed from than he himself would probably have approved, if he had lived to the present time, and participated to a reasonable degree in its best ideas. If foundations deserve to be encouraged, it is desirable to reward the liberality of the founder, by allowing to works of usefulness (though ^w[not a perpetuity](#)^w) as prolonged a duration of individual and distinguishable existence as circumstances will admit.

But this is not the only nor perhaps the strongest reason for keeping to a certain extent in view, even in an alienation of endowments, the intention of the founder. ^x[Almost](#)^x any fixed rule, consistent with ensuring the employment of the funds for ^y[some](#)^y purpose of real utility, is preferable to allowing financiers to count upon them as a resource applicable to all the exigencies of the State ^z[indiscriminately. Otherwise](#)^z they may be seized on to supply, not the most permanent or essential, but the most immediate and importunate demands: one year of financial difficulty might suffice to dissipate funds that centuries would not replace; and the time for an interference with foundations would be determined, not by the necessity of a reform, but by the state of the quarter's revenue. ^a[Nor would it be right to disregard the great importance](#)^a of the associations which lead mankind to respect the declared will of every ^b[person](#)^b in the disposal of what is justly his own. That will is surely not least deserving of respect, when it is ordaining an act of beneficence. And any ^c deviation from it ^d[, not called for by high considerations of social good, even when not a violation of property](#)^d, runs counter to a feeling so nearly allied to those on which the respect for property is founded, that there is scarcely a possibility of infringing the one without shaking the security of the other.

It is no violation of these salutary associations to resume an endowment, if it be done with the conscientious reservation which we have suggested. Respect for the intentions of the founder is not shown by a literal adherence to his mere words, but by an honest attempt to give execution to his real wishes; not sticking superstitiously to

the means which he hit upon accidentally, or because he knew no better; but regarding solely ^e the end which he sought to compass by those means.

The first duty of the Legislature, ^findeed^f, is to employ the endowment ^gusefully^g: and that in a ^hdegree^h corresponding to the greatness of the benefit contemplated by the donor. But it is also of importance, that not only as great a benefit, but as far as possible the same kind of benefit, should be reaped by society, as that which the founder intended. ⁱIt is incumbent on the State to consider, not to what purpose itⁱ, under the temptations of the moment, ^jwould^j like best to apply the money; but rather what, among all ^kobjects^k of unquestionable utility, which a reasonable ^lperson^l in these days would value sufficiently to give this sum of money for, is the particular purpose most resembling the original disposition of the founder.

Thus, money assigned for purposes of education, should be devoted, by preference, to education: the kind, and the mode, being altered, as the principles and practice of education ^mcome^m to be better understood. Money left for giving alms, should certainly cease to be expended in giving alms; but it should be applied, in preference, to the general benefit of the poorer classes, in whatever manner might appear most eligible. The endowments of an established church should continue to bear that character, as long as it is deemed advisable that the clergy of a sect or sects should be supported by a public provision of that amount: and under any circumstances, as much of these endowments as is required should be sacredly preserved for the purposes of spiritual culture; using that expression in its primitive meaning, to denote the culture of the inward man—his moral and intellectual well-being, as distinguished from the mere supply of his bodily wants.

Such, indeed, as has been forcibly maintained by Mr. Coleridge, ⁿ was the only just conception of a national clergy, from their first establishment. To the minds of our ancestors they presented themselves, not solely as ministers for going through the ceremonial of religion, nor even solely as religious teachers in the narrow sense, but as the *lettered class*; the *clerici* or ^oclerks^o; who were appointed generally to prosecute all those studies, and diffuse all those impressions, which constituted mental culture, as then understood; which fitted the mind of man for his condition, destiny, and duty, as ^pa human being^p. In proportion as this enlarged conception of the object of a national church establishment has been departed from, so far, in the opinion of the first living defender of our own establishment, it has been perverted both in idea and in fact from its true nature and ends. A national *clerisy* or clergy, as Mr. Coleridge conceives it, would be a grand institution for the education of the whole people: not their school education merely, though that would be included in the scheme; but for training and rearing them, by systematic culture continued throughout life, to the highest perfection of their mental ^qand^q spiritual nature.

The benefits of such an institution, and how it ought to be constituted ^r to be free from the vices of an established church as at present understood, are questions too extensive to be further adverted to in this place. We will rather say, as being more pertinent to our present design, that if endowments (like the Church property) originally set apart for what was then deemed the highest spiritual culture, were diverted to the purposes of the highest spiritual culture which the ^sintellect^s of ^ta

[subsequent](#)^f age could devise, there would be no departure from the intentions of the original owners, but, on the contrary, a faithful fulfilment of them, when a literal and servile adherence to the mere ["accidents"](#) of the appropriation would be the surest means of defeating its essentials. [The](#)^v perfect lawfulness of such an alienation as this, is explicitly laid down by the eminent writer to whom we have referred. It is part of his doctrine, that the State is at liberty to withdraw the endowment from its existing possessors, whenever any body of persons can be found, whether ministers of religion or not, by whom the ends of the establishment, as he understands them, are likely to be more perfectly fulfilled. It is the more important to place this admission upon record, as the most able and accomplished of the rising defenders of the Church of England have evidently issued from Mr. Coleridge's school, and have taken their weapons chiefly from his storehouse.

If, however, we seize upon the endowments of the Church, not for the civilization and cultivation of the minds of our people, but to pay off a small fraction of the National Debt, or to supply a temporary financial exigency—we shall not only squander for the benefit of a single generation, the inheritance of [w](#) posterity; we shall not only purchase an imperceptible good, by sacrificing a most important one; but by disregarding entirely the intentions of the original owners, we shall do our best to create a habit of paltering with the sacredness of a trust. It matters not that the property has now become *res nullius*, and is therefore, properly speaking, our own. It is [xnot](#)^x of our earning; others gave it to us, and for purposes which it may be a [y](#)^y [duty](#)^y to set aside, but which cannot honestly be sacrificed to a [z](#) [convenience](#)^z. We have not the slightest reason to believe that if the owners were alive, and still masters of their property, they would give it to us to be blown away in gunpowder, or to save a few years' house and window tax.

On a pressing exigency, as to avert a national bankruptcy, or repel a foreign invasion, the whole or any part of the endowment might be borrowed; as, in such a case, might any other property, public or private: but subject to the promptest possible repayment.

If any surplus remains, after as much has been done for cultivating the minds of the people, as it is thought advisable to do without making them pay [a](#) [the cost of](#)^a it, the residue may be unobjectionably applied to the ordinary purposes of government: though it should even then [b](#) be considered as a fund [c](#) liable to be drawn upon [d](#) [to its full extent](#)^d, if hereafter required, for purposes of spiritual culture.

[e](#) [A few words must be added](#)^e on the kinds of foundation which ought [f](#) [not](#)^f to be permitted: after which we shall conclude.

No endowment should be suffered to be made, or funds to be legally appropriated, for any purpose which is actually [g](#) [unlawful](#)^g. If the law has forbidden any act, has constituted it an offence or injury, [h](#) [every](#)^h mode of committing the act, [i](#) [not some particular modes only, ought to be prohibited](#)ⁱ. But if the purpose for which the foundation is constituted be not illegal, but only, in the opinion of the Legislature, inexpedient, [j](#) [this is by no means](#)^j a sufficient reason for denying to the appropriation the protection of the law. The grounds of this opinion may be sufficiently collected from the preceding observations.

The only other restriction which we would impose upon the authors of foundations, is, that the endowment shall not consist of land. The evils of allowing land to pass into mortmain are universally acknowledged; and the trustees, besides, ought to have no concern with the money entrusted to them, except to apply it to its purposes. They may desire landed property as a source of power, which is a reason the more for refusing it to them: but as a source of income, it is not suited to their position. They should ^konly have^k to receive an annuity, and that in the simplest and least troublesome manner: not to realize a rental from a multitude of small tenants. Their time and attention ought not to be divided between their proper business and the duties of a landlord, or the superintendence and management of a landed estate.^l

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MISS MARTINEAU'S SUMMARY OF POLITICAL ECONOMY

1834

EDITOR'S NOTE

Monthly Repository, VIII (May, 1834), 318-22. Signed A; not republished. Original heading as above, with footnote: "Illustrations of Political Economy, No. XXV. 'The Moral of many Fables,' by Harriet Martineau" (London: Fox, 1834. Gathered, without repagination, in Vol. IX of *Illustrations of Political Economy*, also Fox, 1834). Identified in JSM's bibliography as "A review of Miss Martineau's Summary of Political Economy in the *Monthly Repository* for May 1834" (MacMinn, 39). The one correction indicated in the Somerville College copy will be found at 226^{a-a} below.

Miss Martineau's Summary Of Political Economy

besides subjoining to each of her Political Economy Tales a brief summary of the doctrines which it was intended to illustrate, Miss Martineau has concluded the Series by a similar compendium of the whole science. We should rather say, not of the Science, but of its leading doctrines and most important applications, as taught by the highest contemporary authorities. For a science is a connected *body* of truth; the *entire* philosophy of some distinctly definable portion of the field of nature: and when it is taught as Science, that is, with a view to the perfection of speculative knowledge rather than to the readiness of practical application, the teacher aims at making such a selection of its truths, and at presenting them in such an order, as will best exhibit the connectedness of the whole, and the completeness with which it solves all the questions which a contemplation of the subject-matter suggests to the speculative inquirer. But this was not the task which Miss Martineau set before herself, nor had it been left for her to perform. Her object was, not to exhibit the science as a whole, but to illustrate such parts of it as lead directly to important practical results. Having accomplished this, she has now brought together in one series, the principles which she had separately exemplified, and by hanging them each in its place, upon a logical framework originally constructed for the entire science, has given to the "Moral" of her "many Fables," some semblance of an elementary treatise. It would be unjust to weigh this little work in a balance in which most of the elaborate treatises on the subject would be found wanting. To all of them, perhaps, it may be objected, that they attempt to construct a permanent fabric out of transitory materials; that they take for granted the immutability of arrangements of society, many of which are in their nature fluctuating or progressive; and enunciate with as little qualification as if they were universal and absolute truths, propositions which are perhaps applicable to no state of society except the particular one in which the writer happened to live. Thus, for instance, English political economists presuppose, in every one of their speculations, that the produce of industry is shared among three classes, altogether distinct from

one another—namely, labourers, capitalists, and landlords; and that all these are free agents, permitted in law and fact to set upon their labour, their capital, and their land, whatever price they are able to get for it. The conclusions of the science being all adapted to a society thus constituted, require to be revised whenever they are applied to any other. They are inapplicable where the only capitalists are the landlords, and the labourers are their property; as in the West Indies. They are inapplicable where the universal landlord is the State; as in India. They are inapplicable where the agricultural labourer is generally the owner both of the land itself and of the capital; as in France; or of the capital only, as in Ireland. We might greatly prolong this enumeration. It must not, however, be supposed that the science is so incomplete and unsatisfactory as this might seem to prove. Though many of its conclusions are only locally true, its method of investigation is applicable universally; and as he who has solved a certain number of algebraic equations, can without difficulty solve all others, so he who knows the political economy of England, or even of Yorkshire, knows that of all nations actual or possible: provided he have sense enough not to expect the same conclusion to issue from varying premises.

But it is, when not duly guarded against, an almost irresistible tendency of the human mind to become the slave of its own hypotheses; and when it has once habituated itself to reason, feel, and conceive, under certain arbitrary conditions, at length to mistake these conditions for laws of nature. Let us but be accustomed whenever we think ^aof^a certain things, to figure them to ourselves as existing in one particular way, never in any other way, and we at last learn to think, or to feel as if we thought, that way the natural and the only possible way: and we feel the same sort of incapability of adapting our associations to any change in the hypothesis, which a rustic feels in conceiving that it is the earth which moves and the sun which stands still. (And this, we may observe, *en passant*, is one of the reasons why a *literal* understanding cannot be a good understanding, and why the greatest powers of reasoning, when connected with a sluggish imagination, are no safeguard against the poorest intellectual slavery—that of subjection to mere accidental habits of thought.) It is in this manner that in all countries the lawyer, from the habit of making the existing system his standard of comparison, and asking himself in each case as it occurs no question but this, how the case is provided for by the law as it is, becomes usually a sworn foe to all reform, merely because he cannot, for the life of him, realize the conception of any other system, or fancy what it could be like. And we think there is some danger of a similar result in the case of the English political economists. They revolve in their eternal circle of landlords, capitalists, and labourers, until they seem to think of the distinction of society into those three classes, as if it were one of God's ordinances, not man's, and as little under human control as the division of day and night. Scarcely any one of them seems to have proposed to himself as a subject of inquiry, what changes the relations of those classes to one another are likely to undergo in the progress of society; to what extent the distinction itself admits of being beneficially modified, and if it does not even, in a certain sense, tend gradually to disappear.

We are unable at present to enter into the extensive field of speculation which these topics open to us. There is much acknowledged evil to be got rid of, before these ulterior inquiries come into immediate contact with practice: society has many incumbrances to throw off, before it can start fair on that new journey. We have to

abolish all monopolies, and restrictions on trade or production for the benefit of particular classes; to pay off our debt by an impost on all kinds of property; to new-model our whole fiscal system, with a view to raise no more revenue than is necessary, to raise it in the least costly manner, and to avoid favouring any class of contributors at the expense of another; and finally, we have to lessen the pressure on the labour-market, by systematic colonization adapted specially to that end, by ceasing to give, through the maladministration of the poor laws, artificial inducements to the increase of population, and on the contrary, giving all the force we can to the natural checks. The political economists of the last and present age have taught us all this, and through their exertions it has all been put into a train of more or less speedy accomplishment. We only ask of those to whom we are indebted for so much, that they will not require of us to believe that this is all, nor, by fixing bounds to the possible reach of improvement in human affairs, set limits also to that ardour in its pursuit, which may be excited for an object at an indefinite distance, but only if it be also of indefinite magnitude.

Miss Martineau's little work is not more subject to the above criticism than works of far greater pretension; but on the contrary, less. And as an exposition of the leading principles of what now constitutes the science, it possesses considerable merit.

There is but one point of importance on which we are obliged to differ from her. We cannot concur in her unqualified condemnation of the principle of the poor-laws. In this she is decidedly behind the present state of the science; political economists having mostly abandoned this among other exaggerated conclusions to which naturally enough they had pushed the principle of population, when they first became acquainted with it. The recent investigations of the poor-law commission, [\[*\]](#) with which Miss Martineau is familiar, seem to us as conclusive in support of the *principle* of a poor-rate, as they are in condemnation of the existing practice.

We had marked for criticism, several instances of obscurity, or insufficient explanation, and some of inaccuracy, either of thought or of expression. But they are mostly of too little importance to require notice. We shall merely note one or two; which, it will be at once seen, arise from mere inadvertency. Thus, in page 120, she says, that when from an increase in the cost of procuring food, wages rise, without benefit to the labourers, "capitalists must either sell their productions dearer than is necessary where food is cheaper, or submit to a diminution of their profits. Under the first alternative, the capitalist is incapacitated for competition with the capitalists of countries where food is cheaper: *under the second, the capital of the country tends, through perpetual diminution, to extinction.*" Now, a moment's reconsideration will easily show, that in the case supposed there would be no tendency to a diminution of capital, but only to the stoppage of any further increase. As well might it be said, that if you fill a vessel till it overflows, the water will continue to flow out until the vessel is empty.

Again, in page 3, are these words: "Productive labour being a beneficial power, whatever stimulates and directs this power is beneficial also. Many kinds of unproductive labour do this; many kinds of unproductive labour are therefore beneficial. All labour for which there is a fair demand is equally respectable." We are

sure Miss Martineau does not mean the last assertion to be taken literally; there may be a fair demand for labour which is positively infamous. What does she think of the labour of a quack doctor? or a conjurer? or the professional assassins who once drove so thriving a trade in Italy? But she probably means, that unproductive labour may be as deserving of respect as productive labour. It is quite out of keeping too, with Miss Martineau's tone of thought and feeling, to assert that unproductive labour, for the purpose of immediate enjoyment, or of mental culture, is only beneficial because it may collaterally "stimulate and direct" productive labour. This cannot possibly be her meaning; but as such sentiments are often imputed to political economists, we regret that she did not more carefully avoid giving any colour to the imputation.

But even these small blemishes are rare, and do not materially impair the value of the work: for which we may safely venture to bespeak numerous readers and a favourable reception.

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ESSAYS ON SOME UNSETTLED QUESTIONS OF POLITICAL ECONOMY

1844

EDITOR'S NOTE

London: Parker, 1844. Not republished in JSM's lifetime; a 2nd edition, presumably prepared by Helen Taylor, appeared in 1874 (London: Longmans, Green, Reader, and Dyer), with a few alterations, which are discussed in the headnotes to the separate essays. Identified in JSM's bibliography as "Essays on some unsettled Questions on Political Economy, in one vol. 8vo (four new, though written in 1830, the fifth a reprint, with some alterations, from the article in the London and Westminster Review for October 1836)" (MacMinn, 57). Copy in Somerville College.

In his *Autobiography*, commenting on the early morning discussions at Grote's house in the 1820s, JSM says (84-5):

The theory of International Values which I afterwards published, emanated from these conversations, as did also the modified form of Ricardo's theory of Profits, laid down in my Essay on Profits and Interest. . . . [These] were excogitated and worked out in about equal proportions by myself and Graham: and if our original project had been executed, my 'Essays on some Unsettled Questions of Political Economy' would have been brought out along with some papers of his, under our joint names. But when my exposition came to be written, I found that I had so much over-estimated my agreement with him, and he dissented so much from the most original of the two Essays, that on International Values, that I was obliged to consider the theory as now exclusively mine, and it came out as such when published many years later. (Cf. *Earlier Letters*, XII, 79.)

Later he comments (126-7) that the essays were written in 1830 and 1831 "almost as they now stand, except that in 1833 I partially rewrote the fifth Essay. They were written with no immediate purpose of publication; and when, some years later, I offered them to a publisher, he declined them. They were only printed in 1844, after the success of the 'System of Logic.' " He offered them first to *Tait's Edinburgh Magazine* in 1833; in 1844 Tait encouraged him to publish them as a volume, but Parker, the publisher of the *Logic*, accepted them, to JSM's surprise (*Earlier Letters*, XII, 178-9, XIII, 623-4; cf. *ibid.*, XII, 231, XIII, 626, 630, 642.)

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Preface

of these essays, which were written in 1829 and 1830, the fifth alone has been previously printed. The other four have hitherto remained in manuscript, because, during the temporary suspension of public interest in the species of discussion to which they belong, there was no inducement to their publication.

They are now published (with a few merely verbal alterations) under the impression, that the controversies excited by Colonel Torrens' *Budget*^[*] have again called the attention of political economists to the discussions of the abstract science: and from the additional consideration, that the first paper relates expressly to the point upon which the question at issue between Colonel Torrens and his antagonists has principally turned.

From that paper it will be seen that opinions identical in principle with those promulgated by Colonel Torrens (there would probably be considerable difference as to the extent of their practical application) have been held by the writer for more than fifteen years: although he cannot claim to himself the original conception, but only the elaboration, of the fundamental doctrine of the Essay.

A prejudice appears to exist in many quarters against the theory in question, on the supposition of its being opposed to one of the most valuable results of modern political philosophy, the doctrine of Freedom of Trade between nation and nation. The opinions now laid before the reader are presented as corollaries necessarily following from the principles upon which Free Trade itself rests. The writer has also been careful to point out, that from these opinions no justification can be derived for any *protecting* duty, or other preference given to domestic over foreign industry. But in regard to those duties on foreign commodities which do not operate as protection, but are maintained solely for revenue, and which do not touch either the necessities of life or the materials and instruments of production, it is his opinion that any relaxation of such duties, beyond what may be required by the interest of the revenue itself, should in general be made contingent upon the adoption of some corresponding degree of freedom of trade with this country, by the nation from which the commodities are imported.

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Of The Laws Of Interchange Between Nations; And The Distribution Of The Gains Of Commerce Among The Countries Of The Commercial World

[Essay I in *Essays on Some Unsettled Questions of Political Economy*, 1-46. Writing to Theodor Gomperz (27/1/68) about the German translation of his works, JSM says: "I am unable to give any opinion as to including the Essays on Unsettled Questions of Political Economy, but if a new edition of them was called for here, I should alter the first Essay considerably." (Quoted in Adelaide Weinberg, *Theodor Gomperz and John Stuart Mill* [Geneva: Librairie Droz, 1963], 49-50.) Such alterations, it may be assumed, would be consonant with the revisions and alterations made when major portions of this essay were quoted by JSM in his *Principles*. Accordingly, in the text below the substantive variants between the essay and the *Principles* are given, with guides to further comparison. As the later text is that in the *Principles*, the earlier one is here printed. In the variant notes, the last two figures of the date of the edition of the *Principles* are given: "48" = 1848, etc. The 1st edition of *Some Unsettled Questions* is indicated by "44"; the 2nd by "74". Two corrections are accepted from the 2nd edition (and they are also found in the *Principles*), at 239^{p-p} and 247ⁿ⁻ⁿ; the latter being also the only correction in the Somerville College copy of the 1st edition. One typographical error ("snch" for "such", 261.13) is corrected in the 2nd edition. Two readings from the 2nd edition are given as variants (252^{j-j} and ^{k-k}). Three typographical errors were introduced into the 2nd edition: the paragraph at 251.14 is not indented; "as it" replaces "as is" (254.34); and "suggests" replaces "suggest" (257.23). On 256 the internal page reference is silently altered to apply to this edition.]

of the truths with which political economy has been enriched by Mr. Ricardo, none has contributed more to give to that branch of knowledge the comparatively precise and scientific character which it at present bears, than the more accurate analysis which he performed of the nature of the advantage which nations derive from a mutual interchange of their productions. Previously to his time, the benefits of foreign trade were deemed, even by the most philosophical enquirers, to consist in affording a vent for surplus produce, or in enabling a portion of the national capital to replace itself with a profit. The futility of the theory implied in these and similar phrases, was an obvious consequence from the speculations of writers even anterior to Mr. Ricardo. But it was he who first, in the chapter on Foreign Trade, of his immortal *Principles of Political Economy and Taxation*,^[*] substituted for the former vague and unscientific, if not positively false, conceptions with regard to the advantage of trade, a philosophical exposition which explains, with strict precision, the nature of that advantage, and affords an accurate measure of its amount.

He shewed, that the advantage of an interchange of commodities between nations consists simply and solely in this, that it enables each to obtain, with a given amount of labour and capital, a greater quantity of all commodities taken together. This it accomplishes by enabling each, with a quantity of one commodity which has cost it so

much labour and capital, to purchase a quantity of another commodity which, if produced at home, would have required labour and capital to a greater amount. To render the importation of an article more advantageous than its production, it is not necessary that the foreign country should be able to produce it with less labour and capital than ourselves. We may even have a positive advantage in its production: but, if we are so far favoured by circumstances as to have a still greater positive advantage in the production of some other article which is in demand in the foreign country, we may be able to obtain a greater return to our labour and capital by employing none of it in producing the article in which our advantage is least, but devoting it all to the production of that in which our advantage is greatest, and giving this to the foreign country in exchange for the other. ^aIt is not a difference in the absolute cost of production, which determines the interchange, but a difference in the comparative cost. It may be to our advantage to procure iron from Sweden in exchange for cottons, even although the mines of England as well as her manufactories should be more productive than those of Sweden; for if we have an advantage of one-half in cottons, and only an advantage of a quarter in iron, and could sell our cottons to Sweden at the price which Sweden must pay for them if she produced them herself, we should obtain our iron with an advantage of one-half, as well as our cottons. We may often, by trading with foreigners, obtain their commodities at a smaller expense of labour and capital than they cost to the foreigners themselves. The bargain is still advantageous to the foreigner, because the commodity which he receives in exchange, though it has cost us less, would have cost him more.^a As often as a country possesses two commodities, one of which it can produce with less labour, comparatively to what it would cost in a foreign country, than the other; so often it is the interest of the country to export the first mentioned commodity and to import the second; even though it might be able to produce both the one and the other at a less expense of labour than the foreign country can produce them, but not less in the same degree; or might be unable to produce either except at a greater expense, but not greater in the same degree.

On the contrary, if it produces both commodities with greater facility, or both with greater difficulty, and greater in exactly the same degree, there will be no motive to interchange.

If the cloth and the corn, each of which required 100 days' labour in Poland, required each 150 days' labour in England; it would follow, that the cloth of 150 days' labour in England, if sent to Poland, would be equal to the cloth of 100 days' labour in Poland: if exchanged for corn, therefore, it would exchange for the corn of only 100 days' labour. But the corn of 100 days' labour in Poland, was supposed to be the same quantity with that of 150 days' labour in England. With 150 days' labour in cloth, therefore, England would only get as much corn in Poland as she could raise with 150 days' labour at home; and she would, in importing it, have the cost of carriage besides. In these circumstances no exchange would take place.

If, on the other hand, while the cloth produced with 100 days' labour in Poland was produced with 150 days' labour in England, the corn which was produced in Poland with 100 days' labour could not be produced in England with less than 200 days' labour; an adequate motive to exchange would immediately arise. With a quantity of

cloth which England produced with 150 days' labour, she would be able to purchase as much corn in Poland as was there produced with 100 days' labour; but the quantity, which was there produced with 100 days' labour, would be as great as the quantity produced in England with 200 days' labour.

The power of Poland would be reciprocal. With a quantity of corn which cost her 100 days' labour, equal to the quantity produced in England by 200 days' labour, she could in the supposed case purchase in England the produce of 200 days' labour in cloth. [But] the produce of 150 days' labour in England in the article of cloth would be equal to the produce of 100 days' labour in Poland.*

The remainder of what Mr. Ricardo has done for the philosophical exposition of the principles of foreign trade, is to shew, that the truth of the propositions now recapitulated is not affected by the introduction of money as a medium of exchange; the precious metals always tending to distribute themselves in such a manner throughout the commercial world, that every country shall import all that it would have imported, and export all that it would have exported, if exchanges had taken place, as in the example above supposed, by barter.*

To this branch of the subject we shall, in the sequel of this essay, return. At present it will be more convenient that we should continue to suppose, that exchanges take place by the direct trucking of one commodity against another.

It is established, that the advantage which two countries derive from trading with each other, results from the more advantageous employment which thence arises, of the labour and capital—for shortness let us say the labour—of both jointly. The circumstances are such, that if each country confines itself to the production of one commodity, there is a greater total return to the labour of both together; and this increase of produce forms the whole of what the two countries taken together gain by the trade.

It is the purpose of the present essay to inquire, in what proportion the increase of produce, arising from the saving of labour, is divided between the two countries.

This question was not entered into by Mr. Ricardo, whose attention was engrossed by far more important questions, and who, having a science to create, had not time, or room, to occupy himself with much more than the leading principles. When he had done enough to enable any one who came after him, and who took the necessary pains, to do all the rest, he was satisfied. He very rarely followed out the principles of the science into the ramifications of their consequences. But we believe that to no one, who has thoroughly entered into the spirit of his discoveries, will even the minutiae of the science offer any difficulty but that which is constituted by the necessity of patience and circumspection in tracing principles to their results.

Mr. Ricardo, while intending to go no further into the question of the advantage of foreign trade than to show what it consisted of, and under what circumstances it arose, unguardedly expressed himself as if each of the two countries making the exchange separately gained the whole of the difference between the comparative costs of the

two commodities in one country and in the other.^[*] But, the whole gain of both countries together, consisting in the saving of labour; and the saving of labour being exactly equal to the difference between the costs, in the two countries, of the one commodity as compared with the other; the two countries taken together gain no more than this difference: and if either country gains the whole of it, the other country derives no advantage from the trade.

^bSuppose^c, for example,^c that 10 yards of broad cloth cost in England as much labour as 15 yards of linen, and in Germany as much as 20.^b If England sends 10 yards of broad cloth to Germany, and is able to exchange them for linen according to the German cost of production, she will get 20 yards of linen, with a quantity of labour with which she could not have produced more than 15; and will gain, therefore, 5 yards on every 15, or 33 $\frac{1}{3}$ per cent. But in this case Germany would obtain only 10 yards of cloth for 20 of linen. Now, 10 yards of cloth cost exactly the same quantity of labour in Germany as 20 of linen; Germany, therefore, derives no advantage from the trade, more than she would possess if it did not exist.

So, on the other hand, if Germany sends 15 yards of linen to England, and finding the relative value of the two articles in that country determined by the English costs of production, is enabled to purchase with 15 yards of linen 10 yards of cloth; Germany now gains 5 yards, just as England did before,—for with 15 yards of linen she purchases 10 yards of cloth, when to produce these 10 yards she must have employed as much labour as would have enabled her to produce 20 yards of linen. But in this case England would gain nothing: she would only obtain, for her 10 yards of cloth, 15 yards of linen, which is exactly the comparative cost at which she could have produced them.

This, which was not an error, but a mere oversight of Mr. Ricardo, arising from his having left the question of the division of the advantage entirely unnoticed, was first corrected in the third edition of Mr. Mill's *Elements of Political Economy* [pp. 122-4]. It can hardly, however, be said that Mr. Mill has prosecuted the inquiry any further; which, indeed, would have been quite as inconsistent with the nature of his plan as of Mr. Ricardo's.

1. ^dWhen the trade is established between the two countries, the two commodities will exchange for each other at the same rate of interchange in both countries—bating the cost of carriage, of which, for the present, it will be more convenient to omit the consideration. Supposing, therefore, for the sake of argument, that the carriage of the commodities from one country to another could be effected without labour and without cost, no sooner would the trade be opened than, it is self-evident, the value of the two commodities, estimated in each other, would come to a level in both countries.^d

If we knew what this level would be, we should know in what proportion the two countries would share the advantage of the trade.

^eWhen each country produced both commodities for itself, 10 yards of broad cloth^f exchanged for 15 yards of linen in England, and for 20 in Germany. They will now

exchange for the same number of yards of linen in both. For what number? If for 15 yards, England will be just as she was, and Germany will gain all. If for 20 yards, Germany will be as before, and England will derive the whole of the benefit. If for any number intermediate between 15 and 20, the advantage will be shared between the two countries. If, for example, 10 yards of cloth exchange for 18 of linen, England will gain an advantage of 3 yards on every 15, Germany will save 2 out of every 20.

The problem is, what are the causes which determine the proportion in which the cloth of England and the linen of Germany will exchange for each ^gother?^{g^e}

^hThis, therefore, is a question concerning exchangeable value. There must be something which determines how much of one commodity another commodity will purchase; and there is no reason to suppose that the law of exchangeable value is more difficult of ascertainment in this case than in other cases.

The law, however, cannot be precisely the same as in the common cases. When two articles are produced in the immediate vicinity of one another, so that, without expatriating himself, or moving to a distance, a capitalist has the choice of producing one or the other, the quantities of the two articles which will exchange for each other will be, on the average, those which are produced by equal quantities of labour. But this cannot be applied to the case where the two articles are produced in two different countries; because men do not usually leave their country, or even send their capital abroad, for the sake of those small differences of profit which are sufficient to determine their choice of a business, or of an investment, in their own country and neighbourhood.

The principle, that value is proportional to cost of production, being consequently inapplicable, we must revert to a principle anterior to that of cost of production, and from which this last flows as a consequence,—namely, the principle of demand and supply.

In order to apply this principle, with any advantage, to the solution of the question which now occupies us, the principle itself, and the idea attached to the term demand, must be conceived with a precision, which the loose manner in which the words are used generally prevents.

It is well known that the quantity of any commodity which can be disposed of, varies with the price. The higher the price, the fewer will be the purchasers, and the smaller the quantity sold. The lower the price, the greater will in general be the number of purchasers, and the greater the quantity disposed of. This is true of almost all commodities whatever: though of some commodities, to diminish the consumption in any given degree would require a much greater rise of price than of others.

Whatever be the commodity—the supply in any market being given, there is some price at which the whole of the supply exactly will find purchasers, and no more. That, whatever it be, is the price at which, by the effect of competition, the commodity will be sold. If the price be higher, the whole of the supply will not be disposed of, and the sellers, by their competition, will bring down the price. If the

price be lower, there will be found purchasers for a larger supply, and the competition of these purchasers will raise the price.

This, then, is what we mean, when we say that price, or exchangeable value, depends on demand and supply. We should express the principle more accurately, if we were to say, the price so regulates itself that the demand shall be exactly sufficient to carry off the supply.

Let us now apply the principle of demand and supply, thus understood, to the interchange of broad-cloth and linen between England and Germany.^h

ⁱ[As exchangeable](#) value in this case, as in every other, is proverbially fluctuating, it does not matter what we suppose it to be when we begin; we shall soon see whether there be any fixed point about which it oscillates—which it has a tendency always to approach to, and to remain at.

Let us suppose, then, that by the effect of what Adam Smith calls the higgling of the market,^[*] 10 yards of cloth, in both countries, exchange for 17 yards of linen.

The demand for a commodity, that is, the quantity of it which can find a purchaser, varies, as we have before remarked, according to the price. In Germany, the price of 10 yards of cloth is now 17 yards of linen; or whatever quantity of money is equivalent in Germany to 17 yards of linen. Now, that being the price, there is some particular number of yards of cloth, which will be in demand, or will find purchasers, at that price. There is some given quantity of cloth, more than which could not be disposed of at that price,—less than which, at that price, would not fully satisfy the demand. Let us suppose this quantity to be, 1000 times 10 yards.

Let us now turn our attention to England. There, the price of 17 yards of linen is 10 yards of cloth, or whatever quantity of money is equivalent in England to 10 yards of cloth. There is some particular number of yards of linen, which, at that price, will exactly satisfy the demand, and no more. Let us suppose that this number is 1000 times 17 yards.

As 17 yards of linen are to 10 yards of cloth, so are 1000 times 17 yards to 1000 times 10 yards. At the existing ^k[exchangeable](#)^k value, the linen which England requires, will exactly pay for the quantity of cloth which, on the same terms of interchange, Germany requires. The demand on each side is precisely sufficient to carry off the supply on the other. The conditions required by the principle of demand and supply are fulfilled, and the two commodities will continue to be interchanged, as we supposed them to be, in the ratio of 17 yards of linen for 10 yards of cloth.

But our ^l[supposition](#)^l might have been different. Suppose that, at the assumed rate of interchange, England ^m[had](#)^m been disposed to consume no greater quantity of linen than 800 times 17 yards; it is evident that, at the rate supposed, this would not have sufficed to pay for the 1000 times 10 yards of cloth, which we have supposed Germany to require at the assumed value. Germany would be able to procure no more than 800 times 10 yards, at that price. To procure the remaining 200, which she would

have no means of doing but by bidding higher for them, she would offer more than 17 yards of linen in exchange for 10 yards of cloth; let us suppose her to offer 18. At "that" price, perhaps, England would be inclined to purchase a greater quantity of linen. She "could" consume, possibly, at that price, 900 times 18 yards. On the other hand, cloth having risen in price, the demand of Germany for it would, probably, have diminished. If, instead of 1000 times 10 yards, she is now contented with 900 times ten yards, these will exactly pay for the 900 times 18 yards of linen which England is willing to take at the altered price: the demand on each side will again exactly suffice to take off the corresponding supply; and 10 yards for 18 will be the rate at which, in both countries, cloth will exchange for linen.

The converse of all this would have happened if instead of 800 times 17 yards, we had supposed that England, at the rate of 10 for 17, would have taken 1200 times 17 yards of linen. In this case, it is England whose demand is not fully supplied; it is England who, by bidding for more linen, will alter the rate of interchange to her own disadvantage; and 10 yards of cloth will fall, in both countries, below the value of 17 yards of linen. By this fall of cloth, or what is the same thing, this rise of linen, the demand of Germany for cloth will increase, and the demand of England for linen will diminish, till the rate of interchange has so adjusted itself that the cloth and the linen will exactly pay for "one" another; and when once this point is attained, values will remain "as they are".

It may be considered, therefore, as established, that when two countries trade together in two commodities, the "exchangeable" value of these commodities relatively to each other will adjust itself to the inclinations and circumstances of the consumers on both sides, in such manner that the quantities required by each country, of the "article" which it imports from its neighbour, shall be exactly sufficient to pay for one another. As the inclinations and circumstances of consumers cannot be reduced to any rule, so neither can the proportions in which the two commodities will be interchanged. We know that the limits within which the variation is confined are the ratio between their costs of production in the one country, and the ratio between their costs of production in the other. Ten yards of cloth cannot exchange for more than 20 yards of linen, nor for less than 15. But they may exchange for any intermediate number. The ratios, therefore, in which the advantage of the trade may be divided between the two nations, are various. The circumstances on which the proportionate share of each country more remotely depends, admit only of a very general indication.

It is even possible to conceive an extreme case, in which the whole of the advantage resulting from the interchange would be reaped by one party, the other country gaining nothing at all. There is no absurdity in the hypothesis, that of some given commodity a certain quantity is all that is wanted at any price, and that when that quantity is obtained, no fall in the "exchangeable" value would induce other consumers to come forward, or those who are already supplied to take more. Let us suppose that this is the case in Germany with cloth. Before her trade with England commenced, when 10 yards of cloth cost her as much labour as 20 yards of linen, she nevertheless consumed as much cloth as she wanted under any circumstances, and if she could obtain it at the rate of 10 yards of cloth for 15 of linen, she would not consume more. Let this fixed quantity be 1000 times 10 yards. At the rate, however, of 10 for 20,

England would want more linen than would be equivalent to this quantity of cloth. She would consequently offer a higher value for linen; or, what is the same thing, she would offer her cloth at a cheaper rate. But as by no lowering of the value could she prevail on Germany to take a greater quantity of cloth, there would be no limit to the rise of linen, or fall of cloth, until the demand of England for linen was reduced by the rise of its value, to the quantity which one thousand times ten yards of cloth would purchase. It might be, that to produce this diminution of the demand, a less fall would not suffice, than "one" which would make 10 yards of cloth exchange for 15 of linen. Germany would then gain the whole of the advantage, and England would be exactly as she was before the trade commenced. It would be for the interest, however, of Germany herself, to keep her linen a little below the value at which it could be produced in England, in order to keep herself from being supplanted by the home producer. England, therefore, would always benefit in some degree by the existence of the trade, though it might "be in a" very trifling one.ⁱ

^wBut in general there will not be this extreme inequality in the degree in which the demand in the two countries varies with variations in the price. The advantage will probably be divided equally, oftener than in any one unequal ratio that can be named; though the division will be much oftener, on the whole, unequal than equal.

2. We shall now examine whether the same law of interchange, which we have shown to apply upon the supposition of barter, holds good after the introduction of money. Mr. Ricardo found that his more general proposition stood this test; and as the proposition which we have just demonstrated is only a further developement of his principle, we shall probably find that it suffers as little, by a mere change in the mode (for it is no more) in which one commodity is exchanged against another.^w

^xWe may at first make whatever supposition we will with respect to the value of money. Let us suppose, therefore, that before the opening of the trade, the price of cloth is the same in both countries, namely, six shillings per yard.^{*} As 10 yards of cloth were supposed to exchange in England for 15 yards of linen, in Germany for 20, we must suppose that linen is sold in England at four shillings per yard, in Germany at three. Cost of carriage and importer's profit are left as before, out of consideration.

In this state of prices, cloth, it is evident, cannot yet be exported from England into ^yGermany. But^y linen can be imported from Germany into England. It will be so, and, in the first instance, the linen will be paid for in money.

The efflux of money from England, and its influx into Germany, will raise money prices in the latter country, and lower them in the former. Linen will rise in Germany above three shillings per yard, and cloth above six shillings. Linen in England being imported from Germany, will (since cost of carriage is not reckoned) sink to the same prices as in that country, while cloth will fall below six shillings. As soon as the price of cloth is lower in England than in Germany, it will begin to be exported, and the price of cloth in Germany will fall to what it is in England. As long as the cloth exported does not suffice to pay for the linen imported, money will continue to flow from England into Germany, and prices generally will continue to fall in England, and rise in Germany. By the fall, however, of cloth in England, cloth will fall in Germany

also, and the demand for it will increase. By the rise of linen in Germany, linen must rise in England also, and the demand for it will diminish. ^z[Although the increased exportation of cloth takes place at a lower price, and the diminished importation of linen at a higher, yet the total money value of the exportation would probably increase, that of the importation diminish.](#) As cloth fell in price and linen rose, there would be some particular price of both articles at which the cloth exported, and the linen imported, would exactly pay for each other. At this point prices would remain, because money would then cease to move out of England into Germany. What this point might be, would entirely depend upon the circumstances and inclinations of the purchasers on both sides. If the fall of cloth did not much increase the demand for it in Germany, and the rise of linen did not diminish very rapidly the demand for it in England, much money must pass before the equilibrium is restored; cloth would fall very much, and linen would rise, until England, perhaps, had to pay nearly as much for it as when she produced it for herself. But if, on the contrary, the fall of cloth caused a very rapid increase of the demand for it in Germany, and the rise of linen in Germany reduced very rapidly the demand in England from what it was under the influence of the first cheapness produced by the opening of the trade; the cloth would very soon suffice to pay for the linen, little money would pass between the two countries, and England would derive a large portion of the benefit of the trade. We have thus arrived at precisely the same conclusion, in supposing the employment of money, which we found to hold under the supposition of barter.

In what shape the benefit accrues to the two nations from the trade, is clear enough. Germany, before the commencement of the trade, paid six shillings per yard for ^a[broad-cloth. She](#) now obtains it at a lower price. This, however, is not the whole of her advantage. As the money prices of all her other commodities have risen, the money incomes of all her producers have increased. This is no advantage to them in buying from each other; because the price of what they buy has risen in the same ratio with their means of paying for it: but it is an advantage to them in buying any thing which has not risen; and still more, any thing which has fallen. They therefore benefit as consumers of cloth, not merely to the extent to which cloth has fallen, but also to the extent to which other prices have risen. Suppose that this is one-tenth. The same proportion of ^b[their](#) money incomes as before, will suffice to supply their other wants, and the remainder, being increased one-tenth in amount, will enable them to purchase one-tenth more cloth than before, even though cloth had not ^c[fallen. But](#) it has fallen: so that they are doubly gainers. ^d[If they do not choose to increase their consumption of cloth, this does not prevent them from being gainers.](#) They purchase the same quantity with less money, and have more to expend upon their other wants.

In England, on the contrary, general money-prices have fallen. Linen, however, has fallen more than the rest; having been lowered in price, by importation from a country where it was cheaper, whereas the others have fallen only from the consequent efflux of money. Notwithstanding, therefore, the general fall of money-prices, the English producers will be exactly as they were in all other respects, while they will gain as purchasers of linen.

The greater the efflux of money required to restore the equilibrium, the greater will be the gain of Germany; both by the fall of cloth, and by the rise of her general prices.

The less the efflux of money requisite, the greater will be the gain of England; because the price of linen will continue lower, and her general prices will not be reduced so much. It must not, however, be imagined that high money-prices are a good, and low money-prices an evil, in themselves. But the higher the general money-prices in any country, the greater will be that country's means of purchasing those commodities which, being imported from abroad, are independent of the causes which keep prices high at home.^x

^e3. We have hitherto supposed the carriage to be performed without labour or expense. If we abandon this supposition, we must correct the statement of the case in a slight degree. The prices of the two articles will no longer, when the trade is opened, be the same in both countries, nor will the articles exchange for one another at the same rate in both. Ten yards of cloth will purchase in Germany a quantity of linen greater than in England by a per-centage equal to the entire cost of conveyance both of the cloth to Germany and of the linen to England. The money-price of linen will be higher in England than in Germany, by the cost of carriage of the linen. The money-price of cloth will be higher in Germany than in England, by the cost of carriage of the cloth.

The expense of the carriage is evidently a deduction *pro tanto* from the saving of labour produced by the establishment of the trade. The two countries together, therefore, have their gains by the trade diminished, by the amount of the cost of carriage of both commodities. But here the question arises, which of the two countries bears this deduction, or in what proportion it is divided between them.

At the first inspection it would appear that each country bears its own cost of carriage, that is, that each country pays the carriage of the commodity which it imports. Upon this supposition, each country would gain whatever share of the joint saving of labour would otherwise fall to its lot, *minus* the cost of bringing from the other country the commodity which it imports. This solution is rendered plausible by the circumstance just now mentioned, that the price of the commodity will be higher in the country which imports it, than in the country which exports it, by the amount of the cost of carriage. If linen is sold in England at a higher price than in Germany, by a per-centage equal to the cost of carriage of the linen, it appears obvious that England pays for the carriage of the linen, and Germany, by parity of reason, for that of the cloth.

But if we apply to these questions the principles already explained, we shall see that this is not by any means a universal law: the fact may correspond with it, or it may not.

For suppose that the prices have adjusted themselves, no matter how, and that the imports and exports balance one another, each commodity, of course, being dearer by the cost of carriage, in the country which imports than in that which exports it: and suppose now that the cost of carriage, both of the one and of the other, were suddenly and miraculously annihilated, and that the commodities could pass from country to country without expense. If each country bore its own cost of carriage before, each country will save its own cost of carriage now. Cloth, in Germany, will in that case fall exactly to what it is in England; linen in England, to what it is in Germany.

Now this fall of price, supposing it to happen, will probably affect the demand on both sides; and it will either affect it alike in both countries, or it will affect it unequally. It will affect it alike, if the fall of price does not affect the demand at all, or if it affects it equally in both countries. If either of these results should take place, the cloth and the linen would continue to balance each other as before: no money would pass from one country to the other; prices in both would continue at the point to which they had fallen, and each country would exactly save the cost of carriage on the commodity which it imports from the other.

But the result might be, that the fall of price might not have an effect exactly equal, on the demand in the two countries. Suppose, for instance, that the fall of cloth in Germany owing to the saving of the cost of carriage, did not increase the demand for cloth in Germany; but that the fall of linen in England from a like cause, did increase the demand for linen in England. The linen imported would be more than could be paid for by the cloth exported: the difference must be paid in money: the change in the distribution of the precious metals between the two countries would lower the price of cloth in England, (and consequently in Germany), while it would raise the price of linen in Germany, (and consequently in England). Germany, therefore, by the annihilation of cost of carriage, would save in price more than the cost of carriage of the cloth; England would save less in price than the cost of carriage of the linen. But if by the miraculous annihilation of cost of carriage, England would not *save* the whole of the carriage of her imports, it follows that England did not previously *pay* the whole of that cost of carriage.

Thus, the division of the cost of trade, and the division of the advantage of trade, are governed by precisely the same principles; and the only general proposition which can be affirmed respecting the cost is, that it is *pro tanto* a deduction from the advantage. It cannot even be maintained that the cost is shared in the same proportion as the advantage is; because the increase of the demand for a commodity as its price falls, is not governed by any fixed law. Suppose, for instance, that the advantage happened to be divided equally: this must be because the greater cheapness arising from the establishment of the trade, either did not affect the demand at all, or affected it in an equal proportion on both sides. Now, because such is the effect of the degree of increased cheapness resulting from importation burthened with cost of carriage, it would not follow that the still greater degree of cheapness, produced by the additional saving of the cost of carriage itself, would also affect the demand of both countries in precisely an equal degree. But we cannot be said to bear an expense, which, if saved, would be saved to somebody else, and not to us. Two countries may have equal shares of the clear benefit of the trade, while, if the cost of carriage were saved, they would divide that saving unequally. If so, they divide the gross gain in one unequal ratio, the cost in another unequal ratio, though their shares of the cost being deducted from their shares of the gain leave equal remainders.

4. The question naturally suggests itself, whether any country, by its own legislative policy, can engross to itself a larger share of the benefits of foreign commerce, than would fall to it in the natural or spontaneous course of trade.

The answer is, it can.^e By taxing^g exports, for instance, we may, under^g certain circumstances, produce a division of the advantage of the trade more favourable to ourselves. In some cases, we may draw into our coffers, at the expense of foreigners, not only the whole tax, but more than the tax: in other cases, we should gain exactly the tax,—in others, less than the tax. In this last case, a part of the tax is borne by ourselves: possibly the whole, possibly even, as we shall show, more than the whole.

^hSuppose^h that England taxes her export of cloth: the tax not being supposed high enough to induce Germany to produce cloth for herself. The price at which cloth can be sold in Germany is augmented by the tax. This will probably diminish the quantity consumed. It may diminish it so much, that even at the increased price, there will not be required so great a money value as before. ⁱIt may diminish it in such a ratio, that the money value of the quantity consumed will be exactly the same as before.ⁱ Or it may not diminish it at all, or so little, that, in consequence of the higher price, a greater money value will be purchased than before. In this last case, England will gain, at the expense of Germany, not only the whole amount of the duty, but ^jmore.^j For^j the money value of her exports to Germany being increased, while her imports remain the same, money will flow into England from Germany. The price of cloth will rise in England, and consequently in Germany; but the price of linen will fall in Germany, and consequently in England. We shall export less cloth, and import more linen, till the equilibrium is restored. It thus appears, what is at first sight somewhat remarkable, that, by taxing her exports, England would, ^kunder^k some conceivable circumstances, not only gain from her foreign customers the whole amount of the tax, but would also get her imports cheaper. She would get them cheaper in two ways,—for she would obtain them for less money, and would have more money to purchase them with. Germany, on the other hand, would suffer doubly: she would have to pay for her cloth a price increased not only by the duty, but by the influx of money into England, while the same change in the distribution of the circulating medium would leave her less money to purchase it with.

This, however, is only one of three possible cases. If, after the imposition of the duty, Germany requires so diminished a quantity of cloth, that its ^ltotal money value^l is exactly the same as before, the balance of trade ^mwill^m be undisturbed: England will gain the duty, Germany will lose it, and nothing more. If, again, the imposition of the duty occasions such a falling off in the demand, that Germany requires a less pecuniary value than before, our exports will no longer pay for our imports, money must pass from England into Germany, and Germany's share of the advantage of the trade will be increased. By the change in the distribution of money, cloth will fall in England; and therefore it will, of course, fall in Germany. Thus Germany will not pay the whole of the tax. From the same cause, linen will rise in Germany, and consequently in England. When this alteration of prices has so adjusted the demand, that the cloth and the linen again pay for one another, the result is, that Germany has paid only a part of the tax, and the remainder of what has been received into our treasury has come indirectly out of the pockets of our own consumers of linen, who pay a higher price for that imported commodity, in consequence of the tax on our exports, ⁿwhileⁿ at the same time they, in consequence of the efflux of money and ^oconsequent^o fall of prices, have smaller money incomes wherewith to pay for the linen at that advanced price.

It is not an impossible supposition that, by taxing our exports, we might not only gain nothing from the foreigner, the tax being paid out of our own pockets, but might even compel our own people to pay a second tax to the foreigner. Suppose, as before, that the demand of Germany for cloth falls off so much on the imposition of the duty, that she requires a smaller money value than before, but that the case is so different with linen in England, that when the price rises the demand either does not fall off at all, or so little that the money value required is greater than before. The first effect of laying on the duty is, as before, that the cloth exported will no longer pay for the linen imported. Money will, therefore, flow out of England into Germany. One effect is to raise the price of linen in Germany, and, consequently, in England. But this, by the supposition, instead of stopping the efflux of money, only makes it greater, because the higher the price, the greater the money value of the linen consumed. The balance, therefore, can only be restored by the other effect, which is going on at the same time, namely, the fall of cloth in the English, and, consequently, in the German market. Even when cloth has fallen so low that its price with the duty is only equal to what its price without the duty was at first, it is not a necessary consequence that the fall will stop; for the same amount of exportation as before will not now suffice to pay the increased money value of the imports; and although the German consumers have now not only cloth at the old price, but likewise increased money incomes, it is not certain that they will be inclined to employ the increase of their incomes in increasing their purchases of cloth. The price of cloth, therefore, must perhaps fall, to restore the equilibrium, more than the whole amount of the duty; Germany may be enabled to import cloth at a lower price when it is taxed, than when it was untaxed: and this gain she will acquire at the expense of the English consumers of linen, who, in addition, will be the real payers of the whole of what is received at their own custom-house under the name of duties on the export of cloth.^P

Such are the extremely various effects which may result to ourselves, and to our customers, from the imposition of taxes on our exports:^{*} and the determining circumstances are of a nature so imperfectly ascertainable, that it must be almost impossible to decide with any certainty, even after the tax has been imposed, whether we have been gainers by it or losers. ^qIt is certain, however, that^q whatever we gain, is lost by somebody else, and there is the expense of the collection besides: if international morality, therefore, were rightly understood and acted upon, such taxes, as being contrary to the universal weal, would not exist. ^rMoreover, the imposition of such a tax frequently will, and always may, expose a country to lose this branch of its trade altogether, or to carry it on with diminished advantage, in consequence of the competition of untaxed exporters from other countries, or of the domestic producers in the country to which it exports. Even on the most selfish principles, therefore, the benefit of such a tax is always extremely precarious.

5.^r We have had an example of a tax on exports, that is, on foreigners, falling in part on ourselves. We shall, therefore, not be surprised if we find a tax on imports, that is, on ourselves, partly falling upon foreigners.

Instead of taxing the cloth which we export, suppose that we tax the linen which we import. The duty which we are now supposing must not be what is termed a protecting duty, that is, a duty sufficiently high to induce us to produce the article at

home. If it had this effect, it would destroy entirely the trade both in cloth and in linen, and both countries would lose the whole of the advantage which they previously gained by exchanging those commodities with one another. We suppose a duty which might diminish the consumption of the article, but which would not prevent us from continuing to import, as before, whatever linen we did consume.

The equilibrium of trade would be disturbed if the imposition of the tax diminished in the slightest degree the quantity of linen consumed. For, as the tax is levied at our own custom-house, the German exporter only receives the same price as formerly, though the English consumer pays a higher one. If, therefore, there be any diminution of the quantity bought, although a larger sum of money may be actually laid out in the article, a smaller one will be due from England to Germany: this sum will no longer be an equivalent for the sum due from Germany to England for cloth, the balance therefore must be paid in money. Prices will fall in Germany, and rise in England; linen will fall in the German market; cloth will rise in the English. The Germans will pay a higher price for cloth, and will have smaller money incomes to buy it with; while the English will obtain linen cheaper, that is, its price will exceed what it previously was by less than the amount of the duty, while their means of purchasing it will be increased by the increase of their money incomes.

If the imposition of the tax does not diminish the demand, it will leave the trade exactly as it was before. We shall import as much, and export as much; the whole of the tax will be paid out of our own pockets.

But the imposition of a tax on a commodity, almost always diminishes the demand more or less; and it can never, or scarcely ever increase the demand. It may, therefore, be laid down as a principle, that a tax on imported commodities, when it really operates as a tax, and not as a prohibition, either total or partial, almost always falls in part upon the foreigners who consume our goods: and that this is a mode in which a nation may ^s[be almost sure of appropriating](#) to itself, at the expense of foreigners, a larger share than would otherwise belong to it of the increase in the general productiveness of the labour and capital of the world, which results from the interchange of commodities among nations.^f

^t[It is scarcely necessary to observe, that no such advantage can result from the duty, if it operate as a protecting duty; if it induce the country which imposes it, to produce for herself that which she would otherwise have imported. The saving of labour—the increase in the general productiveness of the capital of the world—which is the effect of commerce, and which a non-protecting duty would enable the country imposing it to engross, could not be engrossed by a protecting duty, because such a duty prevents any such increased production from existing.](#)^t

^v[With a view to practical legislation, therefore, duties on importation may be divided into two classes: those which have the effect of encouraging some particular branch of domestic industry, and those which have not.](#)

^w The former are purely mischievous, both to the country imposing them, and to those with whom it trades. They prevent a saving of labour and capital, which, if permitted

to be made, would be divided in some proportion or other between the importing country and the countries which buy what that country does or might export.

The other class of duties are those which do not encourage one mode of procuring an article at the expense of another, but allow interchange to take place just as if the duty did not exist—and to produce the saving of labour which constitutes the motive to international as to all other commerce. Of this kind, are duties on the importation of any commodity which could not by any possibility be produced at home; and duties not sufficiently high to counterbalance the difference of expense between the production of the article at home, and its importation. Of the money which is brought into the treasury of any country by taxes of this last description, a part only is paid by the people of that country; the remainder by the foreign consumers of their goods.

Nevertheless, this latter kind of taxes are in principle as ineligible as the former, although not precisely on the same ground. A protecting duty can never be a cause of gain, but always and necessarily of loss, to the country imposing it, just so far as it is efficacious to its end. A non-protecting duty on the contrary would, in most cases, be a source of gain to the country imposing it, in so far as throwing part of the weight of its taxes upon other people is a gain; but it would be a ^x[means of gain which](#)^x it could seldom be advisable to adopt, being so easily counteracted by a precisely similar proceeding on the other side.

If England, in the case already supposed, sought to obtain for herself more than her natural share of the advantage of the trade with Germany, by imposing a duty upon ^y[cloth](#)^y, Germany would only have to impose a duty upon ^z[linen](#)^z, sufficient to diminish the demand for that article about as much as the demand for ^a[cloth](#)^a had been diminished in England by the tax. Things would then be as before, and each country would pay its own tax. Unless, indeed, the sum of the two duties exceeded the entire advantage of the trade; for in that case the trade, and its advantage, would cease entirely.

There would be no advantage, therefore, in imposing duties of this kind, with a view to gain by them, in the manner which has been pointed out. But ^b[so long as any other kind of taxes on commodities are retained, as a source of revenue](#)^b, these may often be as ^c[unobjectionable](#)^c as the rest. It is evident, ^d[moreover](#)^d, that considerations of reciprocity, which are quite unessential when the matter in debate is a protecting duty, are of material importance when the repeal of duties of this other description is discussed. A country cannot be expected to renounce the power of taxing foreigners, unless foreigners will in return practise towards itself the same forbearance. The only mode in which a country can save itself from being a loser by the ^e[duties](#)^e imposed by other countries on its commodities, is to impose corresponding ^f[duties](#)^f on theirs. Only it must take care that ^g[these](#)^g duties be not so high as to exceed all that remains of the advantage of the trade, and put an end to importation altogether; causing the article to be either produced at home, or imported from another ^h[and a dearer](#)^h market.^v

ⁱ[It](#)ⁱ is not necessary to apply the principles which we have stated to the case of bounties on exportation or importation. The application is easy, and the conclusions present nothing of particular interest or importance.

6. Any cause which alters the exports or imports from one country into another, alters the division of the advantage of interchange between those two countries. Suppose the discovery of a new process, by which some article of export, or some article not previously exported, can be produced so cheap as to occasion a great demand for it in other countries. This of course produces a great influx of money from other countries, and lowers the prices of all articles imported from them, until the increase of importation produced by this cause has restored the equilibrium. Thus, the country which acquires a new article of export gets its imports cheaper. This is not a case of mere alteration in the division of the advantage; it is a new advantage created by the discovery.

But suppose that the invention, to which the nation is indebted for this increase of the return to its industry, comes into use in the other country, and that the process is one which can be as perfectly and as cheaply performed in the one country as in the other. The new exportation will cease; trade will revert to its old channels, the money which flowed in will again flow out, and the country which invented the process will lose that increase of its gain by trade, which it had derived from the discovery.

Now the exportation of machinery comes within the case which we have just described.

If the fact be, that by allowing to foreigners a participation in our machinery, we enable them to produce any of our leading articles of export, at a lower money price than we can sell those articles, it is certain that unless we possess as great an advantage in the production of the machinery itself as we have in the production of other articles by means of machinery, the permitting of its exportation would alter to our disadvantage the division of the benefit of trade. Our exports being diminished, we should have to pay a balance in money. This would raise, in foreign countries, the price of everything which we import from thence: while our incomes, being reduced in money value, would render us less able to buy those articles even if they had not risen. The equilibrium of exports and imports would only be restored, when either some of the latter became so dear that we could produce them cheaper at home, or some articles not previously exported became exportable from the fall of prices. In the one case, we lose the benefit of importation altogether, and are obliged to produce at home, at a greater cost. In the other case, we continue to import, but pay dearer for our imports.

Notwithstanding what has now been observed, restrictions on the exportation of machinery are not, in our opinion, justifiable, either on the score of international morality or of sound policy. It is evidently the common interest of all nations that each of them should abstain from every measure by which the aggregate wealth of the commercial world would be diminished, although of this smaller sum total it might thereby be enabled to ^j[attract to itself](#) a larger share. And the time will certainly come when nations in general will feel the importance of this rule, and will so direct their approbation and disapprobation as to enforce observance of it. Moreover, a country possessing machines ^k[should](#) consider that if a similar advantage were extended to other countries, they would employ it above all in the production of those articles, in which they had already the greatest natural advantages; and if the former country

would be a loser by their improvements in the production of articles which it sells, it would gain by their improvements in those which it buys. The exportation of machinery may, however, be a proper subject for adjustment with other nations, on the principle of reciprocity. Until, by the common consent of nations, all restrictions upon trade are done away, a nation cannot be required to abolish those from which she derives a real advantage, without stipulating for an equivalent.

7. The case which we have just examined, is an example in how remarkable a manner every cause which materially influences exports, operates upon the prices of imports. According to the ancient theory of the balance of trade, and to the associations of the generality of what are termed practical men to this day, the sole benefit derived from commerce consists in the exports, and imports are rather an evil than otherwise. Political economists, seeing the folly of these views, and clearly perceiving that the advantage of commerce consists and must consist solely of the imports, have occasionally suffered themselves to employ language evincing inattention to the fact, that exports, though unimportant in themselves, are important by their influence on imports. So real and extensive is this influence, that every new market which is opened for any of our goods, and every increase in the demand for our commodities in foreign countries, enables us to supply ourselves with foreign commodities at a smaller cost.

Let us revert to our earliest and simplest example, but which displays the real law of interchange more luminously than any formula into which money enters; the case of simple barter. We showed, that if at the rate of 10 yards of cloth for 17 of linen, the demand of Germany amounted to 1000 times 10 yards of cloth, the two nations will trade together at that rate of interchange, provided that the linen required in England be exactly 1000 times 17 yards, neither more nor less. For the cloth and the linen will then exactly pay for one another, and nobody on either side will be obliged to offer what he has to sell at a lower rate, in order to procure what he wants to buy.

Now if the increase of wealth and population in Germany should greatly increase the demand in that country for cloth, the demand for linen in England not increasing in the same ratio,—if, for instance, Germany became willing, at the above rate, to take 1500 times 10 yards; is it not evident, that to induce England to take in exchange for this the only article which Germany by supposition has to give, the latter must offer it at a rate more advantageous to England—at 18, or perhaps 19 yards, for 10 of cloth? So that the division of the advantage becomes more and more favourable to a country, in proportion as the demand for its commodities increases in foreign countries.

It is not even necessary that the country which takes its goods, should supply it with any commodity whatever. Suppose that a country should be opened to our merchants, disposed to buy from us in abundance, but which can sell to us scarcely anything, as every commodity which it affords could be got cheaper by us from some other quarter. Nevertheless, our trade with this country will enable us to obtain from all other countries their commodities at a lower price. At the first opening of this commerce of mere exportation, we must have received in payment a large quantity of money; for which our customer will have been indemnified by other countries, in exchange for her commodities. Prices must consequently be lower in all other

countries, and higher with us, than before the opening of the new branch of trade; and we therefore obtain the commodities of other countries at a less cost, both as we pay less money for them, and as that money is lower in value.

8. Another obvious application of the same principle will enable us to explain, and to bring within the dominion of strict science, the rivalry of one exporting nation and another, or what is called, in the language of the mercantile system, *underselling*: a subject which political economists have taken little trouble to elucidate, from the habit before alluded to of disregarding almost entirely, in their purely scientific inquiries, those circumstances which affect the trade of a country by operating immediately upon the exports.

Let us revert to our old example, and to our old figures. Suppose that the trade between England and Germany in cloth and linen is established, and that the rate of interchange is 10 yards of cloth for 17 of linen. Now suppose that there arises in another country, in Flanders, for example, a linen manufacture; and that the same causes, the working of which in England and Germany has made 10 yards exchange for 17, would in England and Flanders, putting Germany out of the question, have made the rate of interchange 10 for 18. It is evident that Germany also must give 18 yards of linen for 10 of cloth, and so carry on the trade with a diminished share of the advantage, or lose it altogether. If the play of demand in England and Flanders had made the rate of interchange not 10 for 18 but 10 for 21, (10 to 20 being in Germany the comparative cost of production,) it is evident that Germany could not have maintained the competition, and would have lost, not part of her share of the advantage, but all advantage, and the trade itself.

It would be no answer to say, that Germany could probably still have found the means of importing cloth from England, by exporting something else. If she had purchased cloth with anything else, she would have purchased it dearer: as is proved by the fact, that having free choice, she found it most advantageous to purchase it with linen. When she could get 10 yards of cloth for 17 of linen, that was the mode in which she could get it with least labour. Being pressed by competition, she gave successively 17½, 18, 18½; but rather than give 19 yards of linen, she perhaps would prefer to give, as costing her rather less labour, 10 yards of silk, (which we will suppose to be the quantity which in England will purchase 10 yards of cloth). It is obvious that, although Germany has found the means of supplying herself with cloth, by exporting a different article from that in which she was undersold, yet the advantage of the trade between her and England is now shared in a proportion much less favourable to Germany.

There is no difficulty in showing that the same series of consequences takes place in exactly the same manner through the agency of money. The trade in cloth and linen between England and Germany being supposed to exist as before, Flanders produces linen at a lower price than that at which Germany has hitherto afforded it. The exportation from Germany is suspended; and Germany, continuing to import cloth, pays for it in money. By so doing she lowers her own prices, and raises those in England: she has to pay more money for cloth, and to pay it in a currency of higher value. She thus suffers more and more as a consumer of cloth, until by the fall of her

prices she can either afford to sell linen as cheap as Flanders, or to export some other commodity which she could not export before. In either case, her trade resumes its course, but with diminished advantage on her side.*_

It is in the mode just described, that those countries which formerly supplied Europe with manufactures, but which owed their power of doing so not to any natural and permanent advantages, but to their more advanced state of civilization as compared with other countries, have lost their pre-eminence as other countries successively attained an equal degree of civilization. Lombardy and Flanders, in the middle ages, produced some descriptions of clothing and ornament for all Europe: Holland, at a much later period, supplied ships, and almost all articles which came in ships, to most other parts of the world. All these countries have probably at this moment a much larger amount of capital than ever they had, but having been undersold by other countries, they have lost by far the greater part of the share which they had engrossed to themselves of the benefit which the world derives from commerce; and their capital yields to them in consequence a smaller proportional return. We are aware that other causes have contributed to the same effect, but we cannot doubt that this is a principal one.

As much as is really true of the great returns alleged to have been made to capital during the last war, must have arisen from a similar cause. Our exclusive command of the sea excluded from the market all by whom we should have been undersold.

The adoption by France, Russia, the Netherlands, and the United States, of a more severely restrictive commercial policy, subsequently to 1815, has done great injury undoubtedly to those countries; for the duties which they have established are intended to be, and really are, of the class termed *protecting*; that is to say, such as force the production of commodities by more costly processes at home, instead of suffering them to be imported from abroad. But these duties, though chiefly injurious to the countries imposing them, have also been highly injurious to England. By diminishing her exportation, or preventing it from increasing as it would otherwise have done, they have kept up the prices of all imported commodities in England, above what those prices would have fallen to if trade had been left free.

By another obvious application of the same reasoning, it will be seen, that there is a real foundation for the notion, that a country may be benefited by receiving from another country the concession of what used to be termed commercial advantages, or by restraining its colonies from purchasing goods of any country except itself. In the figured illustration last used (p. 254), it is evident, that if England had been bound by a treaty with Germany to buy linen exclusively from her, Germany would have retained the trade which we supposed her to lose, and would have continued to purchase cloth at a comparatively cheap rate from England, instead of producing it by a more costly process at home. Suppose that England had been a colony of Germany, and we see that by compelling colonies to deal at her shop, she may obtain a real advantage, though of a nature which we may hazard the assertion that the founders of our colonial policy little dreamt of.

Such an advantage, however, being gained at the expense of another country, is, at the least, simply equivalent to a tax, or tribute. Now, if a country has just grounds, or deems superiority of power a sufficient ground, for exacting a tribute from another country, the most direct mode is the best. First, because it is the most intelligible, and has least of trick or disguise. Secondly, because it allows the people of the country paying the tribute, to raise the money in whatever way they consider least oppressive to themselves. Thirdly, because the indirect mode of taxing a country, by restrictions on its commerce, disturbs the distribution of industry most advantageous to the world at large, and occasions a greater loss to the restricted country, and to the other countries with which that country would have traded, than gain to the country in whose favour the restrictions are imposed. And lastly, because a country never could obtain such privileges from an independent nation, and has seldom been so undisguised an oppressor as to demand them even from its colonies, without subjecting itself to restrictions in some degree equivalent, for the benefit of those whom it has thus taxed. Each country, therefore, usually pays tribute to the other; and to produce this fruitless reciprocity of exaction, the industry and trade of both countries are diverted from the most advantageous channels, and the return to the labour and capital of both is diminished, in pure loss.

9. The same principles which have led to the above conclusions, also suggest a remark of some importance with respect to the probable effect of a change from a restricted to a comparatively free trade.

There is no doubt that our prohibiting the importation of a particular article, which, but for the prohibition, would have been imported, enables us to obtain our other imports at smaller cost. The article for which we have the greatest demand, and for which our demand is most increased by cheapness, is that which we should naturally import preferably to any other; now of this article we should import the quantity necessary to pay for our exports, on terms of interchange less advantageous to us than in the case of any other commodity. If our legislature prohibits this commodity, the other country will be obliged to offer any other article on easier terms, in order to force a sufficient demand for it to be an equivalent to what she purchases from us.

The steps of the process, money being used, would be these:—We prohibit the importation of linen. The exportation of cloth continues, but is paid for in money. Our prices rise, those in Germany fall, until silk, or some other article, can be imported from Germany cheaper than it can be produced at home, and in sufficient abundance to balance the export of cloth. Thus by sacrificing the cheapness of one commodity, we gain the cheapness of another: but we sacrifice a greater cheapness to gain a less, and we sacrifice cheapness in the article which we most want, and would import by preference, while our compensation is cheapness in an article which we either could produce more advantageously at home, or which we have so little desire for, that it requires a species of bounty on the article to create a demand.

Restrictions on importation do, however, tend to keep down the value and price of our remaining imports, and to keep up the nominal or money prices of all our other commodities, by retaining a greater quantity of money in the country than would otherwise be there. From this it obviously follows, that if the restrictions were

removed, we should have to pay rather more for some of the articles which we now import, while those which we are now prevented from importing would cost us more than might be inferred from their *present* price in the foreign market. And general prices would fall; to the benefit of those who have fixed sums to receive; to the disadvantage of those who have fixed sums to pay; and giving rise, as a general fall of prices always does, to an appearance, though a temporary and fallacious one, of general distress.*_

It is right to observe that the measures of the British Legislature which have been falsely characterised as measures of free trade, must, from their extremely insignificant extent, have produced far too little effect in increasing our importation, to have actually led, in any degree worth mentioning, to the results specified above.

It is of greater importance to take notice, that these effects may be entirely obviated, if foreign countries can be prevailed upon simultaneously to relax their restrictive systems, so as to create an immediate increase of demand for our exports at the present prices. It is true that exports and imports must, in the end, balance one another, and if we increase our imports, our exports will of necessity increase too. But it is a forced increase, produced by an efflux of money and fall of prices; and this fall of prices being permanent, although it would be no evil at all in a country where credit is unknown, it may be a very serious one where large classes of persons, and the nation itself, are under engagements to pay fixed sums of money of large amount.

10. The only remaining application of the principle set forth in this essay, which we think it of importance to notice specially, is the effect produced upon a country by the annual payment of a tribute or subsidy to a foreign power, or by the annual remittance of rents to absentee landlords, or of any other kind of income to its absent owners. Remittances to absentees are often very incorrectly likened in their general character to the payment of a tribute; from which they differ in this very material circumstance, that tribute, if not paid to a foreign country, is not paid at all, whereas rents are paid to the landlord, and consumed by him, even if he resides at home. The two kinds of payment, however, have a perfect resemblance to each other in such parts of their effects as we are about to point out.

The tribute, subsidy, or remittance, is always in goods; for, unless the country possesses mines of the precious metals, and numbers those metals among its regular articles of export, it cannot go on, year after year, parting with them, and never receiving them back. When a nation has regular payments to make in a foreign country, for which it is not to receive any return, its exports must annually exceed its imports by the amount of the payments which it is bound so to make. In order to force a demand for its exports greater than its imports will suffice to pay for, it must offer them at a rate of interchange more favourable to the foreign country, and less so to itself, than if it had no payments to make beyond the value of its imports. It therefore carries on the trade with less advantage, in consequence of the obligations to which it is subject towards persons resident in foreign countries.

The steps of the process are these. The exports and imports being in equilibrium, suppose a treaty to be concluded, by which the country binds itself to pay in tribute to

another country, a certain sum annually. It makes, perhaps, the first payment by a remittance of money. This lowers prices in the paying country, and raises them in the receiving one: the exports of the tributary country increase, its imports diminish. When the efflux of money has altered prices in the requisite degree, the exports exceed the imports annually, by the amount of the tribute; and the latter, being added to the sum of the payments due, restores the balance of payments between the two countries. The result to the tributary country is a diminution of her share in the advantage of foreign trade. She pays dearer for her imports, in two ways, because she pays more money, and because that money is of higher value, the money incomes of her inhabitants being of smaller amount.

Thus the imposition of a tribute is a double burthen to the country paying it, and a double gain to that which receives it. The tributary country pays to the other, first, the tax, whatever be its amount, and next, something more, which the one country loses in the increased cost of its imports, the other gains in the diminished cost of its own.

Absenteeism, moreover, though not burthensome in the former of these ways, since the money is paid whether the receiver be an absentee or not, is yet disadvantageous in the second of the two modes which have been mentioned. Ireland pays dearer for her imports in consequence of her absentees; a circumstance which the assailants of Mr. McCulloch, whether political economists or not, have not, we believe, hitherto thought of producing against him.

11. If the question be now asked, which of the countries of the world gains most by foreign commerce, the following will be the answer.

If by gain be meant advantage, in the most enlarged sense, that country will generally gain the most, which stands most in need of foreign commodities.

But if by gain be meant saving of labour and capital in obtaining the commodities which the country desires to have, whatever they may be; the country will gain, not in proportion to its own need of foreign articles, but to the need which foreigners have of the articles which itself produces.

Let us take, as an illustration of our meaning, the case of France and England. Those two nations, in consequence of the restrictions with which they have loaded their commercial intercourse, carry on so little trade with each other, as may almost, regard being had to the wealth and population of the two countries, be called none at all. If these fetters were at once taken off, which of the two countries would be the greatest gainer? England without doubt. There would instantly arise in France an immense demand for the cottons, woollens, and iron of England; while wines, brandies, and silks, the staple articles of France, are less likely to come into general demand here, nor would the consumption of such productions, it is probable, be so rapidly increased by the fall of price. The fall would probably be very great before France could obtain a vent in England for so much of her exports as would suffice to pay for the probable amount of her imports. There would be a considerable flow of the precious metals out of France into England. The English consumer of French wine would not merely save the amount of the duty which that wine now pays, but would find the wine itself

falling in prime cost, while his means of purchasing it would be increased by the augmentation of his own money income. The French consumer of English cottons, on the contrary, would not long continue to be able to purchase them at the price they now sell for in England. He would gain less, as the English would gain more, than might appear from a mere comparison between the present prices of commodities in the two countries.

Various consequences would flow from opening the trade between France and England, which are not expected, either by the friends or by the opponents of the present restrictive system. The wine-growers of France, who imagine that free trade would relieve their distress by raising the price of their wine, might not improbably find that price actually lowered. On the other hand, our silk manufacturers would be surprised if they were told that the free admission of our cottons and hardware into the French market, would endanger *their* branch of manufacture: yet such might very possibly be the effect. France, it is likely, could most advantageously pay us in silks for a portion of the large amount of cottons and hardware which we should sell to her; and though our silk manufacturers may now be able to compete advantageously, in some branches of the manufacture, with their French rivals, it by no means follows that they could do so when the efflux of money from France, and its influx into England, had lowered the price of silk goods in the French market, and increased all the expenses of production here.

On the whole, England probably, of all the countries of Europe, draws to herself the largest share of the gains of international commerce: because her exportable articles are in universal demand, and are of such a kind that the demand increases rapidly as the price falls. Countries which export food, have the former advantage, but not the latter. But our own colonies, and the countries which supply us with the materials of our manufactures, maintain a hard struggle with us for an equal share of the advantages of their trade; for *their* exports are also of a kind for which there exists a most extensive demand here, and a demand capable of almost indefinite extension by a fall of price. Contrary, therefore, to common opinion, it is probable that our trade with the colonies, and with the countries which send us the raw materials of our national industry, is not more but less advantageous to us, in proportion to its extent, than our trade with the continent of Europe. We mean in respect to the mere amount of the return to the labour and capital of the country; considered abstractedly from the usefulness or agreeableness of the particular articles on which the receivers may choose to expend it.

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Of The Influence Of Consumption On Production

[Essay II in *Some Unsettled Questions of Political Economy*, 47-74. The one substantive variant between the 1st and 2nd editions is indicated at 263^{a-a} below. Two typographical errors were introduced in the 2nd edition, “influence” for “affluence” (264.34) and “supply, it” for “supply it” (272.39).]

before the appearance of those great writers whose discoveries have given to political economy its present comparatively scientific character, the ideas universally entertained both by theorists and by practical men, on the causes of national wealth, were grounded upon certain general views, which almost all who have given any considerable attention to the subject now justly hold to be completely erroneous.

Among the mistakes which were most pernicious in their direct consequences, and tended in the greatest degree to prevent a just conception of the objects of science, or of the test to be applied to the solution of the questions which it presents, was the immense importance attached to consumption. The great end of legislation in matters of national wealth, according to the prevalent opinion, was to create consumers. A great and rapid consumption was what the producers, of all classes and denominations, wanted, to enrich themselves and the country. This object, under the varying names of an extensive demand, a brisk circulation, a great expenditure of money, and sometimes *totidem verbis* a large consumption, was conceived to be the great condition of prosperity.

It is not necessary, in the present state of the science, to contest this doctrine in the most flagrantly absurd of its forms or of its applications. The utility of a large government expenditure, for the purpose of encouraging industry, is no longer maintained. Taxes are not now esteemed to be “like the dews of heaven, which return again in prolific showers.” It is no longer supposed that you benefit the producer by taking his money, provided you give it to him again in exchange for his goods. There is nothing which impresses a person of reflection with a stronger sense of the shallowness of the political reasonings of the last two centuries, than the general reception so long given to a doctrine which, if it proves anything, proves that the more you take from the pockets of the people to spend on your own pleasures, the richer they grow; that the man who steals money out of a shop, provided he expends it all again at the same shop, is a benefactor to the tradesman whom he robs, and that the same operation, repeated sufficiently often, would make the tradesman’s fortune.

In opposition to these palpable absurdities, it was triumphantly established by political economists, that consumption never needs encouragement. All which is produced is already consumed, either for the purpose of reproduction or of enjoyment. The person who saves his income is no less a consumer than he who spends it: he consumes it in a different way; it supplies food and clothing to be consumed, tools and materials to be used, by productive labourers. Consumption, therefore, already takes place to the greatest extent which the amount of production admits of; but, of the two kinds of consumption, reproductive and unproductive, the former alone adds to the national

wealth, the latter impairs it. What is consumed for mere enjoyment, is gone; what is consumed for reproduction, leaves commodities of equal value, commonly with the addition of a profit. The usual effect of the attempts of government to encourage consumption, is merely to prevent saving; that is, to promote unproductive consumption at the expense of reproductive, and diminish the national wealth by the very means which were intended to increase it.

What a country wants to make it richer, is never consumption, but production. Where there is the latter, we may be ^asure that^a there is no want of the former. To produce, implies that the producer desires to consume; why else should he give himself useless labour? He may not wish to consume what he himself produces, but his motive for producing and selling is the desire to buy. Therefore, if the producers generally produce and sell more and more, they certainly also buy more and more. Each may not want more of what he himself produces, but each wants more of what some other produces; and, by producing what the other wants, hopes to obtain what the other produces. There will never, therefore, be a greater quantity produced, of commodities in general, than there are consumers for. But there may be, and always are, abundance of persons who have the inclination to become consumers of some commodity, but are unable to satisfy their wish, because they have not the means of producing either that, or anything to give in exchange for it. The legislator, therefore, needs not give himself any concern about consumption. There will always be consumption for everything which can be produced, until the wants of all who possess the means of producing are completely satisfied, and then production will not increase any farther. The legislator has to look solely to two points: that no obstacle shall exist to prevent those who have the means of producing, from employing those means as they find most for their interest; and that those who have not at present the means of producing, to the extent of their desire to consume, shall have every facility afforded to their acquiring the means, that, becoming producers, they may be enabled to consume.

These general principles are now well understood by almost all who profess to have studied the subject, and are disputed by few except those who ostentatiously proclaim their contempt for such studies. We touch upon the question, not in the hope of rendering these fundamental truths clearer than they already are, but to perform a task, so useful and needful, that it is to be wished it were oftener deemed part of the business of those who direct their assaults against ancient prejudices,—that of seeing that no scattered particles of important truth are buried and lost in the ruins of exploded error. Every prejudice, which has long and extensively prevailed among the educated and intelligent, must certainly be borne out by some strong appearance of evidence; and when it is found that the evidence does not prove the received conclusion, it is of the highest importance to see what it does prove. If this be thought not worth inquiring into, an error conformable to appearances is often merely exchanged for an error contrary to appearances; while, even if the result be truth, it is paradoxical truth, and will have difficulty in obtaining credence while the false appearances remain.

Let us therefore inquire into the nature of the appearances, which gave rise to the belief that a great demand, a brisk circulation, a rapid consumption (three equivalent expressions), are a cause of national prosperity.

If every man produced for himself, or with his capital employed others to produce, everything which he required, customers and their wants would be a matter of profound indifference to him. He would be rich, if he had produced and stored up a large supply of the articles which he was likely to require; and poor, if he had stored up none at all, or not enough to last until he could produce more.

The case, however, is different after the separation of employments. In civilized society, a single producer confines himself to the production of one commodity, or a small number of commodities; and his affluence depends, not solely upon the quantity of his commodity which he has produced and laid in store, but upon his success in finding purchasers for that commodity.

It is true, therefore, of every particular producer or dealer, that a great demand, a brisk circulation, a rapid consumption, of the commodities which he sells at his shop or produces in his manufactory, is important to him. The dealer whose shop is crowded with customers, who can dispose of a product almost the very moment it is completed, makes large profits, while his next neighbour, with an equal capital but fewer customers, gains comparatively little.

It was natural that, in this case, as in a hundred others, the analogy of an individual should be unduly applied to a nation: as it has been concluded that a nation generally gains in wealth by the conquest of a province, because an individual frequently does so by the acquisition of an estate; and as, because an individual estimates his riches by the quantity of money which he can command, it was long deemed an excellent contrivance for enriching a country, to heap up artificially the greatest possible quantity of the precious metals within it.

Let us examine, then, more closely than has usually been done, the case from which the misleading analogy is drawn. Let us ascertain to what extent the two cases actually resemble; what is the explanation of the false appearance, and the real nature of the phenomenon which, being seen indistinctly, has led to a false conclusion.

We shall propose for examination a very simple case, but the explanation of which will suffice to clear up all other cases which fall within the same principle. Suppose that a number of foreigners with large incomes arrive in a country, and there expend those incomes: will this operation be beneficial, as respects the national wealth, to the country which receives these immigrants? Yes, say many political economists, if they save any part of their incomes, and employ them reproductively; because then an addition is made to the national capital, and the produce is a clear increase of the national wealth. But if the foreigner expends all his income unproductively, it is no benefit to the country, say they, and for the following reason.

If the foreigner had his income remitted to him in bread and beef, coats and shoes, and all the other articles which he was desirous to consume, it would not be pretended that his eating, drinking, and wearing them, on our shores rather than on his own, could be of any advantage to us in point of wealth. Now, the case is not different if his income is remitted to him in some one commodity, as, for instance, in money. For whatever takes place afterwards, with a view to the supply of his wants, is a mere exchange of

equivalents; and it is impossible that a person should ever be enriched by merely receiving an equal value in exchange for an equal value.

When it is said that the purchases of the foreign consumer give employment to capital which would otherwise yield no profit to its owner, the same political economists reject this proposition as involving the fallacy of what has been called a “general glut.” They say, that the capital, which any person has chosen to produce and to accumulate, can always find employment, since the fact that he has accumulated it proves that he had an unsatisfied desire; and if he cannot find anything to produce for the wants of other consumers, he can for his own.

It is impossible to contest these propositions as thus stated. But there is one consideration which clearly shews, that there is something more in the matter than is here taken into the account; and this is, that the above reasoning tends distinctly to prove, that it does a tradesman no good to go into his shop and buy his goods. How can he be enriched? it might be asked. He merely receives a certain value in money, for an equivalent value in goods. Neither does this give employment to his capital; for there never exists more capital than can find employment, and if one person does not buy his goods another will; or if nobody does, there is overproduction in that business, he can remove his capital, and find employment for it in another trade.

Every one sees the fallacy of this reasoning as applied to individual producers. Every one knows that as applied to them it has not even the semblance of plausibility; that the wealth of a producer does in a great measure depend upon the number of his customers, and that in general every additional purchaser does really add to his profits. If the reasoning, which would be so absurd if applied to individuals, be applicable to nations, the principle on which it rests must require much explanation and elucidation.

Let us endeavour to analyse with precision the real nature of the advantage which a producer derives from an addition to the number of his customers.

For this purpose, it is necessary that we should premise a single observation on the meaning of the word capital. It is usually defined, the food, clothing, and other articles set aside for the consumption of the labourer, together with the materials and instruments of production. This definition appears to us peculiarly liable to misapprehension; and much vagueness and some narrow views have, we conceive, occasionally resulted from its being interpreted with too mechanical an adherence to the literal meaning of the words.

The capital, whether of an individual or of a nation, consists, we apprehend, of all matters possessing exchangeable value, which the individual or the nation has in his or in its possession for the purpose of reproduction, and not for the purpose of the owner’s unproductive enjoyment. All unsold goods, therefore, constitute a part of the national capital, and of the capital of the producer or dealer to whom they belong. It is true that tools, materials, and the articles on which the labourer is supported, are the only articles which are directly subservient to production: and if I have a capital consisting of money, or of goods in a warehouse, I can only employ them as means of

production in so far as they are capable of being exchanged for the articles which conduce directly to that end. But the food, machinery, &c., which will ultimately be purchased with the goods in my warehouse, may at this moment not be in the country, may not be even in existence. If, after having sold the goods, I hire labourers with the money, and set them to work, I am surely employing capital, though the corn, which in the form of bread those labourers may buy with the money, may be now in warehouse at Dantzic, or perhaps not yet above ground.

Whatever, therefore, is destined to be employed reproductively, either in its existing shape, or indirectly by a previous (or even subsequent) exchange, is capital. Suppose that I have laid out all the money I possess in wages and tools, and that the article I produce is just completed: in the interval which elapses before I can sell the article, realize the proceeds, and lay them out again in wages and tools, will it be said that I have no capital? Certainly not: I have the same capital as before, perhaps a greater, but it is locked up, as the expression is, and not disposable.

When we have thus seen accurately what really constitutes capital, it becomes obvious, that of the capital of a country, there is at all times a very large proportion lying idle. The annual produce of a country is never any thing approaching in magnitude to what it might be if all the resources devoted to reproduction, if all the capital, in short, of the country, were in full employment.

If every commodity on an average remained unsold for a length of time equal to that required for its production, it is obvious that, at any one time, no more than half the productive capital of the country would be really performing the functions of capital. The two halves would relieve one another, like the semichori in a Greek tragedy; or rather the half which was in employment would be a fluctuating portion, composed of varying parts; but the result would be, that each producer would be able to produce every year only half as large a supply of commodities, as he could produce if he were sure of selling them the moment the production was completed.

This, or something like it, is however the habitual state, at every instant, of a very large proportion of all the capitalists in the world.

The number of producers, or dealers, who turn over their capital, as the expression is, in the shortest possible time, is very small. There are few who have so rapid a sale for their wares, that all the goods which their own capital, or the capital which they can borrow, enables them to supply, are carried off as fast as they can be supplied. The majority have not an *extent of business*, at all adequate to the amount of the capital they dispose of. It is true that, in the communities in which industry and commerce are practised with greatest success, the contrivances of banking enable the possessor of a larger capital than he can employ in his own business, to employ it productively and derive a revenue from it notwithstanding. Yet even then, there is, of necessity, a great quantity of capital which remains fixed in the shape of implements, machinery, buildings, &c., whether it is only half employed, or in complete employment: and every dealer keeps a stock in trade, to be ready for a possible sudden demand, though he probably may not be able to dispose of it for an indefinite period.

This perpetual non-employment of a large proportion of capital, is the price we pay for the division of labour. The purchase is worth what it costs; but the price is considerable.

Of the importance of the fact which has just been noticed there are three signal proofs. One is, the large sum often given for the goodwill of a particular business. Another is, the large rent which is paid for shops in certain situations, near a great thoroughfare for example, which have no advantage except that the occupier may expect a larger body of customers, and be enabled to turn over his capital more quickly. Another is, that in many trades, there are some dealers who sell articles of an equal quality at a lower price than other dealers. Of course, this is not a voluntary sacrifice of profits: they expect by the consequent overflow of customers to turn over their capital more quickly, and to be gainers by keeping the whole of their capital in more constant employment, though on any given operation their gains are less.

The reasoning cited in the earlier part of this paper, to show the uselessness of a mere purchaser or customer, for enriching a nation or an individual, applies only to the case of dealers who have already as much business as their capital admits of, and as rapid a sale for their commodities as is possible. To such dealers an additional purchaser is really of no use; for, if they are sure of selling all their commodities the moment those commodities are on sale, it is of no consequence whether they sell them to one person or to another. But it is questionable whether there be any dealers in whose case this hypothesis is exactly verified; and to the great majority it is not applicable at all. An additional customer, to most dealers, is equivalent to an increase of their productive capital. He enables them to convert a portion of their capital which was lying idle (and which could never have become productive in their hands until a customer was found) into wages and instruments of production; and if we suppose that the commodity, unless bought by him, would not have found a purchaser for a year after, then all which a capital of that value can enable men to produce during a year, is clear gain—gain to the dealer, or producer, and to the labourers whom he will employ, and thus (if no one sustains any corresponding loss) gain to the nation. The aggregate produce of the country for the succeeding year is, therefore, increased; not by the mere exchange, but by calling into activity a portion of the national capital, which, had it not been for the exchange, would have remained for some time longer unemployed.

Thus there are actually at all times producers and dealers, of all, or nearly all classes, whose capital is lying partially idle, because they have not found the means of fulfilling the condition which the division of labour renders indispensable to the full employment of capital,—viz., that of exchanging their products with each other. If these persons could find one another out, they could mutually relieve each other from this disadvantage. Any two shopkeepers, in insufficient employment, who agreed to deal at each other's shops so long as they could there purchase articles of as good a quality as elsewhere, and at as low a price, would render the nation a service. It may be said that they must previously have dealt, to the same amount, with some other dealers; but this is erroneous, since they could only have obtained the means of purchasing by being previously enabled to sell. By their compact, each would gain a customer, who would call his capital into fuller employment; each therefore would

obtain an increased produce; and they would thus be enabled to become better customers to each other than they could be to third parties.

It is obvious that every dealer who has not business sufficient fully to employ his capital (which is the case with all dealers when they commence business, and with many to the end of their lives), is in this predicament simply for want of some one with whom to exchange his commodities; and as there are such persons to about the same degree probably in all trades, it is evident that if these persons sought one another out, they have their remedy in their own hands, and by each other's assistance might bring their capital into more full employment.

We are now qualified to define the exact nature of the benefit which a producer or dealer derives from the acquisition of a new customer. It is as follows:—

1. If any part of his own capital was locked up in the form of unsold goods, producing (for a longer period or a shorter) nothing at all; a portion of this is called into greater activity, and becomes more constantly productive. But to this we must add some further advantages.
2. If the additional demand exceeds what can be supplied by setting at liberty the capital which exists in the state of unsold goods; and if the dealer has additional resources, which were productively invested (in the public funds, for instance), but not in his own trade; he is enabled to obtain, on a portion of these, not mere interest, but profit, and so to gain that difference between the rate of profit and the rate of interest, which may be considered as “wages of superintendence.”
3. If all the dealer's capital is employed in his own trade, and no part of it locked up as unsold goods, the new demand affords him additional encouragement to save, by enabling his savings to yield him not merely interest, but profit; and if he does not choose to save (or until he shall have saved), it enables him to carry on an additional business with borrowed capital, and so gain the difference between interest and profit, or, in other words, to receive wages of superintendence on a larger amount of capital.

This, it will be found, is a complete account of all the gains which a dealer in any commodity can derive from an accession to the number of those who deal with him: and it is evident to every one, that these advantages are real and important, and that they are the cause which induces a dealer of any kind to desire an increase of his business.

It follows from these premises, that the arrival of a new unproductive consumer (living on his own means) in any place, be that place a village, a town, or an entire country, is beneficial to that place, if it causes to any of the dealers of the place any of the advantages above enumerated, without withdrawing an equal advantage of the same kind from any other dealer of the same place.

This accordingly is the test by which we must try all such questions, and by which the propriety of the analogical argument, from dealing with a tradesman to dealing with a nation, must be decided.

Let us take, for instance, as our example, Paris, which is much frequented by strangers from various parts of the world, who, as sojourners there, live unproductively upon their means. Let us consider whether the presence of these persons is beneficial, in an *industrial* point of view, to Paris.

We exclude from the consideration that portion of the strangers' incomes which they pay to natives as direct remuneration for service, or labour of any description. This is obviously beneficial to the country. An increase in the funds expended in employing labour, whether that labour be productive or unproductive, tends equally to raise wages. The condition of the whole labouring class is, so far, benefited. It is true that the labourers thus employed by sojourners are probably, in part or altogether, withdrawn from productive employment. But this is far from being an evil; for either the situation of the labouring classes is improved, which is far more than an equivalent for a diminution in mere production, or the rise of wages acts as a stimulus to population, and then the number of productive labourers becomes as great as before.

To this we may add, that what the sojourners pay as wages of labour or service (whether constant or casual), though expended unproductively by the first possessor, may, when it passes into the hands of the receivers, be by them saved, and invested in a productive employment. If so, a direct addition is made to the national capital.

All this is obvious, and is sufficiently allowed by political economists; who have invariably set apart the gains of all persons coming under the class of domestic servants, as real advantages arising to a place from the residence there of an increased number of unproductive consumers.

We have only to examine whether the purchases of commodities by these unproductive consumers, confer the same kind of benefit upon the village, town, or nation, which is bestowed upon a particular tradesman by dealing at his shop.

Now it is obvious that the sojourners, on their arrival, confer the benefit in question upon some dealers, who did not enjoy it before. They purchase their food, and many other articles, from the dealers in the place. They, therefore, call the capital of some dealers, which was locked up in unsold goods, into more active employment. They encourage them to save, and enable them to receive wages of superintendence upon a larger amount of capital. These effects being undeniable, the question is, whether the presence of the sojourners deprives any others of the Paris dealers of a similar advantage.

It will be seen that it does; and nothing will then remain but a comparison of the amounts.

It is obvious to all who reflect (and was shown in the paper which precedes this)^[*] that the remittances to persons who expand their incomes in foreign countries are, after a slight passage of the precious metals, defrayed in commodities: and that the result commonly is, an increase of exports and a diminution of imports, until the latter fall short of the former by the amount of the remittances.

The arrival, therefore, of the strangers (say from England), while it creates at Paris a market for commodities equivalent in value to their funds, displaces in the market other commodities to an equal value. To the extent of the increase of exports from England into France in the way of remittance, it introduces additional commodities which, by their cheapness, displace others formerly produced in that country. To the extent of the diminution of imports into England from France, commodities which existed or which were habitually produced in that country are deprived of a market, or can only find one at a price not sufficient to defray the cost.

It must, therefore, be a matter of mere accident, if by arriving in a place, the new unproductive consumer causes any net advantage to its industry, of the kind which we are now examining. Not to mention that this, like any other change in the channels of trade, may render useless a portion of fixed capital, and so far injure the national wealth.

A distinction, however, must here be made.

The place to which the new unproductive consumers have come, may be a town or village, as well as a country. If a town or village, it may either be or not be a place having an export trade.

If the place had no previous trade except with the immediate neighbourhood, there are no exports and imports, by the new arrangement of which, the remittance can be made. There is no capital, formerly employed in manufacturing for the foreign market, which is now brought into less full employment.

Yet the remittance evidently is still made in commodities, but in this case without displacing any which were produced before. To shew this, it is necessary to make the following remarks.

The reason why towns exist, is that *ceteris paribus* it is convenient, in order to save cost of carriage, that the production of commodities should take place as far as practicable in the immediate vicinity of the consumer. Capital finds its way so easily from town to country and from country to town, that the amount of capital in the town will be regulated wholly by the amount which can be employed there more conveniently than elsewhere. Consequently the capital of a place will be such as is sufficient

1st. To produce all commodities which from local circumstances can be produced there at less cost than elsewhere: and if this be the case to any great extent, it will be an exporting town. When we say *produced*, we may add, or *stored*.

2nd. To produce and retail the commodities which are consumed by the inhabitants of the town, and the place of whose production is in other respects a matter of indifference. To the inhabitants of the town must be added such dwellers in the adjoining country, as are nearer to that place than to any other equally well furnished market.

Now, if new unproductive consumers resort to the place, it is clear that for the latter of these two purposes, more capital will be required than before. Consequently, if less is not required for the former purpose, more capital will establish itself at the place.

Until this additional capital has arrived, the producers and dealers already on the spot will enjoy great advantages. Every particle of their own capital will be called into the most active employment. What their capital does not enable them to supply, will be got from others at a distance, who cannot supply it on such favourable terms; consequently they will be in the predicament of possessing a partial monopoly—receiving for every thing a price regulated by a higher cost of production than they are compelled to pay. They also, being in possession of the market, will be enabled to make a large portion of the new capital pass through their hands, and thus to earn wages of superintendence upon it.

If, indeed, the place from whence the strangers came, previously traded with that where they have taken up their abode, the effect of their arrival is, that the exports of the town will diminish, and that it will be supplied from abroad with something which it previously produced at home. In this way an amount of capital will be set free equal to that required, and there will be no increase on the whole. The removal of the court from London to Birmingham would not necessarily, though it would probably,^{*} increase the amount of capital in the latter place. The afflux of money to Birmingham, and its efflux from London, would render it cheaper to make some articles in London for Birmingham consumption; and to make others in London for home consumption, which were formerly brought from Birmingham.

But instead of Birmingham, an exporting town, suppose a village, or a town which only produced and retailed for itself and its immediate vicinity. The remittances must come thither in the shape of money; and though the money would not remain, but would be sent away in exchange for commodities, it would, however, first pass through the hands of the producers and dealers in the place, and would by them be exported in exchange for the articles which they require—viz. the materials, tools, and subsistence necessary for the increased production now required of them, and articles of foreign luxury for their own increased unproductive consumption. These articles would not displace any formerly made in the place, but on the contrary, would forward the production of more.

Hence we may consider the following propositions as established:

1. The expenditure of absentees (the case of domestic servants excepted,) is not necessarily any loss to the *country* which they leave, or gain to the *country* which they resort to (save in the manner shown in Essay I):^[*] for almost every *country* habitually exports and imports to a much greater value than the incomes of its absentees, or of the foreign sojourners within it.
2. But sojourners often do much good to the *town* or village which they resort to, and absentees harm to that which they leave. The capital of the petty tradesman in a small town near an absentee's estate, is deprived of the market for which it is conveniently situated, and must resort to another to which other capitals lie nearer, and where it is

consequently outbid, and gains less; obtaining only the same price, with greater expenses. But this evil would be equally occasioned, if, instead of going abroad, the absentee had removed to his own capital city.

If the tradesman could, in the latter case, remove to the metropolis, or in the former, employ himself in producing increased exports, or in producing for home consumption articles now no longer imported, each in the place most convenient for that operation; he would not be a loser, though the place which he was obliged to leave might be said to lose.

Paris undoubtedly gains much by the sojourn of foreigners, while the counteracting loss by diminution of exports from France is suffered by the great trading and manufacturing towns, Rouen, Bordeaux, Lyons, &c., which also suffer the principal part of the loss by importation of articles previously produced at home. The capital thus set free, finds its most convenient seat to be Paris, since the business to which it must turn is the production of articles to be unproductively consumed by the sojourners.

The great trading towns of France would undoubtedly be more flourishing, if France were not frequented by foreigners.

Rome and Naples are perhaps purely benefited by the foreigners sojourning there: for they have so little external trade, that their case may resemble that of the village in our hypothesis.

Absenteeism, therefore, (except as shown in the first Essay,)^[*] is a local, not a national evil; and the resort of foreigners, in so far as they purchase for unproductive consumption, is not, in any commercial country, a national, though it may be a local good.

From the considerations which we have now adduced, it is obvious what is meant by such phrases as a *brisk demand*, and a rapid circulation. There is a brisk demand and a rapid circulation, when goods, generally speaking, are sold as fast as they can be produced. There is slackness, on the contrary, and stagnation, when goods, which have been produced, remain for a long time unsold. In the former case, the capital which has been locked up in production is disengaged as soon as the production is completed; and can be immediately employed in further production. In the latter case, a large portion of the productive capital of the country is lying in temporary inactivity.

From what has been already said, it is obvious that periods of “brisk demand” are also the periods of greatest production: the national capital is never called into full employment but at those periods. This, however, is no reason for desiring such times; it is not desirable that the whole capital of the country should be in full employment. For, the calculations of producers and traders being of necessity imperfect, there are always some commodities which are more or less in excess, as there are always some which are in deficiency. If, therefore, the whole truth were known, there would always be some classes of producers contracting, not extending, their operations. If *all* are endeavouring to extend them, it is a certain proof that some general delusion is

afloat. The commonest cause of such delusion is some general, or very extensive, rise of prices (whether caused by speculation or by the currency) which persuades all dealers that they are growing rich. And hence, an increase of production really takes place during the progress of depreciation, as long as the existence of depreciation is not suspected; and it is this which gives to the fallacies of the currency school, principally represented by Mr. Attwood, all the little plausibility they possess. But when the delusion vanishes and the truth is disclosed, those whose commodities are relatively in excess must diminish their production or be ruined: and if during the high prices they have built mills and erected machinery, they will be likely to repent at leisure.

In the present state of the commercial world, mercantile transactions being carried on upon an immense scale, but the remote causes of fluctuations in prices being very little understood, so that unreasonable hopes and unreasonable fears alternately rule with tyrannical sway over the minds of a majority of the mercantile public; general eagerness to buy and general reluctance to buy, succeed one another in a manner more or less marked, at brief intervals. Except during short periods of transition, there is almost always either great briskness of business or great stagnation; either the principal producers of almost all the leading articles of industry have as many orders as they can possibly execute, or the dealers in almost all commodities have their warehouses full of unsold goods.

In this last case, it is commonly said that there is a general superabundance; and as those economists who have contested the possibility of general superabundance, would none of them deny the possibility or even the frequent occurrence of the phenomenon which we have just noticed, it would seem incumbent on them to show, that the expression to which they object is not applicable to a state of things in which all or most commodities remain unsold, in the same sense in which there is said to be a superabundance of any one commodity when it remains in the warehouses of dealers for want of a market.

This is merely a question of naming, but an important one, as it seems to us that much apparent difference of opinion has been produced by a mere difference in the mode of describing the same facts, and that persons who at bottom were perfectly agreed, have considered each other as guilty of gross error, and sometimes even misrepresentation, on this subject.

In order to afford the explanations, with which it is necessary to take the doctrine of the impossibility of an excess of all commodities, we must advert for a moment to the argument by which this impossibility is commonly maintained.

There can never, it is said, be a want of buyers for all commodities; because whoever offers a commodity for sale, desires to obtain a commodity in exchange for it, and is therefore a buyer by the mere fact of his being a seller. The sellers and the buyers, for all commodities taken together, must, by the metaphysical necessity of the case, be an exact equipoise to each other; and if there be more sellers than buyers of one thing, there must be more buyers than sellers for another.

This argument is evidently founded on the supposition of a state of barter; and, on that supposition, it is perfectly incontestable. When two persons perform an act of barter, each of them is at once a seller and a buyer. He cannot sell without buying. Unless he chooses to buy some other person's commodity, he does not sell his own.

If, however, we suppose that money is used, these propositions cease to be exactly true. It must be admitted that no person desires money for its own sake, (unless some very rare cases of misers be an exception,) and that he who sells his commodity, receiving money in exchange, does so with the intention of buying with that same money some other commodity. Interchange by means of money is therefore, as has been often observed, ultimately nothing but barter. But there is this difference—that in the case of barter, the selling and the buying are simultaneously confounded in one operation; you sell what you have, and buy what you want, by one indivisible act, and you cannot do the one without doing the other. Now the effect of the employment of money, and even the utility of it, is, that it enables this one act of interchange to be divided into two separate acts or operations; one of which may be performed now, and the other a year hence, or whenever it shall be most convenient. Although he who sells, really sells only to buy, he needs not buy at the same moment when he sells; and he does not therefore necessarily add to the *immediate* demand for one commodity when he adds to the supply of another. The buying and selling being now separated, it may very well occur, that there may be, at some given time, a very general inclination to sell with as little delay as possible, accompanied with an equally general inclination to defer all purchases as long as possible. This is always actually the case, in those periods which are described as periods of general excess. And no one, after sufficient explanation, will contest the possibility of general excess, in this sense of the word. The state of things which we have just described, and which is of no uncommon occurrence, amounts to it.

For when there is a general anxiety to sell, and a general disinclination to buy, commodities of all kinds remain for a long time unsold, and those which find an immediate market, do so at a very low price. If it be said that when all commodities fall in price, the fall is of no consequence, since mere money price is not material while the relative value of all commodities remains the same, we answer that this would be true if the low prices were to last for ever. But as it is certain that prices will rise again sooner or later, the person who is obliged by necessity to sell his commodity at a low money price is really a sufferer, the money he receives sinking shortly to its ordinary value. Every person, therefore, delays selling if he can, keeping his capital unproductive in the mean time, and sustaining the consequent loss of interest. There is stagnation to those who are not obliged to sell, and distress to those who are.

It is true that this state can be only temporary, and must even be succeeded by a reaction of corresponding violence, since those who have sold without buying will certainly buy at last, and there will then be more buyers than sellers. But although the general over-supply is of necessity only temporary, this is no more than may be said of every partial over-supply. An overstocked state of the market is always temporary, and is generally followed by a more than common briskness of demand.

In order to render the argument for the impossibility of an excess of all commodities applicable to the case in which a circulating medium is employed, money must itself be considered as a commodity. It must, undoubtedly, be admitted that there cannot be an excess of all other commodities, and an excess of money at the same time.

But those who have, at periods such as we have described, affirmed that there was an excess of all commodities, never pretended that money was one of these commodities; they held that there was not an excess, but a deficiency of the circulating medium. What they called a general superabundance, was not a superabundance of commodities relatively to commodities, but a superabundance of all commodities relatively to money. What it amounted to was, that persons in general, at that particular time, from a general expectation of being called upon to meet sudden demands, liked better to possess money than any other commodity. Money, consequently, was in request, and all other commodities were in comparative disrepute. In extreme cases, money is collected in masses, and hoarded; in the milder cases, people merely defer parting with their money, or coming under any new engagements to part with it. But the result is, that all commodities fall in price, or become unsaleable. When this happens to one single commodity, there is said to be a superabundance of that commodity; and if that be a proper expression, there would seem to be in the nature of the case no particular impropriety in saying that there is a superabundance of all or most commodities, when all or most of them are in this same predicament.

It is, however, of the utmost importance to observe that excess of all commodities, in the only sense in which it is possible, means only a temporary fall in their value relatively to money. To suppose that the markets for all commodities could, in any other sense than this, be overstocked, involves the absurdity that commodities may fall in value relatively to themselves; or that, of two commodities, each can fall relatively to the other, A becoming equivalent to $B - x$, and B to $A - x$, at the same time. And it is, perhaps, a sufficient reason for not using phrases of this description, that they suggest the idea of excessive production. A want of market for one article may arise from excessive production of that article; but when commodities in general become unsaleable, it is from a very different cause; there cannot be excessive production of commodities in general.

The argument against the possibility of general over-production is quite conclusive, so far as it applies to the doctrine that a country may accumulate capital too fast; that produce in general may, by increasing faster than the demand for it, reduce all producers to distress. This proposition, strange to say, was almost a received doctrine as lately as thirty years ago; and the merit of those who have exploded it is much greater than might be inferred from the extreme obviousness of its absurdity when it is stated in its native simplicity. It is true that if all the wants of all the inhabitants of a country were fully satisfied, no further capital could find useful employment; but, in that case, none would be accumulated. So long as there remain any persons not possessed, we do not say of subsistence, but of the most refined luxuries, and who would work to possess them, there is employment for capital; and if the commodities which these persons want are not produced and placed at their disposal, it can only be because capital does not exist, disposable for the purpose of employing, if not any

other labourers, those very labourers themselves, in producing the articles for their own consumption. Nothing can be more chimerical than the fear that the accumulation of capital should produce poverty and not wealth, or that it will ever take place too fast for its own end. Nothing is more true than that it is produce which constitutes the market for produce, and that every increase of production, if distributed without miscalculation among all kinds of produce in the proportion which private interest would dictate, creates, or rather constitutes, its own demand.

This is the truth which the deniers of general over-production have seized and enforced; nor is it pretended that anything has been added to it, or subtracted from it, in the present disquisition. But it is thought that those who receive the doctrine accompanied with the explanations which we have given, will understand, more clearly than before, what is, and what is not, implied in it; and will see that, when properly understood, it in no way contradicts those obvious facts which are universally known and admitted to be not only of possible, but of actual and even frequent occurrence. The doctrine in question only appears a paradox, because it has usually been so expressed as apparently to contradict these well-known facts; which, however, were equally well known to the authors of the doctrine, who, therefore, can only have adopted from inadvertence any form of expression which could to a candid person appear inconsistent with it. The essentials of the doctrine are preserved when it is allowed that there cannot be permanent excess of production, or of accumulation; though it be at the same time admitted, that as there may be a temporary excess of any one article considered separately, so may there of commodities generally, not in consequence of over-production, but of a want of commercial confidence.

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On The Words Productive And Unproductive

[Essay III in *Essays on Some Unsettled Questions of Political Economy*, 75-89. One typographical error was introduced into the 2nd edition, “expand” for “expend” (288.29).]

it would probably be difficult to point out any two words, respecting the proper use of which political economists have been more divided, than they have been concerning the two words *productive* and *unproductive*; whether considered as applied to *labour*, to *consumption*, or to *expenditure*.

Although this is a question solely of nomenclature, it is one of sufficient importance to be worth another attempt to settle it satisfactorily. For, although writers on political economy have not agreed in the ideas which they were accustomed to annex to these terms, the terms have generally been employed to denote ideas of very great importance, and it is impossible that some vagueness should not have been thrown upon the ideas themselves by looseness in the use of the words by which they are habitually designated. Further, so long as the pedantic objection to the introduction of new technical terms continues, accurate thinkers on moral and political subjects are limited to a very scanty vocabulary for the expression of their ideas. It therefore is of great importance that the words with which mankind are familiar, should be turned to the greatest possible advantage as instruments of thought; that one word should not be used as the sign of an idea which is already sufficiently expressed by another word; and that words which are required to denote ideas of great importance, should not be usurped for the expression of such as are comparatively insignificant.

The phrases *productive labour*, and *productive consumption*, have been employed by some writers on political economy with very great latitude. They have considered, and classed, as productive labour and productive consumption, all labour which serves any *useful* purpose—all consumption which is not *waste*. Mr. McCulloch has asserted, *totidem verbis*, that the labour of Madame Pasta was as well entitled to be called productive labour as that of a cotton spinner.^[*]

Employed in this sense, the words *productive* and *unproductive* are superfluous, since the words *useful* and *agreeable* on the one hand, *useless* and *worthless* on the other, are quite sufficient to express all the ideas to which the words *productive* and *unproductive* are here applied.

This use of the terms, therefore, is subversive of the ends of language.

Those writers who have employed the words in a more limited sense, have usually understood by productive or unproductive labour, labour which is productive of wealth, or unproductive of wealth. But what is wealth? And here the words productive and unproductive have been affected with additional ambiguities, corresponding to the different extension which different writers have given to the term wealth.

Some have given the name of wealth to *all things* which tend to the use or enjoyment of mankind, and which possess exchangeable value. This last clause is added to exclude air, the light of the sun, and any other things which can be obtained in unlimited quantity without labour or sacrifice; together with all such things as, though produced by labour, are not held in sufficient general estimation to command any price in the market.

But when this definition came to be explained, many persons were disposed to interpret "*all things* which tend to the use or enjoyment of man," as implying only all *material* things. *Immaterial* products they refused to consider as wealth; and labour or expenditure which yielded nothing but immaterial products, they characterised as unproductive labour and unproductive expenditure.

To this it was, or might have been, answered, that according to this classification, a carpenter's labour at his trade is productive labour, but the same individual's labour in learning his trade was unproductive labour. Yet it is obvious that, on both occasions, his labour tended exclusively to what is allowed to be production: the one was equally indispensable with the other, to the ultimate result. Further, if we adopted the above definition, we should be obliged to say that a nation whose artisans were twice as skilful as those of another nation, was not, *ceteris paribus*, more wealthy; although it is evident that every one of the results of wealth, and everything for the sake of which wealth is desired, would be possessed by the former country in a higher degree than by the latter.

Every classification according to which a basket of cherries, gathered and eaten the next minute, are called wealth, while that title is denied to the acquired skill of those who are acknowledged to be productive labourers, is a purely arbitrary division, and does not conduce to the ends for which classification and nomenclature are designed.

In order to get over all difficulties, some political economists seem disposed to make the terms express a distinction sufficiently definite indeed, but more completely arbitrary, and having less foundation in nature, than any of the former. They will not allow to any labour or to any expenditure the name of productive, unless the produce which it yields returns into the hands of the very person who made the outlay. Hedging and ditching they term productive labour, though those operations conduce to production only indirectly, by protecting the produce from destruction; but the necessary expenses incurred by a government for the protection of property are, they insist upon it, consumed unproductively: though, as has been well pointed out by Mr. McCulloch, these expenses, in their relation to the national wealth, are exactly analogous to the wages of a hedger or a ditcher.^[*] The only difference is, that the farmer, who pays for the hedging and ditching, is the person to whom the consequent increase of production accrues, while the government, which is at the expense of police officers and courts of justice, does not, as a necessary consequence, get back into its own coffers the increase of the national wealth resulting from the security of property.

It would be endless to point out the oddities and incongruities which result from this classification. Whether we take the words wealth and production in the largest, or in

the most restricted sense in which they have ever yet been employed, nobody will dispute that roads, bridges, and canals, contribute in an eminent degree, and in a very direct manner, to the increase of production and wealth. The labour and pecuniary resources employed in their construction would, according to the above theory, be considered productive, if every occupier of land were compelled by law to construct so much of the road, or canal, as passes through his own farm. If, instead of this, the government makes the road, and throws it open to the public toll-free, the labour and expenditure would be, on the above system, clearly unproductive. But if the government, or an association of individuals, made the road, and imposed a toll to defray the expense, we do not see how these writers could refuse to the outlay the title of productive expenditure. It would follow, that the very same labour and expense, if given gratuitously, must be called unproductive, which, if a charge had been made for it, would have been called productive.

When these consequences of the purely arbitrary classification to which we allude have been pointed out and complained of, the only answer which we have ever seen made to the objection is, that the line of demarcation must be drawn somewhere, and that in every classification there are intermediate cases, which might have been included, with almost equal propriety, either in the one class or in the other.

This answer appears to us to indicate the want of a sufficiently accurate and discriminating perception, what is the kind of inaccuracy which generally cannot be avoided in a classification, and what is that other kind of inaccuracy, from which it always may be, and should be, exempt.

The classes themselves may be, mentally speaking, perfectly definite, though it may not always be easy to say to which of them a particular object belongs. When it is uncertain in which of two classes an object should be placed, if the classification be properly made, and properly expressed, the uncertainty can turn only upon a matter of fact. It is uncertain to which class the object belongs, because it is doubtful whether it possesses in a greater degree the characteristics of the one class or those of the other. But the characteristics themselves may be defined and distinguished with the nicest exactness, and always ought to be so. Especially ought they in a case like the present, because here it is only the distinction between the ideas which is of any importance. That we should be able with ease to portion out all employments between the two classes, does not happen to be of any particular consequence.

It is frequently said that classification is a mere affair of convenience. This assertion is true in one sense, but not if its meaning be, that the most proper classification is that in which it is easiest to say whether an object belongs to one class or to the other. The use of classification is, to fix attention upon the distinctions which exist among things; and that is the best classification, which is founded upon the most important distinctions, whatever be the facilities which it may afford of ticketing and arranging the different objects which exist in nature. In fixing, therefore, the meaning of the words productive and unproductive, we ought to endeavour to render them significative of the most important distinctions which, without too glaring a violation of received usage, they can be made to express.

We ought further, when we are restricted to the employment of old words, to endeavour as far as possible that it shall not be necessary to struggle against the old associations with those words. We should, if possible, give the words such a meaning, that the propositions in which people are accustomed to use them, shall as far as possible still be true; and that the feelings habitually excited by them, shall be such as the things to which we mean to appropriate them ought to excite.

We shall endeavour to unite these conditions in the result of the following enquiry.

In whatever manner political economists may have settled the definition of productive and unproductive labour or consumption, the consequences which they have drawn from the definition are nearly the same. In proportion to the amount of the productive labour and consumption of a country, the country, they all allow, is enriched: in proportion to the amount of the unproductive labour and consumption, the country is impoverished. Productive expenditure they are accustomed to view as a gain; unproductive expenditure, however useful, as a sacrifice. Unproductive expenditure of what was destined to be expended productively, they always characterise as a squandering of resources, and call it profusion and prodigality. The productive expenditure of that which might, without encroaching upon capital, be expended unproductively, is called saving, economy, frugality. Want, misery, and starvation, are described as the lot of a nation which annually employs less and less of its labour and resources in production; growing comfort and opulence as the result of an annual increase in the quantity of wealth so employed.

Let us then examine what qualities in expenditure, and in the employment of labour, are those from which all the consequences above mentioned really flow.

The end to which all labour and all expenditure are directed, is twofold. Sometimes it is *enjoyment* immediately; the fulfilment of those desires, the gratification of which is wished for on its own account. Whenever labour or expense is not incurred *immediately* for the sake of enjoyment, and is yet not absolutely wasted, it must be incurred for the purpose of enjoyment *indirectly* or mediately; by either repairing and perpetuating, or adding, to the *permanent sources* of enjoyment.

Sources of enjoyment may be accumulated and stored up; enjoyment itself cannot. The wealth of a country consists of the sum total of the permanent sources of enjoyment, whether material or immaterial, contained in it: and labour or expenditure which tends to augment or to keep up these permanent sources, should, we conceive, be termed productive.

Labour which is employed for the purpose of directly affording enjoyment, such as the labour of a performer on a musical instrument, we term unproductive labour. Whatever is consumed by such a performer, we consider as unproductively consumed: the accumulated total of the sources of enjoyment which the nation possesses, is diminished by the amount of what he has consumed: whereas, if it had been given to him in exchange for his services in producing food or clothing, the total of the permanent sources of enjoyment in the country might have been not diminished but increased.

The performer on the musical instrument then is, so far as respects that act, not a productive, but an unproductive labourer. But what shall we say of the workman who made the musical instrument? He, most persons would say, is a productive labourer; and with reason; because the musical instrument is a permanent source of enjoyment, which does not begin and end with the enjoying, and therefore admits of being accumulated.

But the *skill* of the musician is a permanent source of enjoyment, as well as the instrument which he plays upon: and although skill is not a material object, but a quality of an object, viz., of the hands and mind of the performer; nevertheless skill possesses exchangeable value, is acquired by labour and capital, and is capable of being stored and accumulated. Skill, therefore, must be considered as wealth; and the labour and funds employed in acquiring skill in anything tending to the advantage or pleasure of mankind, must be considered to be productively employed and expended.

The skill of a productive labourer is analogous to the machinery he works with: neither of them is enjoyment, nor conduces directly to it, but both conduce indirectly to it, and both in the same way. If a spinning-jenny be wealth, the spinner's skill is also wealth. If the mechanic who made the spinning-jenny laboured productively, the spinner also laboured productively when he was learning his trade: and what they both consumed was consumed productively, that is to say, its consumption did not tend to diminish, but to increase the sum of the permanent sources of enjoyment in the country, by effecting a new creation of those sources, more than equal to the amount of the consumption.

The skill of a tailor, and the implements he employs, contribute in the same way to the convenience of him who wears the coat, namely, a remote way: it is the coat itself which contributes immediately. The skill of Madame Pasta, and the building and decorations which aid the effect of her performance, contribute in the same way to the enjoyment of the audience, namely, an immediate way, without any intermediate instrumentality. The building and decorations are consumed unproductively, and Madame Pasta labours and consumes unproductively; for the building is used and worn out, and Madame Pasta performs, immediately for the spectators' enjoyment, and without leaving, as a consequence of the performance, any permanent result possessing exchangeable value: consequently the epithet unproductive must be equally applied to the gradual wearing out of the bricks and mortar, the nightly consumption of the more perishable "properties" of the theatre, the labour of Madame Pasta in acting, and of the orchestra in playing. But notwithstanding this, the architect who built the theatre was a productive labourer; so were the producers of the perishable articles; so were those who constructed the musical instruments; and so, we must be permitted to add, were those who instructed the musicians, and all persons who, by the instructions which they may have given to Madame Pasta, contributed to the formation of her talent. All these persons contributed to the enjoyment of the audience in the same way, and that a remote way, viz., by the production of a *permanent source of enjoyment*.

The difference between this case, and the case of the cotton spinner already adverted to, is this. The spinning-jenny, and the skill of the cotton spinner, are not only the

result of productive labour, but are themselves productively consumed. The musical instrument and the skill of the musician are equally the result of productive labour, but are themselves unproductively consumed.

Let us now consider what kinds of labour, and of consumption or expenditure, will be classed as productive, and what as unproductive, according to this rule.

The following are always productive:

Labour and expenditure, of which the direct object or effect is the creation of some material product useful or agreeable to mankind.

Labour and expenditure, of which the direct effect and object are, to endow human or other animated beings with faculties or qualities useful or agreeable to mankind, and possessing exchangeable value.

Labour and expenditure, which without having for their direct object the creation of any useful material product or bodily or mental faculty or quality, yet tend indirectly to promote one or other of those ends, and are exerted or incurred solely for that purpose.

The following are partly productive and partly unproductive, and cannot with propriety be ranged decidedly with either class:

Labour or expenditure which does indeed create, or promote the creation of, some useful material product or bodily or mental faculty or quality, but which is not incurred or exerted for that sole end; having also for another, and perhaps its principal end, enjoyment, or the promotion of enjoyment.

Such are the labour of the judge, the legislator, the police-officer, the soldier; and the expenditure incurred for their support. These functionaries protect and secure mankind in the exclusive possession of such material products or acquired faculties as belong to them; and by the security which they so confer, they indirectly increase production in a degree far more than equivalent to the expense which is necessary for their maintenance. But this is not the only purpose for which they exist; they protect mankind, not merely in the possession of their permanent resources, but also in their actual enjoyments; and so far, although highly useful, they cannot, conformably to the distinction which we have attempted to lay down, be considered productive labourers.

Such, also, are the labour and the wages of domestic servants. Such persons are entertained mainly as subservient to mere enjoyment; but most of them occasionally, and some habitually, render services which must be considered as of a productive nature; such as that of cookery, the last stage in the manufacture of food; or gardening, a branch of agriculture.

The following are wholly unproductive:

Labour exerted, and expenditure incurred, directly and exclusively for the purpose of enjoyment, and not calling into existence anything, whether substance or quality, but such as begins and perishes in the enjoyment.

Labour exerted and expenditure incurred uselessly, or in pure waste, and yielding neither direct enjoyment nor permanent sources of enjoyment.

It may be objected, that expenditure incurred even for pure enjoyment promotes production indirectly, by inciting to exertion. Thus the view of the splendour of a rich establishment is supposed by some writers to produce upon the mind of an indigent spectator an earnest desire of enjoying the same luxuries, and a consequent purpose of working with vigour and diligence, and saving from his earnings, thus increasing the productive capital of the country.

It is true that mankind are, for the most part, excited to productive industry solely by the desire of subsequently consuming the result of their labour and accumulation. The consumption called unproductive, viz., that of which the direct result is enjoyment, is in reality the end, to which production is only the means; and a desire for the end, is what alone impels any one to have recourse to the means.

But, notwithstanding this, it is of the greatest importance to mark the distinction between the labour and the consumption which have enjoyment for their immediate end, and the labour and the consumption of which the immediate end is reproduction. Though the sight of the former may still further stimulate that desire for the enjoyments afforded by wealth, which the mere knowledge, without the immediate view, would suffice to excite (and without dwelling on the consideration that if the example of a large expenditure excites one individual to accumulation, it encourages two to prodigal expense); still, if we look only to the effects which are intended, or to those which immediately follow from the consumption, and whose connexion with it can be distinctly traced, it evidently renders a country poorer in the permanent sources of enjoyment; while reproductive consumption leaves the country richer in these same sources. Besides, if what is spent for mere pleasure promotes indirectly the increase of wealth, it can only be by inducing others *not* to expend on mere pleasure.

Before quitting the subject, one more observation should be added. It must not be supposed that what is expended upon unproductive labourers is necessarily, the whole of it, unproductively consumed. The unproductive labourers may save part of their wages, and invest them in a productive employment.

It is not unusual to speak of what is paid in wages to a labourer as being thereby *consumed*, as if all profit and loss to the nation were to be seen in the capitalist's account-book. What is paid for productive labour is said to be productively consumed; what is paid for unproductive labour is said to be consumed unproductively. It would be proper to say, not that it is productively or unproductively *consumed*, but productively or unproductively *expended*; otherwise, we shall be obliged to say that it is consumed twice over; the first time unproductively, perhaps, and the second, it may be, productively.

To pronounce in which way the wages of the labourer are consumed, we must follow them into the labourer's own hands. As much as is necessary to keep the productive labourer in perfect health and fitness for his employment, may be said to be consumed productively. To this should be added what he expends in rearing children to the age at which they become capable of productive industry. If the state of the market for labour be such as to afford him more, this he may either save, or, as the common expression is, he may spend it. If he saves any portion, this (unless it be merely hoarded) he intends to employ productively, and it will be productively consumed. If he spends it, the consumption is for enjoyment immediately, and is therefore unproductive.

This suggests another correction in the established language. Political economists generally define the "net produce" to be that portion of the gross annual produce of a country which remains after replacing the capital annually consumed. This, as they proceed to explain, consists of profits and rent; wages being included in the other portion of the gross produce, that which goes to replace capital. After this definition, they usually proceed to tell us that the net produce, and that alone, constitutes the fund from which a nation can accumulate, and add to its capital, as also that which it can, without retrograding in wealth, expend unproductively, or for enjoyment. Now, it is impossible that both the above propositions can be true. If the net produce is that which remains after replacing capital, then net produce is not the only fund out of which accumulation may be made: for accumulation may be made from wages; this is in all countries one of the great sources, and in countries like America perhaps the greatest source of accumulation. If, on the other hand, it is desirable to reserve the name of net produce to denote the fund available for accumulation or for unproductive consumption, we must define net produce differently. The definition which appears the best adapted to render the ordinary doctrines relating to net produce true, would be this:

The net produce of a country is whatever is annually produced beyond what is necessary for maintaining the stock of materials and implements unimpaired, for keeping all productive labourers alive and in condition for work, and for just keeping up their numbers without increase. What is required for these purposes, or, in other words, for keeping up the productive resources of the country, cannot be diverted from its destination without rendering the nation as a whole poorer. But all which is produced beyond this, whether it be in the hands of the labourer, of the capitalist, or of any of the numerous varieties of rent-owners, may be taken for immediate enjoyment, without prejudice to the productive resources of the community; and whatever part of it is not so taken, constitutes a clear addition to the national capital, or to the permanent sources of enjoyment.

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On Profits, And Interest

[Essay IV in *Essays on Some Unsettled Questions of Political Economy*, 90-119.
Writing to J. P. Nichol (15/4/34), JSM comments: "By-the-bye, I believe almost all that I have written in the fourth essay concerning Interest is erroneous but it may lead you to think on the subject, if you have not already" (*Earlier Letters*, XII, 222). (See also headnote, 230 above.)

One correction introduced in the 2nd edition is here accepted, with the reading of the 1st edition given as a variant (294^{a-a}). Two typographical errors were introduced into the 2nd edition, "ef" for "of" (302.4) and "supposed" for "disposed" (304.20).]

the profits of stock are the surplus which remains to the capitalist after replacing his capital: and the ratio which that surplus bears to the capital itself, is the *rate* of profit.

This being the definition of profits, it might seem natural to adopt, as a sufficient theory in regard to the rate of profit, that it depends upon the productive power of capital. Some countries are favoured beyond others, either by nature or art, in the means of production. If the powers of the soil, or of machinery, enable capital to produce what is necessary for replacing itself, and twenty per cent more, profits will be twenty per cent; and so on.

This, accordingly, is a popular mode of speaking on the subject of profits; but it has only the semblance, not the reality, of an explanation. The "productive power of capital," though a common, and, for some purposes, a convenient expression, is a delusive one. Capital, strictly speaking, has no productive power. The only productive power is that of labour; assisted, no doubt, by tools, and acting upon materials. That portion of capital which consists of tools and materials, may be said, perhaps, without any great impropriety, to have a productive power, because they contribute, along with labour, to the accomplishment of production. But that portion of capital which consists of wages, has no productive power of its own. Wages have no productive power; they are the price of a productive power. Wages do not contribute, along with labour, to the production of commodities, no more than the price of tools contributes along with the tools themselves. If labour could be had without purchase, wages might be dispensed with. That portion of capital which is expended in the wages of labour, is only the means by which the capitalist procures to himself, in the way of purchase, the use of that labour in which the power of production really resides.

The proper view of capital is, that anything whatever, which a person possesses, constitutes his capital, provided he is able, and intends, to employ it, not in consumption for the purpose of enjoyment, but in possessing himself of the means of production, with the intention of employing those means productively. Now the means of production are labour, implements, and materials. The only productive power which anywhere exists, is the productive power of labour, implements, and materials.

We need not, on this account, altogether proscribe the expression, “productive power of capital;” but we should carefully note, that it can only mean the quantity of real productive power which the capitalist, by means of his capital, can command. This may change, though the productive power of labour remains the same. Wages, for example, may rise; and then, although all the circumstances of production remain exactly as they were before, the same capital will yield a less return, because it will set in motion a less quantity of productive labour.

We may, therefore, consider the capital of a producer as measured by the means which he has of possessing himself of the different essentials of production: namely, labour, and the various articles which labour requires as materials, or of which it avails itself as aids. The ratio between the price which he has to pay for these means of production, and the produce which they enable him to raise, is the *rate* of his *profit*. If he must give for labour and tools four-fifths of what they will produce, the remaining fifth will constitute his profit, and will give him a rate of one in four, or twenty-five per cent, on his outlay.

It is necessary here to remark, what cannot indeed by any possibility be misunderstood, but might possibly be overlooked in cases where attention to it is indispensable, viz., that we are speaking now of the *rate* of profit, not the gross profit. If the capital of the country is very great, a profit of only five per cent upon it may be much more ample, may support a much larger number of capitalists and their families in much greater affluence, than a profit of twenty-five per cent on the comparatively small capital of a poor country. The *gross* profit of a country is the actual amount of necessities, conveniences, and luxuries, which are divided among its capitalists: but whether this be large or small, the rate of profit may be just the same. The rate of profit is the proportion which the profit bears to the capital; which the surplus produce after replacing the outlay, bears to the outlay. In short, if we compare the *price paid* for labour and tools with what that labour and those tools will *produce*, from this ratio we may calculate the rate of profit.

As the gross profit may be very different though the rate of profit be the same; so also may be absolute price paid for labour and tools be very different, and yet the proportion between the price paid and the produce obtained may be just the same. For greater clearness, let us omit, for the present, the consideration of tools, materials, &c., and conceive production as the result solely of labour. In a certain country, let us suppose, the wages of each labourer are one quarter of wheat per year, and 100 men can produce, in one year, 120 quarters. Here the price paid for labour is to the produce of that labour as 100 to 120, and profits are 20 per cent. Suppose now that, in another country, wages are just double what they are in the country before supposed; namely, two quarters of wheat per year, for each labourer. But suppose, likewise, that the productive power of labour is double what it is in the first country; that by the greater fertility of the soil, 100 men can produce 240 quarters, instead of 120 as before. Here it is obvious, that the real price paid for labour is twice as great in the one country as in the other; but the produce being also twice as great, the ratio between the price of labour and the produce of labour is still exactly the same: an outlay of 200 quarters gives a return of 240 quarters, and profits, as before, are 20 per cent.

Profits, then (meaning not gross profits, but the rate of profit), depend (not upon the price of labour, tools, and materials—but) upon the ratio between the price of labour, tools, and materials, and the produce of them: upon the proportionate share of the produce of industry which it is necessary to offer, in order to purchase that industry and the means of setting it in motion.

We have hitherto spoken of tools, buildings, and materials, as essentials of production, co-ordinate with labour, and equally indispensable with it. This is true; but it is also true that tools, buildings, and materials, are themselves the produce of labour; and that the only cause (cases of monopoly excepted) of their having any value, is the labour which is required for their production.

If tools, buildings, and materials were the spontaneous gifts of nature, requiring no labour either in order to produce or to appropriate them; and if they were thus bestowed upon mankind in indefinite quantity, and without the possibility of being monopolized; they would still be as useful, as indispensable as they now are; but since they could, like air and the light of the sun, be obtained without cost or sacrifice, they would form no part of the expenses of production, and no portion of the produce would be required to be set aside in order to replace the outlay made for these purposes. The whole produce, therefore, after replacing the wages of labour, would be clear profit to the capitalist.

Labour alone is the primary means of production; “the original purchase-money which has been paid for everything.”^[*] Tools and materials, like other things, have originally cost nothing but labour; and have a value in the market only because wages have been paid for them. The labour employed in making the tools and materials being added to the labour afterwards employed in working up the materials by aid of the tools, the sum total gives the whole of the labour employed in the production of the completed commodity. In the ultimate analysis, therefore, labour appears to be the only essential of production. To replace capital, is to replace nothing but the wages of the labour employed. Consequently, the whole of the surplus, after replacing wages, is profits. From this it seems to follow, that the ratio between the wages of labour and the produce of that labour gives the rate of profit. And thus we arrive at Mr. Ricardo’s principle, that profits depend upon wages; rising as wages fall, and falling as wages rise.^[†]

To protect this proposition (the most perfect form in which the law of profits seems to have been yet exhibited) against misapprehension, one or two explanatory remarks are required.

If by wages, be meant what constitutes the real affluence of the labourer, the *quantity* of produce which he receives in exchange for his labour; the proposition that profits vary inversely as wages, will be obviously false. The rate of profit (as has been already observed and exemplified) does not depend upon the price of labour, but upon the proportion between the price of labour and the produce of it. If the produce of labour is large, the price of labour may also be large without any diminution of the rate of profit: and, in fact, the rate of profit is highest in those countries (as, for instance, North America) where the labourer is most largely remunerated. For the

wages of labour, though so large, bear a less proportion to the abundant *produce* of labour, there than elsewhere.

But this does not affect the truth of Mr. Ricardo's principle as he himself understood it; because an increase of the labourer's real comforts was not considered by him as a rise of wages. In his language wages were only said to rise, when they rose not in mere quantity but in *value*. To the labourer himself (he would have said) the *quantity* of his remuneration is the important circumstance: but its *value* is the only thing of importance to the person who purchases his labour.

The rate of profits depends not upon absolute or real wages, but upon the *value* of wages.

If, however, by value, Mr. Ricardo had meant *exchangeable* value, his proposition would still have been remote from the truth. Profits depend no more upon the exchangeable value of the labourer's remuneration, than upon its quantity. The truth is, that by the exchangeable value is meant the quantity of commodities which the labourer can purchase with his wages; so that when we say the exchangeable value of wages, we say their quantity, under another name.

Mr. Ricardo, however, did not use the word value in the sense of exchangeable value.

Occasionally, in his writings, he could not avoid using the word as other people use it, to denote value in exchange. But he more frequently employed it in a sense peculiar to himself, to denote cost of production; in other words, the *quantity of labour* required to produce the article; that being his criterion of cost of production.^[*] Thus, if a hat could be made with ten days' labour in France and with five days' labour in England, he said that the value of a hat was double in France of what it was in England. If a quarter of corn could be produced a century ago with half as much labour as is necessary at present, Mr. Ricardo said that the value of a quarter of corn had doubled.

Mr. Ricardo, therefore, would not have said that wages had risen, because a labourer could obtain two pecks of flour instead of one, for a day's labour; but if last year he received, for a day's labour, something which required eight hours' labour to produce it, and this year something which requires nine hours, then Mr. Ricardo would say that wages had risen. A rise of wages, with Mr. Ricardo, meant an increase in the cost of production of wages; an increase in the number of hours' labour which *a goes^a* to produce the wages of a day's labour; an increase in the *proportion* of the fruits of labour which the labourer receives for his own share; an increase in the ratio between the wages of his labour and the produce of it. This is the theory: the reasoning, of which it is the result, has been given in the preceding paragraphs.

Some of Mr. Ricardo's followers, or more properly, of those who have adopted in most particulars the views of political economy which his genius was the first to open up, have given explanations of Mr. Ricardo's doctrine to nearly the same effect as the above, but in rather different terms. They have said that profits depend not on *absolute*, but on *proportional* wages: which they expounded to mean the proportion which the labourers *en masse* receive of the total produce of the country.

It seems, however, to be rather an unusual and inconvenient use of language to speak of anything as depending upon the wages of labour, and then to explain that by wages of labour you do not mean the wages of an individual labourer, but of all the labourers in the country collectively. Mankind will never agree to call anything a rise of wages, except a rise of the wages of individual labourers, and it is therefore preferable to employ language tending to fix attention upon the wages of the individual. The wages, however, on which profits are said to depend, are undoubtedly *proportional* wages, namely, the proportional wages of one labourer: that is, the ratio between the wages of one labourer, and (not the whole produce of the country, but) the amount of what one labourer can produce; the amount of that portion of the collective produce of the industry of the country, which may be considered as corresponding to the labour of one single labourer. Proportional wages, thus understood, may be concisely termed the cost of production of wages; or, more concisely still, the cost of wages, meaning their cost in the “original purchase money,” labour.

We have now arrived at a distinct conception of Mr. Ricardo’s theory of profits in its most perfect state. And this theory we conceive to be the basis of the true theory of profits. All that remains to do is to clear it from certain difficulties which still surround it, and which, though in a greater degree apparent than real, are not to be put aside as wholly imaginary.

Though it is true that tools, materials, and buildings (it is to be wished that there were some compact designation for all these essentials of production taken together,) are themselves the produce of labour, and are only on that account to be ranked among the expenses of production; yet the *whole* of their value is not resolvable into the wages of the labourers by whom they were produced. The wages of those labourers were paid by a capitalist, and that capitalist must have the same profit upon his advances as any other capitalist; when, therefore, he sells the tools or materials, he must receive from the purchaser not only the reimbursement of the wages he has paid, but also as much more as will afford him the ordinary rate of profit. And when the producer, after buying the tools and employing them in his own occupation, comes to estimate his gains, he must set aside a portion of the produce to replace not only the wages paid both by himself and by the tool-maker, but also the profits of the tool-maker, advanced by himself out of his own capital.

It is not correct, therefore, to state that all which the capitalist retains after replacing wages forms his profit. It is true the whole return to capital is either wages or profits; but profits do not compose merely the surplus after replacing the outlay; they also enter into the outlay itself. Capital is expended partly in paying or reimbursing wages, and partly in paying the profits of other capitalists, whose concurrence was necessary in order to bring together the means of production.

If any contrivance, therefore, were devised by which that part of the outlay which consists of previous profits could be either wholly or partially dispensed with, it is evident that more would remain as the profit of the immediate producer; while, as the quantity of *labour* necessary to produce a given quantity of the commodity would be unaltered, as well as the quantity of produce paid for that labour, it seems that the ratio between the price of labour and its produce would be the same as before; that the

cost of production of wages would be the same, proportional wages the same, and yet profits different.

To illustrate this by a simple instance, let it be supposed that one-third of the produce is sufficient to replace the wages of the labourers who have been immediately instrumental in the production; that another third is necessary to replace the materials used and the fixed capital worn out in the process; while the remaining third is clear gain, being a profit of 50 per cent. Suppose, for example, that 60 agricultural labourers, receiving 60 quarters of corn for their wages, consume fixed capital and seed amounting to the value of 60 quarters more, and that the result of their operations is a produce of 180 quarters. When we analyse the price of the seed and tools into its elements, we find that they must have been the produce of the labour of 40 men: for the wages of those 40, together with profit at the rate previously supposed (50 per cent) make up 60 quarters. The produce, therefore, consisting of 180 quarters, is the result of the labour altogether of 100 men: namely, the 60 first mentioned, and the 40 by whose labour the fixed capital and the seed were produced.

Let us now suppose, by way of an extreme case, that some contrivance is discovered, whereby the purposes to which the second third of the produce had been devoted, may be dispensed with altogether: that some means are invented by which the same amount of produce may be procured without the assistance of any fixed capital, or the consumption of any seed or material sufficiently valuable to be worth calculating. Let us, however, suppose that this cannot be done without taking on a number of additional labourers, equal to those required for producing the seed and fixed capital; so that the saving shall be only in the profits of the previous capitalists. Let us, in conformity with this supposition, assume that in dispensing with the fixed capital and seed, value 60 quarters, it is necessary to take on 40 additional labourers, receiving a quarter of corn each, as before.

The rate of profit has evidently risen. It has increased from 50 per cent to 80 per cent. A return of 180 quarters could not before be obtained but by an outlay of 120 quarters; it can now be obtained by an outlay of no more than 100.

Here, therefore, is an undeniable rise of profits. Have wages, in the sense above attached to them, fallen or not? It would seem not.

The produce (180 quarters) is still the result of the same quantity of labour as before, namely, the labour of 100 men. A quarter of corn, therefore, is still, as before, the produce of a man's labour for a year. Each labourer receives, as before, one quarter of corn; each, therefore, receives the produce of a year's labour of one man, that is, the same cost of production; each receives of the produce of his own labour, that is, the same proportional wages; and the labourers collectively still receive the same proportion, namely, of the whole produce.

The conclusion, then, cannot be resisted, that Mr. Ricardo's theory is defective: that the rate of profits does *not* exclusively depend upon the value of wages, in his sense, namely, the quantity of labour of which the wages of a labourer are the produce; that it does *not* exclusively depend upon proportional wages, that is, upon the proportion

which the labourers collectively receive of the whole produce, or the ratio which the wages of an individual labourer bear to the produce of his individual labour.

Those political economists, therefore, who have always dissented from Mr. Ricardo's doctrine, or who, having at first admitted, ended by discarding it, were so far in the right; but they committed a serious error in this, that, with the usual one-sidedness of disputants, they knew no medium between admitting absolutely and dismissing entirely; and saw no other course than utterly to reject what it would have been sufficient to modify.

It is remarkable how very slight a modification will suffice to render Mr. Ricardo's doctrine completely true. It is even doubtful whether he himself, if called upon to adapt his expressions to this peculiar case, would not have so explained his doctrine as to render it entirely unobjectionable.

It is perfectly true, that, in the example already made use of, a rise of profits takes place, while wages, considered in respect to the quantity of labour of which they are the produce, have not varied at all. But though wages are still the produce of the same *quantity of labour* as before, the *cost of production* of wages has nevertheless fallen; for into cost of production there enters another element besides labour.

We have already remarked (and the very example out of which the difficulty arose presupposes it) that the cost of production of an article consists generally of two parts,—the *wages* of the labour employed, and the *profits* of those who, in any antecedent stage of the production, have advanced any portion of those wages. An article, therefore, may be the produce of the same quantity of labour as before, and yet, if any portion of the profits which the last producer has to make good to previous producers can be economized, the cost of production of the article is diminished.

Now, in our example, a diminution of this sort is supposed to have taken place in the cost of production of corn. The production of that article has become less costly, in the ratio of six to five. A quantity of corn, the means of producing which could not previously have been secured but at an expense of 120 quarters, can now be produced by means which 100 quarters are sufficient to purchase.

But the labourer is supposed to receive the same quantity of corn as before. He receives one quarter. The cost of production of wages has, therefore, fallen one-sixth. A quarter of corn, which is the remuneration of a single labourer, is indeed the produce of the same quantity of labour as before; but its cost of production is nevertheless diminished. It is now the produce of a man's labour, and nothing else; whereas formerly it required for its production the conjunction of that quantity of labour with an expenditure, in the form of reimbursement of profit, amounting to one-fifth more.

If the cost of production of wages had remained the same as before, profits could not have risen. Each labourer received one quarter of corn; but one quarter of corn at that time was the result of the same cost of production, as 1 $\frac{1}{5}$ quarter now. In order, therefore, that each labourer should receive the same cost of production, each must

now receive one quarter of corn, *plus* one-fifth. The labour of 100 men could not be purchased at this price for less than 120 quarters; and the produce, 180 quarters, would yield only 50 per cent, as first supposed.*_

It is, therefore, strictly true, that the rate of profits varies inversely as the cost of production of wages. Profits cannot rise, unless the cost of production of wages falls exactly as much; nor fall, unless it rises.

The proof of this position has been stated in figures, and in a particular case: we shall now state it in general terms, and for all cases.

We have supposed, for simplicity, that wages are paid in the finished commodity. The agricultural labourers, in our example, were paid in corn, and if we had called them weavers, we should have supposed them to be paid in cloth. This supposition is allowable, for it is obviously of no consequence, in a question of value, or cost of production, what precise article we assume as the medium of exchange. The supposition has, besides, the recommendation of being conformable to the most ordinary state of the facts; for it is by the sale of his own finished article that each capitalist obtains the means of hiring labourers to renew the production; which is virtually the same thing as if, instead of selling the article for money and giving the money to his labourers, he gave the article itself to the labourers, and they sold it for their daily bread.

Assuming, therefore, that the labourer is paid in the very article he produces, it is evident that, when any saving of expense takes place in the production of that article, if the labourer still receives the same cost of production as before, he must receive an increased quantity, in the very same ratio in which the productive power of capital has been increased. But, if so, the outlay of the capitalist will bear exactly the same proportion to the return as it did before; and profits will not rise.

The variations, therefore, in the rate of profits, and those in the cost of production of wages, go hand in hand, and are inseparable. Mr. Ricardo's principle, that profits cannot rise unless wages fall, is strictly true, if by low wages be meant not merely wages which are the produce of a smaller quantity of labour, but wages which are produced at less cost, reckoning labour and previous profits together. But the interpretation which some economists have put upon Mr. Ricardo's doctrine, when they explain it to mean that profits depend upon the proportion which the labourers collectively receive of the aggregate produce, will not hold at all; for that, in our first example, remained the same, and yet profits rose.

The only expression of the law of profits, which seems to be correct, is, that they depend upon the cost of production of wages. This must be received as the ultimate principle.

From this may be deduced all the corollaries which Mr. Ricardo and others have drawn from his theory of profits as expounded by himself. The cost of production of the wages of one labourer for a year, is the result of two concurrent elements or factors,—viz., 1st, the quantity of commodities which the state of the labour market

affords to him; 2ndly, the cost of production of each of those commodities. It follows, that the rate of profits can never rise but in conjunction with one or other of two changes,—1st, a diminished remuneration of the labourer; or, 2ndly, an improvement in production, or an extension of commerce, by which any of the articles habitually consumed by the labourer may be obtained at smaller cost. (If the improvement be in any article which is not consumed by the labourer, it merely lowers the price of that article, and thereby benefits capitalists and all other people so far as they are consumers of that particular article, and may be said to increase gross profit, but not the rate of profit.)

So, on the other hand, the rate of profit cannot fall, unless concurrently with one of two events: 1st, an improvement in the labourer's condition; or, 2ndly, an increased difficulty of producing or importing some article which the labourer habitually consumes. The progress of population and cultivation has a tendency to lower profits through the latter of these two channels, owing to the well known law of the application of capital to land, that a double capital does not *cæteris paribus* yield a double produce. There is, therefore, a tendency in the rate of profits to fall with the progress of society. But there is also an antagonist tendency of profits to rise, by the successive introduction of improvements in agriculture, and in the production of those manufactured articles which the labourers consume. Supposing, therefore, that the actual comforts of the labourer remain the same, profits will fall or rise, according as population, or improvements in the production of food and other necessities, advance fastest.

The rate of profits, therefore, tends to *fall* from the following causes:—1. An increase of capital beyond population, producing increased competition for labour; 2. An increase of population, occasioning a demand for an increased quantity of food, which must be produced at a greater cost. The rate of profits tends to *rise* from the following causes:—1. An increase of population beyond capital, producing increased competition for employment; 2. Improvements producing increased cheapness of necessities, and other articles habitually consumed by the labourer.

The circumstances which regulate the rate of interest have usually been treated, even by professed writers on political economy, in a vague, loose, and unscientific manner. It has, however, been felt that there is some connexion between the rate of interest and the rate of profit; that (to use the words of Adam Smith) much will be given for money, when much can be made of it.^[*] It has been felt, also, that the fluctuations in the market-rate of interest from day to day, are determined, like other matters of bargain and sale, by demand and supply. It has, therefore, been considered as an established principle, that the rate of interest varies from day to day according to the quantity of capital offered or called for on loan; but conforms on the average of years to a standard determined by the rate of profits, and bearing some proportion to that rate—but a proportion which few attempts have been made to define.

In consequence of these views, it has been customary to judge of the general rate of profits at any time or place, by the rate of interest at that time and place: it being supposed that the rate of interest, though liable to temporary fluctuations, can never

vary for any long period of time unless profits vary; a notion which appears to us to be erroneous.

It was observed by Adam Smith, that profits may be considered as divided into two parts, of which one may properly be considered as the remuneration for the use of the capital itself, the other as the reward of the labour of superintending its employment; and that the former of these will correspond with the rate of interest. The producer who borrows capital to employ it in his business, will consent to pay, for the use of it, all that remains of the profits he can make by it, after reserving what he considers reasonable remuneration for the trouble and risk which he incurs by borrowing and employing it.^[*]

This remark is just; but it seems necessary to give greater precision to the ideas which it involves.

The difference between the profit which can be made by the use of capital, and the interest which will be paid for it, is rightly characterized as wages of superintendence. But to infer from this that it is regulated by entirely the same principles as other wages, would be to push the analogy too far. It is wages, but wages paid by a commission upon the capital employed. If the general rate of profit is 10 per cent, and the rate of interest 5 per cent, the wages of superintendence will be 5 per cent; and though one borrower employ a capital of 100,000*l.*, another no more than 100*l.*, the labour of both will be rewarded with the same per centage, though, in the one case, this symbol will represent an income of 5*l.*, in the other case, of 5000*l.* Yet it cannot be pretended that the labour of the two borrowers differs in this proportion. The rule, therefore, that equal quantities of labour of equal hardness and skill are equally remunerated, does not hold of this kind of labour. The wages of any other labour are here an inapplicable criterion.

The wages of superintendence are distinguished from ordinary wages by another peculiarity, that they are not paid in advance out of capital, like the wages of all other labourers, but merge in the profit, and are not realized until the production is completed. This takes them entirely out of the ordinary law of wages. The wages of labourers who are paid in advance, are regulated by the number of competitors compared with the amount of capital; the labourers can consume no more than what has been previously accumulated. But there is no such limit to the remuneration of a kind of labour which is not paid for out of wealth previously accumulated, but out of that produce which it is itself employed in calling into existence.

When these circumstances are duly weighed, it will be perceived, that although profit may be correctly analyzed into interest and wages of superintendence, we ought not to lay it down as the law of interest, that it is profits *minus* the wages of superintendence. Of the two expressions, it would be decidedly the more correct, that the wages of superintendence are regulated by the rate of interest, or are equal to profits *minus* interest. In strict propriety, neither expression would be allowable. Interest, and the wages of superintendence, can scarcely be said to depend upon one another. They are to one another in the same relation as wages and profits are. They are like two buckets in a well: when one rises, the other descends, but neither of the two motions is the

cause of the other; both are simultaneous effects of the same cause, the turning of the windlass.

There are among the capitalists of every country a considerable number who are habitually, and almost necessarily, lenders; to whom scarcely any difference between what they could receive for their money and what could be made by it, would be an equivalent for incurring the risk and labour of carrying on business. In this predicament is the property of widows and orphans; of many public bodies; of charitable institutions; most property which is vested in trustees; and the property of a great number of persons unused to business, and who have a distaste for it, or whose other occupations prevent their engaging in it. How large a proportion of the property lent to the nation comes under this description, has been pointed out in Mr. Tooke's *Considerations on the State of the Currency*.^[*]

There is another large class, consisting of bankers, bill-brokers, and others, who are money-lenders by profession; who enter into that profession with the intention of making such gains as it will yield them, and who would not be induced to change their business by any but a very strong pecuniary inducement.

There is, therefore, a large class of persons who are habitually lenders. On the other hand, all persons in business may be considered as habitually borrowers. Except in times of stagnation, they are all desirous of extending their business beyond their own capital, and are never desirous of lending any portion of their capital except for very short periods, during which they cannot advantageously invest it in their own trade.

There is, in short, a productive class, and there is, besides, a class technically styled the monied class, who live upon the interest of their capital, without engaging personally in the work of production.

The class of borrowers may be considered as unlimited. There is no quantity of capital that could be offered to be lent, which the productive classes would not be willing to borrow, at any rate of interest which would afford them the slightest excess of profit above a bare equivalent for the additional risk, incurred by that transaction, of the evils attendant on insolvency. The only assignable limit to the inclination to borrow, is the power of giving security: the producers would find it difficult to borrow more than an amount equal to their own capital. If more than half the capital of the country were in the hands of persons who preferred lending it to engaging personally in business, and if the surplus were greater than could be invested in loans to Government, or in mortgages upon the property of unproductive consumers; the competition of lenders would force down the rate of interest very low. A certain portion of the monied class would be obliged either to sacrifice their predilections by engaging in business, or to lend on inferior security; and they would accordingly accept, where they could obtain good security, an abatement of interest equivalent to the difference of risk.

This is an extreme case. Let us put an extreme case of a contrary kind. Suppose that the wealthy people of any country, not relishing an idle life, and having a strong taste for gainful labour, were generally indisposed to accept of a smaller income in order to

be relieved from the labour and anxiety of business. Every producer in flourishing circumstances would be eager to borrow, and few willing to lend. Under these circumstances the rate of interest would differ very little from the rate of profit. The trouble of managing a business is not proportionally increased by an increase of the magnitude of the business; and a very small surplus profit above the rate of interest, would therefore be a sufficient inducement to capitalists to borrow.

We may even conceive a people whose habits were such, that in order to induce them to lend, it might be necessary to offer them a rate of interest fully equal to the ordinary rate of profit. In that case, of course, the productive classes would scarcely ever borrow. But government, and the unproductive classes, who do not borrow in order to make a profit by the loan, but from the pressure of a real or supposed necessity, might still be ready to borrow at this high rate.

Although the inclination to borrow has no *fixed* or *necessary* limit except the power of giving security, yet it always, in point of fact, stops short of this; from the uncertainty of the prospects of any individual producer, which generally indisposes him to involve himself to the full extent of his means of payment. There is never any permanent want of market for things in general; but there may be so for the commodity which any one individual is producing; and even if there is a demand for the commodity, people may not buy it of him but of some other. There are, consequently, never more than a portion of the producers, the state of whose business encourages them to add to their capital by borrowing; and even these are disposed to borrow only as much as they see an *immediate* prospect of profitably employing. There is, therefore, a practical limit to the demands of borrowers at any given instant; and when these demands are all satisfied, any additional capital offered on loan can find an investment only by a reduction of the rate of interest.

The amount of borrowers being given, (and by the amount of borrowers is here meant the aggregate sum which people are willing to borrow at some given rate,) the rate of interest will depend upon the quantity of capital owned by people who are unwilling or unable to engage in trade. The circumstances which determine this, are, on the one hand, the degree in which a taste for business, or an aversion to it, happens to be prevalent among the classes possessed of property; and on the other hand, the amount of the annual accumulation from the earnings of labour. Those who accumulate from their wages, fees, or salaries, have, of course, (speaking generally) no means of investing their savings except by lending them to others: their occupations prevent them from personally superintending any employment.

Upon these circumstances, then, the rate of interest depends, the amount of borrowers being given. And the counter-proposition equally holds, that, the above circumstances being given, the rate of interest depends upon the amount of borrowers.

Suppose, for example, that when the rate of interest has adjusted itself to the existing state of the circumstances which affect the disposition to borrow and to lend, a war breaks out, which induces government, for a series of years, to borrow annually a large sum of money. During the whole of this period, the rate of interest will remain considerably above what it was before, and what it will be afterwards.

Before the commencement of the supposed war, all persons who were disposed to lend at the then rate of interest, had found borrowers, and their capital was invested. This may be assumed; for if any capital had been seeking for a borrower at the existing rate of interest, and unable to find one, its owner would have offered it at a rate slightly below the existing rate. He would, for instance, have bought into the funds, at a slight advance of price; and thus set at liberty the capital of some fundholder, who, the funds yielding a lower interest, would have been obliged to accept a lower interest from individuals.

Since, then, all who were willing to lend their capital at the market rate, have already lent it, Government will not be able to borrow unless by offering higher interest. Though, with the existing habits of the possessors of disposable capital, an increased number cannot be found who are willing to lend at the existing rate, there are doubtless some who will be induced to lend by the temptation of a higher rate. The same temptation will also induce some persons to invest, in the purchase of the new stock, what they would otherwise have expended unproductively in increasing their establishments, or productively, in improving their estates. The rate of interest will rise just sufficiently to call forth an increase of lenders to the amount required.

This we apprehend to be the cause why the rate of interest in this country was so high as it is well known to have been during the last war. It is, therefore, by no means to be inferred, as some have done, that the general rate of profits was unusually high during the same period, because interest was so. Supposing the rate of profits to have been precisely the same during the war, as before or after it, the rate of interest would nevertheless have risen, from the causes and in the manner above described.

The practical use of the preceding investigation is, to moderate the confidence with which inferences are frequently drawn with respect to the rate of profit from evidence regarding the rate of interest; and to shew that although the rate of profit is one of the elements which combine to determine the rate of interest, the latter is also acted upon by causes peculiar to itself, and may either rise or fall, both temporarily and permanently, while the general rate of profits remains unchanged.

The introduction of banks, which perform the function of lenders and loan-brokers, with or without that of issuers of paper-money, produces some further anomalies in the rate of interest, which have not, so far as we are aware, been hitherto brought within the pale of exact science.

If bankers were merely a class of middlemen between the lender and the borrower; if they merely received deposits of capital from those who had it lying unemployed in their hands, and lent this, together with their own capital, to the productive classes, receiving interest for it, and paying interest in their turn to those who had placed capital in their hands; the effect of the operations of banking on the rate of interest would be to lower it in some slight degree. The banker receives and collects together sums of money much too small, when taken individually, to render it worth while for the owners to look out for an investment, but which in the aggregate form a considerable amount. This amount may be considered a clear addition to the productive capital of the country; at least, to the capital in activity at any moment.

And as this addition to the capital accrues wholly to that part of it which is not employed by the owners, but lent to other producers, the natural effect is a diminution of the rate of interest.

The banker, to the extent of his own private capital, (the expenses of his business being first paid,) is a lender at interest. But, being subject to risk and trouble fully equal to that which belongs to most other employments, he cannot be satisfied with the mere interest even of his whole capital: he must have the ordinary profits of stock, or he will not engage in the business: the state of banking must be such as to hold out to him the prospect of adding, to the interest of what remains of his own capital after paying the expenses of his business, interest upon capital deposited with him, in sufficient amount to make up, after paying the expenses, the ordinary profit which could be derived from his own capital in any productive employment. This will be accomplished in one of two ways.

1. If the circumstances of society are such as to furnish a ready investment of disposable capital; (as for instance in London, where the public funds and other securities, of undoubted stability, and affording great advantages for receiving the interest without trouble and realizing the principal without difficulty when required, tempt all persons who have sums of importance lying idle, to invest them on their own account without the intervention of any middleman;) the deposits with bankers consist chiefly of small sums likely to be wanted in a very short period for current expenses, and the interest on which would seldom be worth the trouble of calculating it. Bankers, therefore, do not allow any interest on their deposits. After paying the expenses of their business, all the rest of the interest they receive is clear gain. But as the circumstances of banking, as of all other modes of employing capital, will on the average be such as to afford to a person entering into the business a prospect of realizing the ordinary, and no more than the ordinary, profits upon his own capital; the gains of each banker by the investment of his deposits, will not on the average exceed what is necessary to make up his gains on his own capital to the ordinary rate. It is, of course, competition, which brings about this limitation. Whether competition operates by lowering the rate of interest, or by dividing the business among a larger number, it is difficult to decide. Probably it operates in both ways; but it is by no means impossible that it may operate in the latter way alone: just as an increase in the number of physicians does not lower the fees, though it diminishes an average competitor's chance of obtaining them.

It is not impossible that the disposition of the lenders might be such, that they would cease to lend rather than acquiesce in any reduction of the rate of interest. If so, the arrival of a new lender, in the person of a banker of deposit, would not lower the rate of interest in any considerable degree. A slight fall would take place, and with that exception things would be as before, except that the capital in the hands of the banker would have put itself into the place of an equal portion of capital belonging to other lenders, who would themselves have engaged in business (*e.g.*, by subscribing to some joint-stock company, or entering into commandite). Bankers' profits would then be limited to the ordinary rate chiefly by the division of the business among many banks, so that each on the average would receive no more interest on his deposits than

would suffice to make up the interest on his own capital to the ordinary rate of profit after paying all expenses.

2. But if the circumstances of society render it difficult and inconvenient for persons who wish to live upon the interest of their money, to seek an investment for themselves, the bankers become agents for this specific purpose: large as well as small sums are deposited with them, and they allow interest to their customers. Such is the practice of the Scotch banks, and of most of the country banks in England. Their customers, not living at any of the great seats of money transactions, prefer entrusting their capital to somebody on the spot, whom they know, and in whom they confide. He invests their money on the best terms he can, and pays to them such interest as he can afford to give; retaining a compensation for his own risk and trouble. This compensation is fixed by the competition of the market. The rate of interest is no further lowered by this operation, than inasmuch as it brings together the lender and the borrower in a safe and expeditious manner. The lender incurs less risk, and a larger proportion, therefore, of the holders of capital are willing to be lenders.

When a banker, in addition to his other functions, is also an issuer of paper money, he gains an advantage similar to that which the London bankers derive from their deposits. To the extent to which he can put forth his notes, he has so much the more to lend, without himself having to pay any interest for it.

If the paper is convertible, it cannot get into circulation permanently without displacing specie, which goes abroad and brings back an equivalent value. To the extent of this value, there is an increase of the capital of the country; and the increase accrues solely to that part of the capital which is employed in loans.

If the paper is inconvertible, and instead of displacing specie depreciates the currency, the banker by issuing it levies a tax on every person who has money in his hands or due to him. He thus appropriates to himself a portion of the capital of other people, and a portion of their revenue. The capital might have been intended to be lent, or it might have been intended to be employed by the owner: such part of it as was intended to be employed by the owner now changes its destination, and is lent. The revenue was either intended to be accumulated, in which case it had already become capital, or it was intended to be spent: in this last case, revenue is converted into capital: and thus, strange as it may appear, the depreciation of the currency, when effected in this way, operates to a certain extent as a forced accumulation. This, indeed, is no palliation of its iniquity. Though A might have spent his property unproductively, B ought not to be permitted to rob him of it because B will expend it on productive labour.

In any supposable case, however, the issue of paper money by bankers increases the proportion of the whole capital of the country which is destined to be lent. The rate of interest must therefore fall, until some of the lenders give over lending, or until the increase of borrowers absorbs the whole.

But a fall of the rate of interest, sufficient to enable the money market to absorb the whole of the paper-loans, may not be sufficient to reduce the profits of a lender who

lends what costs him nothing, to the ordinary rate of profit upon his capital. Here, therefore, competition will operate chiefly by dividing the business. The notes of each bank will be confined within so narrow a district, or will divide the supply of a district with so many other banks, that on the average each will receive no larger amount of interest on his notes than will make up the interest on his own capital to the ordinary rate of profit.

Even in this way, however, the competition has the effect, to a certain limited extent, of lowering the rate of interest; for the power of bankers to receive interest on more than their capital attracts a greater amount of capital into the banking business than would otherwise flow into it; and this greater capital being all lent, interest will fall in consequence.

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On The Definition Of Political Economy; And On The Method Of [^AInvestigation Proper To It^A](#)

[Essay V in *Essays on Some Unsettled Questions of Political Economy*, 120-64. Reprinted from “On the Definition of Political Economy; and on the Method of Philosophical Investigation in that Science,” *London and Westminster Review*, IV and XXVI (Oct., 1836), 1-29. Original article identified in JSM’s bibliography as “An article headed ‘On the Definition of Political Economy, and on the method of philosophical investigation in that science’—running title ‘Political Economy, what—Nature and Methods of Political Philosophy.’ In the *London and Westminster Review* for October 1836 (No. 7 and 50) but written five years before, in the autumn of 1831. Rewritten in the summer of 1833” (MacMinn, 47).

In January, 1834, expressing gratitude at J.P. Nichol’s approbation of this essay, JSM asks him “to suggest all manner of further developments, clearer explanations and apter illustrations,” and goes on: “. . . I am ambitious that the essay, even if for that end it should remain unpublished for twenty years, should become classical and of authority . . .” (*Earlier Letters*, XII, 211). Nichol evidently suggested its publication in the *London and Westminster* (see *ibid.*, 231). (See also the headnote, 230 above.)

The following text is that of 1844; in the variant notes (which derive from the version of 1836), “44” refers to the version in *Some Unsettled Questions*; “36” to that in the *London and Westminster*. Five of the variants derive also from JSM’s corrections in his copy of the article in the *London and Westminster* (see 313^{r-r}, 314^{x-x}, 328^{a-a}, 330^f, and 332^{p-p}). In the 2nd edition of *Some Unsettled Questions* several typographical errors were introduced: “successfully” for “successively” (310.15), “definition” for “definitions” (311.10), “been previously been” for “previously been” (311.30), “and” for “and” (312.16), “Τέχνη” for “Τέχνη” (312.34), “of production” for “of the production” (314.25), and “experiments” for “experiments” (327.34).]

it might be imagined, on a superficial view of the nature and objects of definition, that the definition of a science would occupy the same place in the chronological which it commonly does in the didactic order. As a treatise ^bon^b any science usually commences with an attempt to express, in a brief formula, what the science is, and wherein it differs from other sciences, so, it might be supposed, did the framing of such a formula naturally precede the successful cultivation of the science^c.

This, however, is far from having been the case. The definition of a science has almost invariably not preceded, but followed, the creation of the science itself. Like the wall of a city, it has usually been erected, not to be a receptacle for such edifices as might afterwards spring up, but to circumscribe an aggregation already in existence. Mankind did not measure out the ground for intellectual cultivation before they began to plant it; they did not divide the field of human investigation into regular compartments ^dfirst, and then^d begin to collect truths for the purpose of being ^etherein deposited; they^e proceeded in a less systematic manner. As discoveries were gathered in, either one by one, or in groups resulting from the continued prosecution of some

uniform course of inquiry, the truths which were successively brought into store cohered and became agglomerated according to their individual affinities. Without any intentional classification, the facts classed themselves. They became associated g in the mind, according to their general and obvious resemblances; and the aggregates thus formed, having to be frequently spoken of as aggregates, came to be denoted by a common name. Any body of truths which had thus acquired a collective denomination, was called a *science*. It was long before this fortuitous classification was felt not to be sufficiently precise. It was in a more advanced stage of the progress of knowledge that mankind became sensible of the advantage of ascertaining whether the facts which they had thus grouped together were distinguished from all other facts by any common properties, and what these were. The first attempts to answer this question were commonly very unskilful, and the consequent definitions extremely imperfect.

And, in truth, there is scarcely any investigation in the whole body of a science requiring so high a degree of analysis and abstraction, as the inquiry, what the science itself is; in other words, what are the properties common to all the truths composing it, and distinguishing them from all other truths. Many persons, accordingly, who are profoundly conversant with the details of a science, would be very much at a loss to supply such a definition of the science itself as should not be liable to well-grounded logical objections. From this remark, we cannot except the authors of elementary scientific treatises. The definitions which those works furnish of the sciences, for the most part either do not fit them—some being too wide, some too narrow—or do not go deep enough into them, but define a science by its accidents, not its essentials; by some one of its properties which may, indeed, serve the purpose of a distinguishing mark, but which is of too little importance to have ever of itself led mankind to give the science a name and rank as a separate object of study.

The definition of a science must, indeed, be placed among that class of truths which Dugald Stewart had in view, when he observed that the first principles of all sciences belong to the philosophy of the human mind.^[*] The observation is just; and the first principles of all sciences, including the definitions of them, have consequently participated hitherto in the vagueness and uncertainty which has pervaded that most difficult and unsettled of all branches of knowledge. If we open any book, even mathematics or natural philosophy, it is impossible not to be struck with the mistiness of what we find represented as preliminary and fundamental notions, and the very insufficient manner in which the propositions which are palmed upon us as first principles seem to be made out, contrasted with the lucidity of the explanations and the conclusiveness of the proofs as soon as the writer enters upon the details of his subject. Whence comes this anomaly? Why is the admitted certainty of the results of those sciences in no way prejudiced by the want of solidity in their premises? How happens it that a firm superstructure has been erected upon an unstable foundation? The solution of the paradox is, that what are called first principles, are, in truth, *last* principles. Instead of being the fixed point from whence the chain of proof which supports all the rest of the science hangs suspended, they are themselves the remotest link of the chain. Though presented as if all other truths were to be deduced from them, they are the truths which are last arrived at; the result of the last stage of generalization, or of the last and subtlest process of analysis, to which the particular

truths of the science can be subjected; those particular truths having previously been ascertained by the evidence proper to their own nature.

Like other sciences, Political Economy has remained destitute of a definition framed on strictly logical principles, or even of, what is more easily to be had, a definition exactly co-extensive with the thing defined. This has not, perhaps, caused the real bounds of the science to be, in [this country at least](#)^j, practically mistaken or overpassed; but it has occasioned—perhaps we should rather say it is connected with—indefinite, and often erroneous, conceptions of the mode in which the science should be studied.

We proceed to verify these assertions by an examination of the most generally received definitions of the science.

1. First, as to the vulgar notion of the nature and object of Political Economy, we shall not be wide of the mark if we state it to be something to this effect:—That Political Economy is a science which teaches, or professes to teach, in what manner a nation may be made rich. This notion of what constitutes the science, is in some degree countenanced by the title and arrangement which Adam Smith gave to his invaluable work. A systematic treatise on Political Economy, he chose to call an *Inquiry into the Nature and Causes of the Wealth of Nations*; and the topics are introduced in an order suitable to that view of the purpose of his [book](#)^k.

With respect to the definition in question, if definition it can be called which is not found in any set form of words, but left to be arrived at by a process of abstraction from a hundred current modes of speaking on the subject; it seems liable to the conclusive objection, that it confounds the essentially distinct, though closely connected, ideas of *science* and *art*. These two ideas differ from one another as the understanding differs from the will, or as the indicative mood in grammar differs from the imperative. The one deals in facts, the other in precepts. Science is a collection of *truths*; art, a body of *rules*, or directions for conduct. The language of science is, This is, or, This is not; This does, or does not, happen. The language of art is, Do this; Avoid that. Science takes cognizance of a *phenomenon*, and endeavours to discover its *law*; art proposes to itself an *end*, and looks out for *means* to effect it.

If, therefore, Political Economy be a science, it cannot be a collection of practical rules; though, unless it be altogether a useless science, practical rules must be capable of being founded upon it. The science of mechanics, a branch of natural philosophy, lays down the laws of motion, and the properties of what are called the mechanical powers. The art of practical mechanics teaches how we may avail ourselves of those laws and properties, to increase our command over external nature. An art would not be an art, unless it were founded upon a scientific knowledge of the properties of the subject-matter: without this, it [would not be](#)^l philosophy, but empiricism; ?μπειρία, not τέχνη^m, in Plato's sense^m. ⁿ Rules, therefore, for making a nation increase in wealth, are not a science, but they are the results of science. Political Economy does not [of itself](#)^o instruct how to make a nation rich; but whoever would be qualified to judge of the means of making a nation rich, must first be a political economist.

2. The definition most generally received among instructed ^ppersons^p, and ^qlaid down in the commencement of most of the professed treatises on the subject, is to the following effect:—That Political Economy informs us of the laws which regulate the production, distribution, and consumption of wealth. To this definition is frequently appended a familiar illustration. Political Economy, it is said, is to the state, what domestic economy is to the family.

This definition is ^rfree^r from the fault which we pointed out in the former one. It distinctly takes notice that Political Economy is a science and not an art; that it is conversant with laws of nature, not with maxims of conduct, and teaches us how things take place of themselves, not in what manner it is advisable for us to shape them, in order to attain some particular end.

^s But though the definition is, with regard to this particular point, unobjectionable, so much can scarcely be said for the accompanying illustration; which rather sends back the mind to the current loose notion of Political Economy already disposed of. Political Economy is really, and is ^tstated in the definition^t to be, a science: but domestic economy, so far as it is capable of being reduced to principles, is an art. It consists of rules, or maxims of prudence, for keeping the family regularly supplied with what its wants require, and securing, with ^uany^u given amount of means, the greatest possible quantity of physical comfort and enjoyment. Undoubtedly the beneficial *result*, the great practical *application* of Political Economy, would be to accomplish for a nation something like what the most perfect domestic economy accomplishes for a single household: but supposing this purpose realised, there would be the same difference between the rules by which it might be effected, and Political Economy, which there is between the art of gunnery and the theory of projectiles, or between the rules of mathematical land-surveying and the science of trigonometry.

The definition, though not liable to the same objection as the illustration which is annexed to it, is itself far from unexceptionable. To neither of them, considered as standing at the head of a treatise, have we much to object. At a very early stage in the study of the science, anything more accurate would be useless, and therefore pedantic. In a merely initiatory definition, scientific precision is not required: the object is, to insinuate into the learner's mind, it is scarcely material by what means, some general preconception ^vof^v what are the uses of the pursuit, and what the series of topics through which he is about to travel. As a mere anticipation or ^wébauche^w of a definition, intended to indicate to a learner as much as he is able to understand before he begins, of the nature of what is about to be taught to him, we do not quarrel with the received formula. But if it claims to be admitted as that complete ^xdefinitio^x or boundary-line, which results from a thorough exploring of the whole extent of the subject, and is intended to mark the exact place of Political Economy among the sciences, its pretension cannot be allowed.

“The science of the laws which regulate the production, distribution, and consumption of wealth.” The term ^ywealth^y is surrounded by a haze of floating and vapoury associations, which will let nothing that is seen through them be ^zshewn^z distinctly. Let us supply its place by a periphrasis. Wealth is defined, all objects useful or agreeable to ^amankind^a, except such as can be obtained in indefinite quantity without

labour. Instead of ^ball^b objects, some authorities say, all ^cmaterial^c objects: the distinction is of no moment for ^dthe^d present purpose.

To confine ourselves to ^eproduction^e : If the laws of the production of all objects, or even of all ^fmaterial^f objects, which are useful or agreeable to ^gmankind^g, were comprised in Political Economy, it would be difficult to say where the science would end: at the least, all or nearly all physical knowledge would be included in it. Corn and cattle are material objects, in ^ha high^h degree useful to ⁱmankindⁱ. The laws of the production of the one include the principles of agriculture; the production of the other is the subject ^jof^j the art of cattle-breeding, which, ^kin so far as^k really an art, must be built upon the science of ^lphysiology^l. The laws of the production of manufactured articles involve the whole of chemistry and the whole of mechanics. The laws of the production of the wealth which is extracted from the bowels of the earth, cannot be set forth without taking in a large part of geology.

When a definition so manifestly surpasses in extent what it professes to define, we must suppose that it is not meant to be interpreted literally, though the limitations with which it is to be understood are not stated.

Perhaps it will be said, that Political Economy is conversant with such only of the laws of the production of wealth as are applicable to *all* kinds of wealth: those which relate to the details of particular trades or employments forming the subject of other and totally distinct sciences.

If, however, there were no more in the distinction between Political Economy and physical science than ^mthis^m, the distinction, we may venture to affirm, would never have been made. No similar division exists in any other department of knowledge. We do not break up zoology or mineralogy into two parts; one treating of the properties common to all animals, or to all minerals; another conversant with the properties peculiar to each particular species of animals or minerals. The reason is obvious; there is no distinction *in kind* between the general laws of animal or of mineral nature and the peculiar properties of particular species. There is as close an analogy between the general laws and the particular ones, as there is between one of the general laws and another: most commonly, indeed, the particular laws are but the complex result of a plurality of general laws modifying each other. A separation, therefore, between the general laws and the particular ones, merely because the former are general and the latter particular, would run counter both to the strongest motives of convenience and to the natural tendencies of the mind. If the case is different with the laws of the production of wealth, it must be because ⁿ, in this case,ⁿ the general laws differ ^oin kind^o from the particular ones. But if so, the difference ^pin kind^p is the radical distinction, and we should find out what ^qthat^q is, and found our definition upon it.

But, further, the recognised boundaries which separate the field of Political Economy from that of physical science, by no means correspond with the distinction between the truths which concern all kinds of wealth and those which relate only to some kinds. The three laws of motion, and the law of gravitation, are common, as far as human observation has yet extended, to all matter; and these, therefore, as being among the laws of the production of all wealth, should form part of Political

Economy. There are hardly any of the processes of industry which do not partly depend upon the properties of the lever; but it would be a strange classification which included those properties among the truths of Political Economy. Again, the latter science has many inquiries altogether as special, and relating as exclusively to particular sorts of material objects, as any of the branches of physical science. The investigation of some of the circumstances which regulate the price of corn, has as little to do with the laws common to the production of all wealth, as any part of the knowledge of the agriculturist. The inquiry into the rent of mines or fisheries, or into the value of the precious metals, elicits truths which have immediate reference to the production solely of a peculiar kind of wealth; yet these are admitted to be correctly placed in the science of Political Economy.

The real distinction between Political Economy and physical science must be sought in something deeper than the nature of the subject-matter; which, indeed, is for the most part common to both. Political Economy, and the scientific grounds of all the useful arts, have in truth one and the same subject-matter; namely, the objects which conduce to man's convenience and enjoyment: but they are, nevertheless, perfectly distinct branches of knowledge.

3. If we contemplate the whole field of human knowledge, attained or attainable, we find that it separates itself obviously, and as it were spontaneously, into two ^rdivisions, which stand so strikingly in opposition and contradistinction to one another, that in all classifications of our knowledge they have been kept apart. These are, *physical* science, and *moral* or psychological science. The difference between these two departments of our knowledge does not reside in the subject-matter with which they are conversant: for although, of the simplest and most elementary parts of each, it may be said, with an approach to truth, that they are concerned with different subject-matters—namely, the one with the ^shuman mind^s, the other with all things whatever except the mind; this distinction does not hold between the higher regions of the two. Take the science of politics, for instance, or that of law: who will say that these are physical sciences? and yet is it not obvious that they are conversant fully as much with matter as with mind? Take, again, the theory of music, of painting, of any other of ^tthe fine arts, and who will venture to pronounce that the facts they are conversant with belong either wholly to the class of matter, or wholly to that of mind?

The following seems to be the *rationale* of the distinction between physical and moral science.

In all the intercourse of man with nature, whether we consider him as acting ^uupon^u it, or as receiving impressions ^vfrom^v it, the effect or phenomenon depends upon causes of two kinds: the properties of the object acting, and those of the object acted upon. Everything which can possibly happen in which man and external things, are jointly concerned, results from the joint operation of a law or laws of matter, and a law or laws of the human mind. Thus the production of corn by human labour is the result of a law of mind, and many laws of matter. The laws of matter are those properties of the soil and of vegetable life which cause the seed to germinate in the ground, and those properties of the human body which render food necessary to its support. The law of

mind is, that man ^w[desires](#) to possess subsistence, and consequently ^x[wills](#) the necessary means of procuring it.

Laws of mind and laws of matter are so dissimilar in their nature, that it would be contrary to all principles of rational arrangement to mix them up as part of the same study. In all scientific methods, therefore, they are placed apart. Any compound effect or phenomenon which depends both on the properties of matter and on those of mind, may thus become the subject of two completely distinct sciences, or branches of science; one, treating of the phenomenon in so far as it depends upon the laws of matter only; the other treating of it in so far as it depends upon the laws of mind.

The physical sciences are those which treat of the laws of matter, and of all complex phenomena in so far as dependent upon the laws of matter. The mental or moral sciences are those which treat of the laws of mind, and of all complex phenomena in so far as dependent upon the laws of mind.

Most of the moral sciences presuppose physical science; but few of the physical sciences presuppose moral science. ^y[The reason is obvious.](#) There are many phenomena (an earthquake, for example, ^z[or](#) the motions of the planets) which depend upon the laws of matter exclusively; and have nothing whatever to do with the laws of mind. Many, therefore, of the physical sciences may be treated of without any reference to mind, and as if the mind existed as a recipient of knowledge only, not as a cause producing effects. But there are no phenomena which depend exclusively upon the laws of mind^a; [even the phenomena of the mind itself being partially dependent upon the physiological laws of the body](#)^a. All the mental sciences, therefore, ^b[not excepting the pure science of mind](#)^b, must take account of a great variety of physical truths; and (as physical science is commonly ^c[and very properly](#)^c studied first) may be said to presuppose them, taking up the complex phenomena where physical science leaves ^d[them](#)^d.

Now this, it will be found, is a precise statement of the relation in which Political Economy stands to the various sciences which are tributary to the arts of production.

The laws of the production of the objects which constitute wealth, are the subject-matter both of Political Economy and of almost all the physical sciences. Such, however, of those laws as are purely laws of ^e[matter](#)^e, belong to physical science, and to that exclusively. Such of them as are laws of the human ^f[mind](#)^f, and no others, belong to Political Economy, which finally sums up the result of both combined.

Political Economy, therefore, presupposes all the physical sciences; it takes for granted all such of the truths of those sciences as are concerned in the production of the objects demanded by the wants of mankind; or at least it takes for granted that the physical part of the process takes place somehow. It then inquires what are the phenomena of *mind* which are concerned in the production and distribution^{*} of those same objects; it borrows from the pure science of mind the laws of those phenomena, and inquires what effects follow from these mental laws, acting in concurrence with those physical ones.[†]

From the above considerations the following seems to come out as the correct and complete definition of Political Economy:—"The science which treats of the production and distribution of wealth, so far as they depend upon the laws of human nature." Or thus—"The science relating to the moral or psychological laws of the production and distribution of wealth."

For popular use this definition is amply sufficient, but it still falls short of the complete accuracy required for the purposes of the philosopher. Political Economy does not treat of the production and distribution of wealth in all states of mankind, but only in what is termed the social state; nor so far as they depend upon the laws of human nature, but only so far as they depend upon a certain portion of those laws. This, at least, is the view which must be taken of Political Economy, if we mean it to find any place in an encyclopedical division of the field of science. On any other view, it either is not ^g science at all, or it is several sciences. This will appear clearly, if, on the one hand, we take a general survey of the moral sciences, with a view to assign the exact place of Political Economy among them; while, on the other, we consider attentively the nature of the methods or processes by which the truths which are the object of those sciences are arrived at.

Man, who, considered as a being having a moral or mental nature, is the subject-matter of all the moral sciences, may, with reference to that part of his nature, form the subject of philosophical inquiry under several distinct hypotheses. We may inquire what belongs to man ^hconsidered individually, and as if no human being existed besides himself; we may next consider him as coming into contact with other ⁱindividuals; and finally, as living in a state of *society*, that is, forming part of a body or aggregation of human beings, systematically co-operating for common purposes. Of this last state, political government, or subjection to a common superior, is an ordinary ingredient, but forms no necessary part of the conception, and, with respect to our present purpose, needs not be further adverted to.

Those laws or properties of human nature which appertain to man as a mere individual, and do not presuppose, as a necessary condition, the existence of other individuals ^j(except, perhaps, as mere instruments or means), form a part of the subject of pure mental philosophy. They comprise all the laws of the mere intellect, and those of the purely self-regarding desires.

Those laws of human nature which relate to the feelings called forth in a human being by other ^kindividual human or intelligent beings, ^las such, namely, the *affections*, the *conscience*, or feeling of duty, and the love of *approbation*; and to the conduct of man, so far as it depends upon, or has relation to, these parts of his nature—form the subject of another portion of pure mental philosophy, namely, that portion of it on which *morals*, or *ethics*, are founded. For morality itself is not a science, but an art; not truths, but rules. The truths on which the rules are founded are drawn (as is the case in all arts) from a variety of sciences; but the principal of them, and those which are most nearly peculiar to ^mthis particular art, belong to a branch of the science of mind.

Finally, there are certain principles of human nature which are peculiarly connected with the ideas and feelings generated in man by living in a state of *society*, that is, by forming part of a union or aggregation of human beings for a common purpose or purposes. Few, indeed, of the elementary laws of the human mind are peculiar to this state, almost all being called into action in the two other states. But those simple laws of human nature, operating in that wider field, give rise to results of a sufficiently universal character, and even (when compared with the still more complex phenomena of which they are the determining causes) sufficiently simple, to admit of being called, though in a somewhat looser sense, *laws* of society, or laws of human nature in the social state. These laws, or general truths, form the subject of a branch of science which may be aptly designated from the title of *social economy*; somewhat less happily by that of *speculative politics*, or the *science* of politics, as contradistinguished from the art. This science stands in the same relation to the social, as anatomy and physiology to the physical body. It shows by what principles of his nature man is induced to enter into a state of society; how this ⁿ["feature"](#) in his position acts upon his interests and feelings, and through them upon his conduct; how the association tends progressively to become closer, and the co-operation extends itself to more and more purposes; what those purposes are, and what the varieties of means most generally adopted for furthering them; what are the various relations which establish themselves among ^o["human beings"](#) as the ordinary consequence of the social union; what those which are different in different states of society; ^p["in what historical order those states tend to succeed one another;"](#) and what are the effects of each upon the conduct and character of man.

This branch of science, whether we prefer to call it social economy, speculative politics, or the natural history of society, presupposes the whole science of the nature of the individual mind; since all the laws of which the latter science takes cognizance are brought into play in a state of society, and the truths of the social science are but statements of the manner in which those simple laws take effect in complicated circumstances. Pure mental philosophy, therefore, is an essential part, or preliminary, of political philosophy. The science of social economy embraces every part of man's nature, in so far as influencing the conduct or condition of man in society; and therefore may it be termed speculative politics, as being the scientific foundation of ^q["practical"](#) politics, or the art of government, of which the art of legislation is a part. *

It is to *this* important division of the field of science that one of the writers who have most correctly conceived and copiously illustrated its nature and limits,—we mean M. Say,^[*]—has chosen to give the name Political Economy. And, indeed, this large extension of the ^r["signification"](#) of that term is countenanced by its ^s["etymology."](#) But the words "political economy" have long ceased to have ^t["so large a"](#) meaning. Every writer is entitled to use the words which are his tools in the manner which he judges most conducive to the general purposes of the exposition of truth; but he exercises this discretion under liability to criticism: and M. Say seems to have done in this instance, what should never be done without strong reasons; ^u["to have"](#) altered the meaning of a name which was appropriated to a particular purpose (and for which, therefore, a substitute must be provided), in order to transfer it to an object for which it was easy to find a more characteristic denomination.

What is now commonly understood by the term “Political Economy” is not the science of speculative politics, but a branch of that science. It does not treat of the whole of man’s nature as modified by the social state, nor of the whole conduct of man in society. It is concerned with him solely as a being who desires to possess wealth, and who is capable of judging of the comparative efficacy of means for obtaining that end. It predicts only such of the phenomena of the social state as take place in consequence of the pursuit of wealth. It makes entire abstraction of every other human passion or motive; except those which may be regarded as perpetually antagonizing principles to the desire of wealth, namely, aversion to labour, and desire of the present enjoyment of costly indulgences. These it takes, to a certain extent, into its calculations, because these do not merely, like ^y other desires, occasionally conflict with the pursuit of wealth, but accompany it always as a drag, or impediment, and are therefore inseparably mixed up in the consideration of it. Political Economy considers mankind as occupied solely in acquiring and consuming wealth; and aims at showing what is the course of action into which mankind, living in a state of society, would be impelled, if that motive, except in the degree in which it is checked by the two perpetual counter-motives above adverted to, were absolute ruler of all their actions. Under the influence of this desire, it shows mankind accumulating wealth, and employing that wealth in the production of other wealth; sanctioning by mutual agreement the institution of property; establishing laws to prevent individuals from encroaching upon the property of others by force or fraud; adopting various contrivances for increasing the productiveness of their labour; settling the division of the produce by agreement, under the influence of competition (competition itself being governed by certain laws, which laws are therefore the ultimate regulators of the division of the produce); and employing certain expedients (as money, credit, &c.) to facilitate the distribution. All these operations, though many of them are really the result of a plurality of motives, are considered by Political Economy as flowing solely from the desire of wealth. The science then proceeds to investigate the laws which govern these several operations, under the supposition that man is a being who is determined, by the necessity of his nature, to prefer a greater portion of wealth to a smaller in all cases, without any other exception than that constituted by the two counter-motives already specified. Not that any political economist was ever so absurd as to suppose that mankind are really thus constituted, but because this is the mode in which science must necessarily proceed. When an effect depends upon a concurrence of causes, those causes must be studied one at a time, and their laws separately investigated, if we wish, through the causes, to obtain the power of either predicting or controlling the effect; since the law of the effect is compounded of the laws of all the causes which determine it. The law of the centripetal and that of the ^wtangential^w force must have been known before the motions of the earth and planets could be explained, or many of them predicted. The same is the case with the conduct of man in society. In order to judge how he will act under the variety of desires and aversions which are concurrently operating upon him, we must know how he would act under the exclusive influence of each one in particular. There is, perhaps, no action of a man’s life in which he is neither under the immediate nor under the remote influence of any impulse but the mere desire of wealth. ^xWith respect to those^x parts of human conduct of which wealth is not even the principal object, ^y to these Political Economy does not pretend that its conclusions are applicable. But there are also certain departments of human affairs, in which the acquisition of wealth is the main

and acknowledged end. It is only of these that Political Economy takes notice. The manner in which it necessarily proceeds is that of treating the main and acknowledged end as if it were the sole end; which, of all hypotheses equally simple, is the nearest to the truth. The political economist inquires, what are the actions which would be produced by this desire, if, within the departments in question, it were unimpeded by any other. In this way a nearer approximation is obtained than would otherwise be practicable, to the real order of human affairs in those departments. This approximation ^zis then to be corrected by making proper allowance for the effects of any impulses of a different description, which can be shown to interfere with the result in any particular case. Only in a few of the most striking cases (such as ^athe^a important one of the principle of population) are these corrections interpolated into the expositions of Political Economy itself; the strictness of purely scientific arrangement being thereby somewhat departed from, for the sake of practical utility. So far as it is known, or may be presumed, that the conduct of ^bmankind^b in the pursuit of wealth is under the collateral influence of any other of the properties of our nature than the desire of obtaining the greatest quantity of wealth with the least labour and self-denial, the conclusions of Political Economy will so far fail of being applicable to the explanation or prediction of real events, until they are modified by a correct allowance for the degree of influence exercised by the other cause.

Political Economy, then, may be defined as follows; and the definition seems to be complete:—

“The science which traces the laws of such of the phenomena of society as arise from the combined operations of mankind for the production of wealth, in so far as those phenomena are not modified by the pursuit of any other object.”

But while this is a correct definition of Political Economy as a portion of the field of science, the didactic writer on the subject will naturally combine in his exposition, with the truths of the pure science, as many of the practical modifications as will, in his estimation, ^cbe most conducive to^c the usefulness of his work.

The above attempt to frame a stricter definition of the science than what are commonly received as such, may be thought to be of little use; or, at best, to be chiefly useful in a general survey and classification of the sciences, rather than as conducing to the more successful pursuit of the particular science in question. We think otherwise, and for this reason; that, with the consideration of the definition of a science, is inseparably connected that of the *philosophic method* of the science; the nature of the process by which its investigations are to be carried on, its truths to be arrived at.

Now, in whatever science there are systematic differences of opinion—which is as much as to say, in all the moral or mental sciences, and in Political Economy among the rest; in whatever science there exist, among those who have attended to the subject, what are commonly called ^ddifferences of principle^d, as distinguished from differences of matter-of-fact or detail,—the cause will be found to be, a difference in their conceptions of the ^ephilosophic method^e of the science. The parties who differ are guided, either knowingly or unconsciously, by different views concerning the

nature of the evidence appropriate to the subject. They differ not solely in what they believe themselves to see, but in the quarter ^f[whence](#) they obtained the light by which they think they see it.

The most universal of the forms in which this difference of method is accustomed to present itself, is the ancient feud between what is called ^g[theory](#),^g and what is called ^h[practice or experience](#)^h. There are ⁱ[on social and political questions, two kinds of reasoners: there is one portion who](#)ⁱ term themselves practical men, and call the others theorists; a title which the latter do not reject, though they by no means recognise it as peculiar to them. The distinction between the two is a very broad one, though it is one of which the language employed is a most incorrect exponent. It has been again and again demonstrated, that those who are accused of despising facts and disregarding experience build and profess to build wholly upon facts and experience; while those who disavow theory cannot make one step without theorizing. But, although both classes of inquirers do nothing but theorize, and both of them consult no other guide than experience, there is this difference between them, and a most important difference it is: that those who are called practical men require *specific* experience, and argue wholly *upwards* from particular facts to a general conclusion; while those who are called theorists aim at embracing a wider field of experience, and, having argued upwards from particular facts to a general principle including a much wider range than that of the question under discussion, then argue *downwards* from that general principle to a variety of specific conclusions.

Suppose, for example, that the question were, whether absolute kings were likely to employ the powers of government for the welfare or for the oppression of their subjects. The practicals would endeavour to determine this question by a direct induction from the conduct of particular despotic monarchs, as testified ^j[by history](#). The theorists would refer the question to be decided by the test not solely of our experience of kings, but of our experience of ^k[men](#)^k. They would contend that an observation of the tendencies which human nature has manifested in the variety of situations in which human beings have been placed, and especially observation of what passes in our own ^l[minds](#)^l, warrants us in inferring that a human being in the situation of a despotic king will make a bad use of power; and that this conclusion would lose nothing of its certainty even if absolute kings had never existed, or if history furnished us with no information of the manner in which they had conducted themselves.

The first of these methods is a method of induction, merely; the last a mixed method of induction and ratiocination. The first may be called the method *à posteriori*; the latter, the method *à priori*. We are aware that this last expression is sometimes used to characterize a supposed mode of philosophizing, which does not profess to be founded upon experience at all. But we are not acquainted with ^m[any](#)^m mode of philosophizingⁿ, ⁿ[on political subjects at least, to which such a description is fairly applicable](#)ⁿ. By the method *à posteriori* we mean that which requires, as the basis of its conclusions, not ^o[experience](#)^o merely, but ^p[specific](#)^p experience. By the method *à priori* we mean (what has commonly been meant) reasoning from an assumed hypothesis; which is not a practice confined to mathematics, but is of the essence of all science which admits of general reasoning at all. To verify the hypothesis itself *à*

posteriori, that is, to examine whether the facts of any actual case are in accordance with it, is no part of the business of science at all, but of the *application* of science.

In the definition which we have attempted to frame of the science of Political Economy, we have characterized it as essentially an *abstract* science, and its method as the method *à priori*. Such is undoubtedly its character as it has been understood and taught by all its most distinguished teachers. It reasons, and, as we contend, must necessarily reason, from assumptions, not from facts. It is built upon hypotheses, strictly analogous to ^q[those](#)^q which, under the name of definitions, are the foundation of the other abstract sciences. Geometry presupposes an arbitrary definition of a line, “that which has length but not breadth.” Just in the same manner does Political Economy presuppose an arbitrary definition of man, as a being who invariably does that by which he may obtain the greatest amount of necessities, conveniences, and luxuries, with the smallest quantity of labour and physical self-denial with which they can be obtained in the existing state of knowledge. It is true that this definition of man is not formally prefixed to any work on Political Economy, as the definition of a line is prefixed to Euclid’s Elements; and in proportion as by being so prefixed it would be less in danger of being forgotten, we may see ground for regret that this is not done. It is proper that what is assumed in every particular case, should once for all be brought before the mind in its full extent, by being somewhere formally stated as a general maxim. Now, no one who is conversant with systematic treatises on Political Economy will question, that whenever a political economist has shown that, by acting in a particular manner, a labourer may obviously obtain higher wages, a capitalist larger profits, or a landlord higher rent, he concludes, as a matter of course, that they will certainly act in that manner. Political Economy, therefore, reasons from *assumed* premises—from premises which ^r[might](#)^r be totally without foundation in fact, and which are not pretended to be universally in accordance with it. The conclusions of Political Economy, ^s[consequently](#)^s, like those of geometry, are only true, as the common phrase is, *in the abstract*; that is, they are only true under certain suppositions, in which none but general causes—causes common to the *whole class* of cases under consideration—are taken into the account.

This ought not to be denied by the political economist. If he deny it, then, and then only, he places himself in the wrong. The *à priori* method which is laid to his charge, as if his employment of it proved his whole science to be worthless, is, as we shall presently show, the only method by which truth can possibly be attained in ^t[any department of the social science](#)^t. All that is requisite is, that he be on his guard not to ascribe to conclusions which are grounded upon an hypothesis a different kind of certainty from that which really belongs to them. They would be true without qualification, only in a case which is purely imaginary. In proportion as the actual facts recede from the hypothesis, he must allow a corresponding deviation from the strict letter of his conclusion; otherwise it will be true only of things such as he has arbitrarily supposed, not of such things as really exist. That which is true in the abstract, is always true in the concrete with proper *allowances*. When a certain cause really exists, and if left to itself would infallibly produce a certain effect, that same effect, *modified* by all the other concurrent causes, will correctly correspond to the result really produced.

The conclusions of geometry are not strictly true of such lines, angles, and figures, as human hands can construct. But no one, therefore, contends that the conclusions of geometry are of no utility, or that it would be better to "[shut up Euclid's Elements](#)", and content ourselves with "practice" and "experience."

No mathematician ever thought that his definition of a line corresponded to an actual line. As little did any political economist ever imagine that real men had no object of desire but wealth, or none which would not give way to the slightest motive of a pecuniary kind. But they were justified in assuming this, for the purposes of their argument; because they had to do only with those parts of human conduct which have pecuniary advantage for their direct and principal object; and because, as no two individual cases are exactly alike, no *general* maxims could ever be laid down unless *some* of the circumstances of the particular case were left out of consideration.

But we go ^v[farther](#) than to affirm that the method *à priori* is a legitimate ^w[mode](#) of philosophical investigation in the moral sciences: we contend that it is the ^x[only](#) mode. We affirm that the method *à posteriori*, or that of specific experience, is altogether inefficacious in those sciences, as a means of arriving at any considerable body of valuable truth; though it admits of being usefully applied in aid of the method *à priori*, and even forms an indispensable supplement to it.

There is a property common to almost all the moral sciences, and by which they are distinguished from ^y[many](#) of the physical; this is, that it is seldom in our power to make experiments in them. In chemistry and natural philosophy, we can not only observe what happens under all the combinations of circumstances which nature brings together, but we may also try an indefinite number of new combinations. This we can seldom do in ethical, and scarcely ever in political ^z[science](#). We cannot try forms of government and systems of national policy on a diminutive scale in our laboratories, shaping our experiments as we think they may most conduce to the advancement of knowledge. We therefore study nature under circumstances of great disadvantage in these sciences; being confined to the limited number of experiments which take place (if we may so speak) of their own accord, without any preparation or management of ours; in circumstances, moreover, of great complexity, and never perfectly known to us; and with the far greater part of the processes concealed from our observation.

The consequence of this unavoidable defect in the materials of the induction is, that we can rarely obtain what Bacon has quaintly, but, not unaptly, termed an *experimentum crucis*.

In any science which admits of an unlimited range of arbitrary experiments, an *experimentum crucis* may always be obtained. Being able to vary all the circumstances, we can always take effectual means of ascertaining which of them are, and which are not, material. Call the effect B, and let the question be whether the cause A in any way contributes to it. We try an experiment in which all the surrounding circumstances are altered, except A alone: if the effect B is nevertheless produced, A is the cause of it. Or, instead of leaving A, and changing the other circumstances, we leave all the other circumstances and change A: if the effect B in

that case does *not* take place, then again A is a necessary condition of its existence. Either of these experiments, if accurately performed, is an *experimentum crucis*; it converts the presumption we had before of the existence of a connection between A and B into proof, by negating every other hypothesis which would account for the appearances.

But this can seldom be done in the moral sciences, owing to the immense multitude of the influencing circumstances, and our very scanty means of varying the experiment. Even in operating upon an individual mind, which is the case affording greatest room for experimenting, we cannot often obtain a *crucial* experiment. The effect, for example, of a particular circumstance in education, upon the formation of character, may be tried in a variety of cases, but we can hardly ever be certain that any two of those cases differ in all their circumstances except the solitary one of which we wish to estimate the influence. In how much greater a degree must this difficulty exist in the affairs of states, where even the *number* of ^a[recorded](#) experiments is so scanty in comparison with the variety and multitude of the circumstances concerned in each. How, for example, can we obtain a crucial experiment on the effect of a restrictive commercial policy upon national wealth? We must find two nations alike in every other respect, or at least possessed, in a degree exactly equal, of everything which conduces to national opulence, and adopting exactly the same policy in all their other affairs, but differing in this only, that one of them adopts a system of commercial restrictions, and the other ^b[adopts](#) free trade. This would be a decisive experiment, similar to those which we can almost always obtain in experimental physics. Doubtless this would be the most conclusive evidence of all if we could get it. But let any one consider how infinitely numerous and various are the circumstances which either directly or indirectly do or may influence the amount of the national wealth, and then ask himself what are the probabilities that in the longest revolution of ages two nations will be found, which agree, and can be shown to agree, in all those circumstances except one?

Since, therefore, it is vain to hope that truth can be arrived at, either in Political Economy or in any other department of the social science, while we look at the facts in the concrete, clothed in all the complexity with which nature has surrounded them, and endeavour to elicit a general law by a process of induction from a comparison of details; there remains no other method than the *à priori* one, or that of “abstract speculation.”

Although sufficiently ample grounds are not afforded in the field of politics, for a satisfactory induction by a comparison of the effects, the causes may, in all cases, be made the subject of specific experiment. These causes are, laws of human nature, and external circumstances capable of exciting the human will to action. The desires of man, and the nature of the conduct to which they prompt him, are within the reach of our observation. We can also observe what are the objects which excite those desires. The materials of this knowledge every one can principally collect within himself; with reasonable consideration of the differences, of which experience discloses to him the existence, between himself and other people. Knowing therefore accurately the properties of the substances concerned, we may reason with as ^c[much](#) certainty as in the most demonstrative parts of physics from any assumed set of circumstances. This

will be mere trifling if the assumed circumstances bear no sort of resemblance to any real ones; but if the assumption is correct as far as it goes, and differs from the truth no otherwise than as a part differs from the whole, then the conclusions which are correctly deduced from the assumption constitute *abstract* truth; and when completed by adding or subtracting the effect of the non-calculated circumstances, they are true in the concrete, and may be applied to practice.

Of this character is the science of Political Economy in the writings of its best teachers. To render it perfect as an abstract science, the combinations of circumstances which it assumes, in order to trace their effects, should embody all the circumstances that are common to all cases whatever, and likewise all the circumstances that are common to any important ^d[class](#)^d of cases. The conclusions correctly deduced from these assumptions, would be as true in the abstract as those of mathematics; and would be as near an approximation as abstract truth can ever be, to truth in the concrete.

When the principles of Political Economy are to be applied to a particular case, then it is necessary to take into account all the individual circumstances of that case; not only examining to which of the sets of circumstances contemplated by the abstract science the circumstances of the case in question correspond, but likewise what other circumstances may exist in that case, which not being common to it with any large and strongly-marked class of cases, have not fallen under the cognizance of the science. These circumstances have been called *disturbing causes*^e. [And here only](#)^e it is that an element of uncertainty enters into the process—an uncertainty inherent in the nature of these complex phenomena, and arising from the impossibility of being quite sure that all the circumstances of the particular case are known to us sufficiently in detail, and that our attention is not unduly diverted from any of them.

This constitutes the only uncertainty of Political Economy; and not of it alone, but of the moral sciences in general. When the disturbing causes are known, the allowance necessary to be made for them detracts in no way from scientific precision, nor constitutes any deviation from the *à priori* method. The disturbing causes are not handed over to be dealt with by mere conjecture. Like *friction* in mechanics, to which they have been often compared, they may at first have been considered merely as a nonassignable deduction to be made by guess from the result given by the general principles of science; but in time many of them are brought within the pale of the abstract science itself, and their effect is found to admit of as accurate an estimation as those more striking effects which they modify. The disturbing causes have their laws, as the causes which are thereby disturbed have theirs; and from the laws of the disturbing causes, the nature and amount of the disturbance may be predicted *à priori*, like the operation of the ^f[more general](#)^f laws which they are said to modify or disturb, but with which they might more properly be said to be concurrent. The effect of the ^g[special](#)^g causes is then to be added to, or subtracted from, the effect of the general ones.

These disturbing causes are sometimes circumstances which operate upon human conduct through the same principle of human nature with which Political Economy is conversant, namely, the desire of wealth, but which are not general enough to be

taken into account in the abstract science. Of disturbances of this description every political economist can produce many examples. In other instances the disturbing cause is some other law of human nature. In the latter case it never can fall within the province of Political Economy; it belongs to some other science; and here the mere political economist, he who has studied no science but Political Economy, if he attempt to apply his science to practice, will fail.*

As for the other kind of disturbing causes, namely those which operate through the same law of human nature out of which the general principles of the science arise, these might always be brought within the pale of the abstract science if it were worth while; and when we make the necessary allowances for them in practice, if we are doing anything but guess, we are following out the method of the abstract science into minuter details; inserting among its hypotheses a fresh and still more complex combination of circumstances, and so adding *pro hâc vice*^h a supplementary chapter or appendix, or at least a supplementary [theorem](#)ⁱ, to the abstract science.

Having now shown that the method *à priori* in Political Economy, and in all the other branches of moral science, is the only certain or scientific mode of investigation, and that the *à posteriori* method, or that of specific experience, as a means of arriving at truth, is inapplicable to these subjects, we shall [j](#) be able to show that the latter method is notwithstanding of great value in the moral sciences; namely, not as a means of discovering truth, but of verifying it, and reducing to the lowest point that uncertainty before alluded to as arising from the complexity of every particular case, and from the difficulty (not to say impossibility) of our being assured *à priori* that we have taken into account all the material circumstances.

If we could be quite certain that we [knew](#)^k all the facts of the particular case, we could derive [little](#)^l additional advantage from specific experience. The causes being given, we [may](#)^m know what will be their effect, without an actual trial of every possible combination; since the causes are human feelings, and outward circumstances fitted to excite them: and, as these for the most part are, or at least might be, familiar to us, we can more surely judge of their combined effect from that familiarity, than from any evidence which can be elicited from the complicated and entangled circumstances of an actual experiment. If the knowledge what are the particular causes operating in any given instance were revealed to us by infallible authority, then, if our abstract science were perfect, we should become prophets. But the causes are not so revealed: they are to be collected by observation; and observation in circumstances of complexity is apt to be imperfect. Some of the causes may lie [beyond](#)ⁿ observation; many are apt to escape it, unless we are on the look-out for them; and it is only the habit of long and accurate observation which can give us so correct a preconception what causes we are likely to find, as shall induce us to look for them in the right quarter. But such is the nature of the human understanding, that the very fact of attending with intensity to one part of a thing, has a tendency to withdraw the attention from the other parts. We are consequently in great danger of adverting to a portion only of the causes which are actually at work. And if we are in this predicament, the more accurate our deductions and the more certain our conclusions [in the abstract](#)^o (that is, making abstraction of all circumstances except those which form part of [the](#)^p hypothesis,) the less we are likely to suspect that we

are in error: for no one can have looked closely into the sources of fallacious thinking without being deeply conscious that the coherence, and neat concatenation of our philosophical systems, is more apt than we are commonly aware to pass with us as evidence of their truth.

We cannot, therefore, too carefully endeavour to verify our theory, by comparing, in the particular cases to which we have access, the results which it would have led us to predict, with the most trustworthy accounts we can obtain of those which have been actually realized. The discrepancy between our anticipations and the actual fact is often the only circumstance which would have drawn our attention to some important ["disturbing cause"](#) which we had overlooked. Nay, it often discloses to us errors in thought, still more serious than the omission of what can with any propriety be termed a disturbing cause. It often reveals to us that the basis itself of our whole argument is insufficient; that the data, from which we had reasoned, comprise only a part, and not ["always"](#) the most important part, of the circumstances by which the result is really determined. Such oversights are committed by very good reasoners, and even by a still rarer class, that of good observers. It is a kind of error to which those are peculiarly liable whose views are the largest and most philosophical: for exactly in that ratio are their minds more accustomed to dwell upon those laws, qualities, and tendencies, which are common to large classes of cases, and which belong to all place and all time; while it often happens that circumstances almost peculiar to the particular case or era have a far greater share in governing that one case.

Although, therefore, a philosopher be convinced that no general truths can be attained in the affairs of nations by the *à posteriori* road, it does not the less behove him, according to the measure of his opportunities, to sift and scrutinize the details of every specific experiment. Without this, he may be an excellent professor of abstract science; for a person may be of great use who points out correctly what effects will follow from certain combinations of possible circumstances, in whatever tract of the extensive region of hypothetical cases those combinations may be found. He stands in the same relation to the legislator, as the ["mere"](#) geographer to the practical navigator; telling him the latitude and longitude of all sorts of places, but not how to find whereabouts he himself is sailing. If, however, he does no more than this, he must rest contented to take no share in practical politics; to have no opinion, or to hold it with extreme modesty, on the applications which should be made of his doctrines to existing circumstances.

No one who ["attempts to lay down propositions for the guidance"](#) of mankind, however perfect his scientific acquirements, can dispense with a practical knowledge of the actual modes in which the affairs of the world are carried on, and an extensive personal experience of the actual ideas, feelings, and intellectual and moral tendencies of his own country and of his own age. The true practical statesman is he who combines this experience with a profound knowledge of abstract political philosophy. Either acquirement, without the other, leaves him lame and impotent if he is sensible of the deficiency; renders him obstinate and presumptuous if, as is more probable, he is entirely unconscious of it.^u

Such, then, are the respective offices and uses of the *à priori* and the *à posteriori* methods—the method of abstract science, and that of specific experiment—as well in Political Economy, as in all the other branches of social philosophy. Truth compels us to express our conviction that whether among those who have written on these subjects, or among those for whose use they wrote, ^v[few can be pointed out who have^v](#) allowed to each of these methods its just value, and systematically kept each to its proper objects and functions. One of the ^w[peculiarities^w](#) of modern times, the separation of theory from practice—of the studies of the closet from the outward business of the world—^x has given a wrong bias to the ideas and feelings both of the ^y[student^y](#) and of the man of business. Each undervalues that part of the materials of thought with which he is not familiar. The one despises all comprehensive views, the other neglects details. The one draws his notion of the universe from the few objects ^z[with which his course of life has happened to render him familiar^z](#); the other having got demonstration on his side, and forgetting that it is only a demonstration *nisi*—a proof at all times liable to be set aside by the addition of a single new fact to the hypothesis—^a[denies^a](#), instead of examining and sifting, the allegations which are opposed to him. For this he has considerable excuse in the ^b worthlessness of the testimony on which the facts brought forward to invalidate the conclusions of theory usually rest. In these complex matters, men see with their preconceived opinions, not with their eyes: an interested or a passionate man's statistics are ^c[of^c](#) little worth; and a year seldom passes without examples of the astounding falsehoods which large bodies of respectable men will back each other in publishing to the world as facts within their personal knowledge. It is not because a thing is *asserted* to be true, but because in its nature it *may* be true, that a sincere and patient inquirer will feel himself called upon to investigate it. He will use the assertions of opponents not as evidence, but indications leading to evidence; suggestions of the most proper course for his own inquiries.

But while the philosopher and the practical man bandy half-truths with one another, we ^d[may seek far without finding one^d](#) who, placed on a higher eminence of thought, comprehends as a whole what they see only in separate parts; who can make the anticipations of the philosopher guide the observation of the practical man, and the specific experience of the practical man warn the philosopher where something is to be added to his theory.

The most memorable example in modern times of a man who united the spirit of philosophy with the pursuits of active life, and kept wholly clear from the partialities and prejudices both of the student and of the practical statesman, was Turgot^e; ^e[the^e](#) wonder not only of his age, but of ^f history, for his astonishing combination of the most opposite, and, judging from common experience, almost incompatible excellences.

Though it is impossible to furnish any test by which a speculative thinker, either in Political Economy or ^g[in^g](#) any other branch of social philosophy, may know that he is competent to judge of the application of his principles to the existing condition of his own or any other country, indications may be suggested by the absence of which he may well and surely know that he is ^h[not^h](#) competent. His knowledge must at least enable him to explain and account for what *is*, or he is an insufficient judge of what

ought to be. If a political economist, for instance, finds himself puzzled by any recent or present commercial phenomena; if there is any mystery to him in the late or present state of the productive industry of the country, which his knowledge of principle does not enable him to unriddle; he may be sure that something is wanting to render his system of opinions a safe guide in existing circumstances. Either some of the facts which influence the situation of the country and the course of events are not known to him; or, knowing them, he knows not what ought to be their effects. In the latter case his system is imperfect even as an abstract system; it does not enable him to trace correctly all the consequences even of assumed premises. Though he succeed in throwing doubts upon the reality of some of the phenomena which he is required to explain, his task is not yet completed; even then he is called upon to show how the belief, which he deems unfounded, arose; and what is the real nature of the appearances which gave a colour of probability to allegations which examination proves to be untrue.

When the speculative politician has gone through this labour—has gone through it conscientiously, not with the desire of ⁱ[finding](#) his system complete, but of making it so—he may deem himself qualified to apply his principles to the guidance of practice: but he must still continue to exercise the same discipline upon every new combination of facts as it arises; he must make a large allowance for the disturbing influence of unforeseen causes, and must carefully watch the result of every experiment, in order that any residuum of facts which his principles did not lead him to expect, and do not enable him to explain, may become the subject of a fresh analysis, and furnish the occasion for a consequent enlargement or correction of his general views.

The method of the practical philosopher consists, therefore, of two processes; the one analytical, the other synthetical. He must *analyze* the existing state of society into its elements, not dropping and losing any of them by the way. After referring to the experience of individual man to learn the *law* of each of these elements, that is, to learn what are its natural effects, and how much of the effect follows from so much of the cause when not counteracted by any other cause, there remains an operation of *synthesis*; to put all these effects together, and, from what they are separately, to collect what would be the effect of all the causes acting at once. If these various operations could be correctly performed, the result would be ^j[prophecy](#); but, as they can be performed only with a certain ^k[approximation](#) to correctness, mankind can never predict with absolute certainty, but only with a less or greater degree of probability; according as they are better or worse apprised what the causes are,—have learnt with more or less accuracy from experience the law to which each of those causes, when acting separately, conforms,—and have summed up the aggregate effect more or less carefully.

With all the precautions which ^l[have been](#) indicated there will still be some danger of falling into partial views; but we shall at least have taken the best securities against it. All that we can do more, is to endeavour to be impartial critics of our own theories, and to free ourselves, as far as we are able, from that reluctance from which few inquirers are altogether exempt, to admit the reality or relevancy of any facts which they have not previously either taken into, or left a place open for in, their systems.

If indeed every phenomenon was generally the effect of no more than one cause, a knowledge of the law of that cause would, unless there was a logical error in our reasoning, enable us confidently to predict all the circumstances of the phenomenon. We might then, if we had carefully examined our premises and our reasoning, and found no flaw, venture to disbelieve the testimony which might be brought to show that matters had turned out differently from what we should have predicted. ^m If the causes of erroneous conclusions were always "patent" on the face of the reasonings which lead to them, the human understanding would be a far more trustworthy instrument than it is. But the narrowest examination of the process itself will help us little towards discovering that we have omitted part of the premises which we ought to have taken into our reasoning. Effects are commonly determined by a *concurrence* of causes. If we have overlooked any one cause, we may reason justly from all the others, and only be the further wrong. Our premises will be true, and our reasoning correct, and yet the result of no value in the particular case. There is, therefore, almost always room for a modest doubt as to our practical conclusions. Against false premises and unsound reasoning, a good mental discipline may effectually secure us; but against the danger of *overlooking* something, neither strength of understanding nor intellectual cultivation can be more than a very imperfect protection. A person may be warranted in feeling confident, that whatever he has carefully contemplated with his mind's eye he has seen correctly; but no one can be sure that there is not something in existence which he has not seen at all. He can do no more than satisfy himself that he has seen all that is visible to any other persons who have concerned themselves with the subject. For this purpose he must endeavour to place himself at "their" point of view, and strive earnestly to see the object as they see it; nor give up the attempt until he has either added the appearance which is floating before them to his own stock of realities, or made out clearly that it is an optical deception.

The "principles" which we have now stated are by no means alien to common apprehension: they are not absolutely hidden, perhaps, from any one, but are commonly seen through a mist. We might have presented the latter part of them in a phraseology in which they would have seemed the most familiar of truisms: we might have cautioned inquirers against too extensive *generalization*, and reminded them that there are *exceptions* to all rules. Such is the current language of those who distrust comprehensive thinking, without having any clear notion why or where it ought to be distrusted. We have avoided the use of these expressions purposely, because we deem them superficial and inaccurate. The error, when there is error, does *not* arise from generalizing too extensively; that is, from including too wide a range of particular cases in a single proposition. Doubtless, a man often asserts of an entire class what is only true of a part of it; but his error generally consists not in making "too wide" an assertion, but in making the wrong *kind* of assertion: he predicated an actual result, when he should only have predicated a *tendency* to that result—a power acting with a certain intensity in that direction. With regard to *exceptions*; in "any tolerably advanced" science there is properly no such thing as an exception. What is thought to be an exception to a principle is always some other and distinct principle cutting into the former: some other force which impinges against the first force, and deflects it from its direction. There are not a *law* and an *exception* to that law—the law acting in ninety-nine cases, and the exception in one. There are "two" laws, each possibly acting in the whole hundred cases, and bringing about a common effect by their "conjunct"

operation. If the force which, being the less conspicuous of the two, is called the "disturbing" force, prevails sufficiently over the other force in some one case, to constitute that case what is commonly called an ^vexception^v, the same disturbing force probably acts as a modifying cause in many other cases which no one will call exceptions.

Thus if it were stated to be a law of nature, that all heavy bodies fall to the ground, it would probably be said that the resistance of the atmosphere, which prevents a balloon from falling, constitutes the balloon an ^wexception^w to that pretended law of nature. But the real law is, that all heavy bodies *tend* to fall; and ^x to this there is no exception, not even the sun and moon; for even they, as every astronomer knows, tend towards the earth, with a force exactly equal to that with which the earth tends towards them. The resistance of the atmosphere might, in the particular case of the balloon, from a misapprehension of what the law of gravitation is, be said to *prevail* over the law; but its disturbing effect is quite as real in every other case, since though it does not ^yprevent, it retards^y the fall of all bodies whatever. The rule, and the so-called exception, do not divide the cases between them; each of them is a comprehensive rule extending to all cases. To call one of these concurrent principles an exception to the other, is superficial, and contrary to the correct principles of nomenclature and arrangement. An effect of precisely the same kind, and arising from the same cause, ought not to be placed in two different categories, merely as there does or does not exist another cause preponderating over it.

It is only in ^zart^z, as distinguished from science, that we can with propriety speak of exceptions. Art, the immediate end of which is practice, has nothing to do with causes, except as the means of bringing about effects. However heterogeneous the causes, it carries the effects of them all into one single reckoning, and according as the sum-total is *plus* or *minus*, according as it falls above or below a certain line, Art says, Do this, or Abstain from doing it. The exception does not ^a run by insensible degrees into the rule, like what are called exceptions in science. In a question of practice it frequently happens that a certain thing is either fit to be done, or fit to be altogether abstained from, there being no medium. If, in the majority of cases, it is fit to be done, ^bthat^b is made the rule. When a case subsequently occurs in which the thing ought not to be done, an entirely new leaf is turned over; the rule is now done with, and dismissed: a new train of ideas is introduced, between which and those involved in the rule there is a broad line of demarcation; as broad and *tranchant* as the difference between Ay and No. Very ^cpossibly^c between the last case which comes within the rule and the first of the exception, there is only the difference of a shade: but that shade probably makes the whole interval between acting in one way and in a totally different one. We may, therefore, in talking of art, unobjectionably speak of the *rule* and the *exception*; meaning by the rule, the cases in which there exists a preponderance, however slight, of inducements for acting in a particular way; and by the exception, the cases in which the preponderance is on the contrary side.

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THE CURRENCY QUESTION

1844

EDITOR'S NOTE

Westminster Review, XLI (June, 1844), 579-98. Signed "A"; not republished. Original heading: "Art. XI.—1. *An Inquiry into the Currency Principle; the Connexion of the Currency with Prices, and the Expediency of a Separation of Issue from Banking.* By Thomas Tooke, Esq., F.R.S. [London:] Longman, [Brown, Green, and Longmans,] 1844. 2. *An Inquiry into the Practical Working of the Proposed Arrangements for the Renewal of the Charter of the Bank of England, and the Regulation of the Currency. With a Refutation of the Fallacies advanced by Mr. Tooke.* By R. Torrens, Esq., F.R.S. [London:] Smith, Elder, and Co., 1844." Running head: "The Currency Question." Identified in JSM's bibliography as "An article headed 'The Currency Question' being a review of pamphlets by Tooke and Torrens on currency, in the *Westminster Review* for June 1844. (No. 2)" (MacMinn, 57). No corrections or variants in Somerville College copy.

The Currency Question

mr. tooke is known to all who are conversant with the discussions of the last twenty-five years on commercial topics, as an authority, on all such subjects, of the highest order. Beyond, perhaps, any other man, he brings to the consideration of mercantile phenomena an intimate practical knowledge of the elements upon which they depend, combined with habits of reflecting, or, to give the operation its proper name, of theorizing, which qualify him to discriminate and analyse the influences of those various elements. Owing to this union of qualifications, those who are interested in such inquiries have found in his various publications (and particularly in the "History of Prices,"^[*] which is a summary of them all) a scientific explanation of those complex and apparently anomalous phenomena of prices, which the commercial history of the last half century presents in so great abundance, and which, until shown by him to be exemplifications of those very principles and laws with which they seemed to conflict, were perplexing even to those who best understood the subject, and often dangerously misleading to those who did not. The opinions, therefore, of Mr. Tooke upon the questions raised by the new ministerial scheme for the reform of the currency are entitled to an attentive, and, from all who are capable of appreciating what he has previously written, a respectful hearing.*

In the first of the pamphlets^[†] named at the commencement of this article, Mr. Tooke has taken the field against the system of doctrines on which the ministerial measure is founded, and which derives its commonest designation from the names of two of its most distinguished supporters—Mr. Jones Loyd and Mr. Norman.^[*] To represent the other side of the dispute, we have prefixed the latest pamphlet of the indefatigable

Colonel Torrens, who was, we believe, the first promulgator of the theory in question, and who has come forward as its champion against “the fallacies advanced by Mr. Tooke.”^[†]

For any influence which further discussion can have upon the decision of parliament, it is evidently useless. Parliament has made up its mind. The measure of Sir R. Peel^[‡] has been received with approbation by nearly all, in parliament and the press, by whom any opinion has been expressed on it; and with acquiescence, if not satisfaction, by the public. There is not the smallest chance of its undergoing material alteration in its way through either house. That the attention, therefore, of thinkers should be directed to the views contained in Mr. Tooke’s pamphlet, is of importance rather as a matter of abstract discussion, essential to the right understanding of commercial phenomena, than with a view to any direct practical result. The question has ceased to be a practical one, and cannot again become so for ten years to come. But it involves highly important questions of theory; the practical bearing of which, as of all theories, far transcends the limits of any single application.

What was affirmed by Cicero of all things with which philosophy is conversant, may be asserted without scruple of the subject of currency—that there is no opinion so absurd as not to have been maintained by some person of reputation. There even appears to be on this subject a peculiar tenacity of error—a perpetual principle of resuscitation in slain absurdity. There are at this day numerous persons who can read and write, and some who think themselves oracles of wisdom, who see no harm in emancipating a paper currency from the restraint of convertibility, and from every definite principle of limitation, provided only that it is grounded on the security of actual property; forgetful that even the *assignats* were issued on no less a security than the principal portion of the soil of France, and that a paper so guaranteed is no more protected from depreciation, if issued in excess, than the land itself would be if offered for sale in unusual quantity. There are writers of pretension, not only out of Bedlam, but even, we can assure Sir Robert Peel, out of Birmingham, who think it the duty of the legislature periodically to degrade the standard (or to authorize an increase of inconvertible paper exactly equivalent) in proportion as the progress of industry creates an increase of productions and a multiplication of pecuniary transactions. But it is not against these extravagant aberrations that it is now necessary to contend. In the discussions which we are here concerned with, both sides admit, that the proper standard of currency is the precious metals, at an unalterable mint valuation; that a pound (precisely as stated by Sir Robert Peel) should mean a fixed quantity of gold of a given fineness; and that no one who has contracted to pay that given quantity, should be allowed on any pretext to discharge his debt by paying a smaller quantity, or making over paper equivalent to a smaller quantity. Gold is not an ideally perfect standard—a commodity absolutely unchangeable in cost of production; but it approaches nearer to that abstract perfection of a measure of value, than any other production of nature or industry; and if it were far more subject to fluctuation than it is, it would be less so than the policy of a government,—especially one which takes for its principle of guidance “the wants of trade,” which in this case simply means the convenience of debtors.

Assuming then—as conceded by all persons whom it is at present necessary to reason with—that the value of a paper currency must be maintained at par with the coin which it professes to represent, and that to effect this the issuers must be compelled to give coin for their notes whenever demanded; there is an ulterior question, on which those who are entitled to be considered authorities on the principles of the circulating medium, part company. According to one opinion, steadiness of value in a paper currency is sufficiently secured by ready and immediate convertibility. This was, until lately, the prevailing, if not the exclusive doctrine, among those by whom the theory of money had been successfully cultivated. Within the last few years another doctrine has sprung up, of which Colonel Torrens was, as we have said, the originator, Mr. Loyd, Mr. Norman, and Mr. McCulloch among the chief propounders, and to which Sir Robert Peel and his cabinet have become proselytes.

According to this doctrine, the check of convertibility acts too slowly, and admits of great mischief from excess of issues before it begins to operate. Convertibility, it is contended, is a security only against *permanent* depreciation. When an increased issue of paper has sunk the value of the currency below its regular proportion to the currencies of other countries, the exchanges turn, gold becomes an article of export, and, to obtain it, notes are returned upon the Bank. But the increase of issues has, in the meantime, raised prices; which, when the excess of paper is removed, relapse to their former level. This is already a mischief; it deranges mercantile calculations, creates unexpected gains to some at the expense of others, and adds to the gambling character in a certain degree inherent in all the great operations of commerce. But the evil seldom ends here. All advance of prices tends to encourage speculation; especially when the same cause which creates the advance (being increased issues made by bankers, in the form of increased advances to their customers) occasions, as its very first effect, a reduction of the rate of interest. The conjunction of rising markets and a low rate of interest leads to speculative purchases, by which the rise itself is heightened and prolonged. The rise, however, not being grounded on any permanent cause of increased price (such as a deficiency of supply); in proportion to its continuance, the fall, when the tide turns, is from a greater height, and also to a lower depth. Those who during the rise of prices obtained credit upon the apparently increasing value of the goods which they held, are only enabled to fulfil their engagements by parting with the goods at almost any sacrifice, and prices sink for a time as much below their accustomed rate as they had previously been raised above it.

To avert these evils, in the opinion of Colonel Torrens and Mr. Loyd, and we may now add of Sir Robert Peel, something more than convertibility is necessary. Their remedy is to place the issuers under a legal impossibility of ever increasing their issues (beyond a certain moderate minimum), except in exchange for bullion, which, if refused to them, would probably be sent to the mint and coined. By this contrivance the paper currency is prevented from being arbitrarily increased. It can only, under such a system, be extended, when, if the augmentation were not made, an equivalent increase would probably take place in the portion of the currency which consists of coin.

But it is not enough, according to these authorities, to prevent increase of issues, otherwise than in exchange for bullion; it is also necessary to prevent the currency

from being diminished, otherwise than by not re-issuing the notes which are presented for payment. Under the present system, the Bank, when it finds its treasure leaving it, does not remain passive, and allow the exchange of notes for specie to go on until, the needful contraction having been effected, the drain stops of itself. It becomes alarmed, and endeavours by calling in its issues to stop the efflux of bullion in an earlier stage. It diminishes its loans to merchants, depriving them in a period of falling prices of the accustomed accommodation, which is then more than usually necessary. Or it throws some of its securities upon the market, and by absorbing a portion of the capital which is seeking investment, deprives the merchants of an equivalent amount of pecuniary advances. By either process, it raises the rate of interest and increases the difficulty of obtaining loans, at a period which is already one of pressure; thus heightening all the evils of a commercial revulsion.

By the plan proposed, that of compelling the issuers to keep their securities at a fixed amount, and to let the currency contract or expand only by the exchange of gold for notes and of notes for gold, the paper will, according to this theory, be preserved exactly the same in quantity as the metallic money which would otherwise circulate in its place; this identity of quantity being, it is supposed, indispensable to secure identity of value.

It is generally assumed, as essential to this mode of regulating the currency, that the privilege of issue should be confined to a single establishment. But the rule of holding an unvarying amount of securities, and of issuing notes beyond that amount only in exchange for bullion, might be applied to a multiplicity of issuers; and a scheme for that purpose was, in fact, devised by Colonel Torrens. Sir Robert Peel cuts the knot by prohibiting to the country banks any issues whatever beyond the average of the last two years. He does not apply to them, as he does to the Bank of England, the other half of the proposed system, by preventing arbitrary diminution as well as increase; either because he thinks that in preventing over-issue he has guarded sufficiently against revulsion, or because he deems more minute precautions superfluous in an arrangement which is avowedly preparatory to the suppression of all banks of issue other than the Bank of England.

Under the system thus established, we are confidently told that the calamity of almost periodical recurrence, commonly known by the name of a "commercial crisis," will be greatly diminished both in frequency and in severity. Some permit themselves to use language which at least seems to import that these convulsions will be rendered impossible. Colonel Torrens looks upon the measure as one which "will effectually prevent the recurrence of those commercial revulsions, those cycles of excitement and depression, which as Mr. Loyd has so felicitously explained, result from the alternate expansion and contraction of an ill-regulated circulation."^[*] He admits, indeed, that undue speculation, and the consequent reaction, might prevail to a great extent even under a metallic currency. But he attributes to the measure now proposed, an efficacy in counteracting those evils, sufficient to constitute that measure "the most important and the most salutary, as regards the reform of our monetary system, which has been brought under the consideration of parliament since the act of 1819 for the resumption of cash payments." [*Ibid.*]

We shall examine presently how far the measure deserves to be considered—again in the words of Colonel Torrens—as “the reform of a banking system hitherto, perhaps, the most defective in Europe.” [*Ibid.*] But whatever may be its recommendations, that of preventing, or even greatly alleviating commercial revulsions, can scarcely be one of them; since commercial revulsions are as frequent and as disastrous where this so bitterly-condemned banking system does not exist. Not to mention Amsterdam or Hamburg, the currency of France differs as little from a purely metallic currency as that of any civilized country can well do in this industrial era. France has no country banks of issue, no notes below twenty pounds (a large sum measured by the standard of French incomes), and nobody has ever imputed to the single issuing body which exists in France, any depreciating action on the currency. Even the custom of making payments by cheques is not yet generally adopted. Metallic money is the common medium of payment. Yet commercial revulsions are as severe, in proportion to the amount of mercantile business, in France as in England, and fill quite as large a space in public discussion and in the meditations of statesmen and of economists. An evil common to all commercial countries, in the ratio of the extent of their transactions, cannot depend upon a cause peculiar to England and the United States. What a currency actually metallic does not prevent, it is impossible that making the paper conform exactly to the variations of a metallic currency can cure.

As the notions of persons unacquainted with trade on what constitutes a commercial crisis are generally rather vague and obscure, we will, before going further, state as distinctly as possible what are its principal characteristics.

A commercial crisis is the recoil of prices, after they have been raised by speculation higher than is warranted by the state of the demand and of the supply. Speculation is almost always set in motion by something which affords apparent grounds for expecting either an extra demand or a deficient supply. But the anticipation may, in the first place, be erroneous; in the second, however rational it may be, the speculation (especially where the prospect of gain is considerable) is very likely to be overdone, each speculator conducting his operations as if he alone knew the circumstances on which the hope of profit is grounded. The rise consequent upon the speculative purchases attracts new speculators, insomuch that, paradoxical as it may appear, the largest purchases are often made at the highest price. But at last it is discovered that the rise has gone beyond the permanent cause for it, and purchases cease, or the holders think it is time to realise their gains. Then the recoil comes; and the price falls to a lower point than that from which it had risen, because the high price has both checked the demand, and, by stimulating production or importation, called forth a larger supply. Besides, many of those who during the high price have contracted engagements, which they trusted to a further rise for giving them the means of fulfilling, are unable to hold on until the crisis is past, but must sell at any sacrifice.

When this series of effects is confined to some one article of commerce, individuals may be ruined, but the mercantile world generally is not disturbed. When, however, as in 1825 and at several other periods in the present century, the opening of new markets, or some expected deficiency of supply extending to various important articles, has set speculation at work in several great departments at once, the spirit is

apt to become general, and other commodities rise in price without any reasonable cause whatever. In such cases, the ultimate revulsion is most extensive and calamitous.

As long as the seasons vary, as markets fluctuate, and men miscalculate, or the passion of gain (as in gamblers) over-rides their calculations, so long will these alterations of ebb and flow, these “cycles,” as Colonel Torrens calls them, “of excitement and depression,”^[*] continue. They are worse in America than in England, because American commerce is conducted in a more gambling spirit; they are worse at Liverpool than in London, for the same reason. But whatever aggravates the natural fluctuations of the markets, or creates fluctuations when they would not otherwise exist, increases both the frequency and the destructiveness of such convulsions. This the corn laws do; and it is one of their principal evils. This it is also affirmed that the currency, as at present regulated, does; and the merit claimed for the system now to be introduced is, that this artificial cause of fluctuation will be cut off.

It is here that Mr. Tooke and the authors of the new scheme are irreconcilably at variance. He denies *in toto* the evils imputed to the existing system.

The imputations are—First: That the banks, by arbitrary extension of their issues, raise prices; and thus create fluctuation, and speculation, and ultimate revulsions, where such would not otherwise exist.

Secondly: That when speculations have commenced from causes unconnected with the banks, they, by extending their issues, concurrently with the rise of prices, prevent the rise from being checked in an early stage. And when the rise of prices, by its operation on the exports and imports, has caused an efflux of gold, they hasten to stop it by a contraction of the currency equal to or beyond the previous expansion; which contraction being effected by a forced operation upon the loan market, aggravates the difficulties of persons already distressed.

Mr. Tooke disputes both these assertions.

He denies that an extension of issues can be arbitrarily made by the banks; or that, if made, it has any necessary tendency to raise prices.

He denies that, when prices are rising, the extension of issues, which frequently takes place simultaneously, retards the action of the causes which tend to check the rise; or that by preventing such increase of issues, improvident speculation would be earlier arrested, and the consequent calamities confined within a narrower range.^[*]

It is at once seen that this controversy involves a very important question in the theory of currency; one, indeed, which has not, to our knowledge, been subjected to thorough examination or put precisely in issue before. This question is—With what limitations, if any, the proposition is true that an increase in the quantity of the currency raises prices?

That it is true in some sense and in some circumstances, no one thinks of disputing; but that it is a universal principle, and true without any limitation, may perhaps have been too easily taken for granted.

If—to adopt an illustration sometimes used—every person in England were to awake one morning with a sovereign in his pocket, no one could doubt that the rise of prices would be immediate. All or most would hasten to expend their sovereign, either for pleasure or profit; and as there would be no more commodities to be distributed than before, each would bear a higher price.

On the other hand, suppose that a foreigner lands in England, bringing with him five thousand pounds in gold. This additional purchasing power, being brought into the market, would raise prices, but at first only the prices of those commodities which it was employed in purchasing. It might happen not to be employed in purchasing anything, and then it would not raise prices at all. We scarcely think that any one would contest the possibility, at least, of the case described by Mr. Tooke in the following passage. We quote from his “History of Prices,” because the statement of the same principle in his pamphlet is somewhat more imperfect, and gives an advantage to Colonel Torrens to which we do not think that the merits of the case entitle him:—

That an additional issue by the Bank of a million or of five millions on securities, would, *cæteris paribus*, reduce the market rate of interest, may be granted; but it is not self-evident, or consistent with experience, that prices of commodities would therefore necessarily rise. The persons who obtained such an increased price for their securities as induced them to sell, would doubtless, upon receiving the money, seek some other investment for it. There might not be, nor would it be likely that there should be, anything in the state of supply and demand in the markets for commodities to induce persons not habitually in them nor so disposed, to speculate in goods; while the probability is, and such has been the course of experience, that, as by the supposition the market rate of interest in this country would, by such an operation of the Bank, be depressed below its ordinary rate relatively to other countries, there would be every inducement to the individuals who thus had their capitals disengaged to seek investment in securities abroad, whether public or private. As there would not, by the operation of the Bank, be necessarily any additional inducement to export commodities, the capital to be transmitted abroad for such investments would be remitted in bullion. The effect, therefore, of the issue of the million or five millions of bank notes by the Bank, might merely be their return upon the Bank for bullion to be exported. This was, in point of fact, the process in 1834, when the Bank increased its securities by between three and four millions, and reduced its treasure by the same amount; while the markets for commodities, although the rate of interest was low, and the facility of credit complete, were in the most quiescent state possible, and the corn markets falling. (*History of Prices*, vol. iii, pp. 273-4.)

Or suppose another case, of frequent occurrence. A country bank issues an extra amount of notes in advances to farmers, to enable them to hold their corn, in hopes of getting a higher price. With the notes received from the bank the farmer pays his rent, and withholds the corn by the sale of which he would otherwise have paid it. But, for

every farmer who has not sold his corn, there is a miller or corn dealer somewhere who has not bought it. The notes which this miller or corn dealer was prepared to pay, he now puts into deposit, or repays to the banker from whom they had been borrowed. By as much as the one is enabled to postpone his sale, by so much does the other his purchase. There may have been not a pound more expended in consequence of the transaction, nor any action on prices, except to render more gradual the rise which was taking place from other causes in the price of corn.

If the declaration of innumerable witnesses merits any confidence, the *modus operandi* of country issues must very often be of this sort. The country bankers unanimously disclaim any arbitrary power over their issues, and declare that in certain states of the markets they *cannot* extend their circulation; if they attempt it, the increase comes back to them, either in deposits or by being presented for payment. They are, it may be said, interested witnesses. But they must mean something by this assertion. It cannot be a mere falsehood. It is confirmed, too, by many persons of the greatest experience, who have no interest in banks of issue,—Mr. Samuel Gurney, for example, and the late Mr. Rothschild.^[*] There must be some fact at the bottom of what is asserted. It may be a fact partially stated or misunderstood, and they may be entirely wrong in their explanation of it. But a fact of some sort there must be. We have not seen, on the other side of the question, any attempt to clear up the difficulty, or show the origin of the supposed mistake. We have met with nothing except a flat denial.

For our own part, we see no incredibility in the assertion of the bankers. We believe it to be in the main correct. It appears to us perfectly consistent with the theory of the subject.

The notion that every increase in the amount of the circulating medium must raise prices, proceeds, as it seems to us, upon the erroneous supposition, that an increase of money must be an increase of purchasing power.

The purchasing power which determines prices is of two kinds,—*ultimate* purchasing power, which determines permanent prices; and the portion of that power which is in actual exercise at a given time; this determines the fluctuations of prices.

The ultimate purchasing power of the community is, in the words of Mr. Tooke, “the quantity of money constituting the revenues of the different orders of the state, under the head of rents, profits, salaries, and wages.”^[*] We think he should rather have said their “gross incomes,” to include that portion of their receipts which is employed in replacing material, and in renewing machinery and buildings as they wear out. The whole of these incomes is destined to be, and is, expended in purchases, either for personal consumption or for reproduction. The aggregate of money incomes, compared with the whole annual produce of the country, determines general prices, as between the dealer and the consumer. If you add to the currency in a way which increases the aggregate of incomes, you raise prices; but this condition can be satisfied by nothing short of a permanent increase^{*} of the quantity of money in the country; either from an influx of the metals, caused by a diminution in the cost at which they can be produced and imported, or from increased issue of an inconvertible

paper currency. We say inconvertible, because it is admitted that of that alone could any increase have the character of permanence.[†]_—

But though an extension of issues may not increase the aggregate money incomes of the community, nor raise general prices between dealer and consumer, upon which prices all dealers depend for their ultimate returns, and on the anticipation of which they necessarily ground all their transactions with one another; some may suppose that it must increase the money demand for commodities at the particular moment; because the person who obtains the bank notes does so for the purpose of using them, and may be supposed to bring them immediately into the market and make purchases to their full extent.

This opinion seems to us to rest upon a great misconception of what constitutes the money demand for a commodity.

It seems to be thought by many people that the purchase of commodities implies the direct transfer of so much money from hand to hand in return for so much produce; and that the limit to the possible demand for a commodity at any moment, is the quantity of money then and there waiting to be exchanged for it.^{*}_— With this mode of thinking it is no wonder that any one should suppose that whenever you add to the money at that place physically present, you add as much to the demand, and consequently to the price. But this is a very inadequate notion indeed of what constitutes purchasing power.

The purchasing power of an individual at any moment is not measured by the money actually in his pocket, whether we mean by money the metals, or include bank notes. It consists, first, of the money in his possession; secondly, of the money at his banker's, and all other money due to him and payable on demand; thirdly, of whatever credit he happens to possess. To the full measure of this three-fold amount he has the power of purchase. How much he will employ of this power, depends upon his necessities, or, in the present case, upon his expectations of profit. Whatever portion of it he does employ, constitutes his demand for commodities, and determines the extent to which he will act upon price.

Now, of these three elements of money demand, the first alone is grounded upon a corresponding amount of money actually *in esse*. The second, or the deposit at his banker's, is in part grounded upon actual money, namely, to the extent of about one-third, that being the proportion which prudent bankers profess to keep in their coffers to meet the drafts of their depositors. The third element of money demand, namely credit, has no basis of actually existing money at all. It is an additional money demand, created over and above that which is constituted by all the money in actual circulation. But it is exactly as operative upon prices as the money itself, provided the possessor chooses to make use of the purchasing power which it confers. This explains why periods of general confidence, when large prospects of gain seem to be opening themselves, and when there is a disposition among dealers to employ not only all their money but all or much of their credit in enlarging their operations, are attended with so great a rise of general prices. The effect is sometimes ascribed to the bills of exchange and other transferable paper which these transactions generate, and

which are said to perform the functions of currency. Those who use this language mistake the effect for the cause. Bills of exchange are mere evidences of credit. The credit itself is the operating cause. It is manifest that when buyers are willing to employ their credit as well as their money in making purchases, their demand for commodities becomes so much greater, and prices must rise. They would rise if no such thing as a transferable acknowledgment of debt had ever been known in the country.

We may observe, parenthetically, that these considerations remove the puzzle which has been made of whether deposits, and cheques, and bills of exchange, are to be considered as money. With those who think that money alone confers power of purchase, these questions are very pertinent. When they ask whether deposits, or whether anything else, is money, they mean, does it operate on money prices? If it does, they think it a necessary consequence that it should be called money. But when once it is clearly seen that credit, so far as employed in the purchase of commodities, operates upon prices in exactly the same degree as money, the question what forms of credit should be called money, becomes extremely unimportant. It would probably be best that no form whatever should be so called.

If the views now stated be sound, it seems not easy to understand how an increased creation of the written evidences of credit called bank notes, can, of itself, create an additional demand, or occasion a rise of price. Admitting bank notes to be money (which is, in truth, a mere question of language), what does the person do who issues them, but take so much from the third element of purchasing power, namely credit, and add it to the first element, money in hand—making no addition whatever to the total amount? More properly, he merely converts so much credit from an unwritten into a written, and from a cumbrous into a convenient, form. Bank notes are to credit precisely what coin is to bullion; the same thing, merely rendered portable and minutely divisible. We cannot perceive that they add anything, either to the aggregate of purchasing power, or to the portion of that power in actual exercise. The person to whom the notes are advanced is proved by that very fact to have credit, and his requiring the advance proves that to that extent he intends to use his credit in making purchases. Is it supposed that having credit, and intending to buy goods by means of it, he will be disabled from doing so because a banker is prohibited from one particular mode of giving him credit?*

It must be conceded, and Mr. Tooke does fully concede, [*] that if bankers, urged by competition or caught by the contagious confidence of speculative times, make advances to persons who otherwise have *not* credit and cannot give good security, in that case the foregoing arguments do not apply. To that extent they do create a new purchasing power, a new demand, and, as its consequence, a rise of price. The American banks did raise prices by reckless advances; by lending money to persons who could not repay them. No one is more aware of this than Mr. Tooke. It is not, however, by their notes, as such, that banks thus misconduct themselves. Imprudent advances of their deposits, or of their private capital, or imprudent indorsement and guarantee of the engagements of their customers, have precisely the same effect. All extension of credit, legitimate or illegitimate, tends, in proportion as it is made use of, to a rise of price. And all contraction of credit produces an equivalent collapse.

That bank notes, as such, have any peculiar power on prices, we see no reason whatever to believe: and we hold with Mr. Tooke, that when they are increased, their increase is a consequence of a rise of prices, not a cause.^[†] It is a known fact that the country issues almost invariably increase when the prices of agricultural produce are rising. The reason is, that the buyers, having larger payments to make, apply for more notes to make them with, it being the custom in the provision and cattle markets not to buy on credit, but to pay immediately in bank notes. A rise of other prices does not necessarily lead to increased issues; because, in almost all other transactions between dealers, bank notes are already superseded by cheques, or book credits; and these would soon be introduced into the markets for agricultural produce, if the obtaining bank notes were rendered difficult. Even the small quantity of bank notes which are employed at the clearing house or elsewhere, to effect the ultimate liquidation of these cheques and credits by the payment of balances, might, as Mr. Tooke remarks,^[‡] have their place supplied by exchequer bills (as in Scotland), or by drafts on the Bank of England.

Whether the credit which necessarily exists in a commercial country assumes the form of bank notes or no, is, in short, a mere matter of convenience. In whatever form or vesture the credit is given, its influence on price is the same. He who has credit, and desires to employ it in purchases, will find the means of doing so without bank notes, and will act upon prices accordingly; while if he does not think the time favourable for making purchases, even having the notes in his possession will not induce him to do it; he will either keep them by him until they are wanted, or they will go into deposit.

It appears, then, that any increase of issues which is likely to take place under the present system of convertibility, is in itself quite inoperative to raise prices,^{*} and cannot, therefore, be an exciting cause of commercial revulsions; but that a spirit of speculation, or an undue extension of credit, does raise prices, and raises them equally whether bank notes are generated by it or not; and that by preventing the increase of bank notes during such periods, nothing would be done to check the rise, since it is not bank notes which, as it is sometimes expressed, *sustain* prices, but the state of credit generally. No mode of regulating bank notes would either arrest the rise, or moderate the subsequent revulsion, which is always proportional.

There is, however, one way in which the present administration of the currency does heighten the evils of a commercial revulsion. The rise of prices in periods of exaggerated confidence checks exportation and greatly increases importation. A balance has to be paid in gold, and this is demanded from the Bank. To stop the drain, it hastily contracts its issues, that is, it sells securities and diminishes its loans, thus aggravating, in a period of difficulty, the already existing pressure upon the loan market; and this, it is urged, will be prevented by the ministerial measure, since the bank will not be permitted to contract its issues, except by not re-issuing the notes which have been returned to it for payment. But, as Mr. Tooke remarks,^[*] to attain this object it is only necessary that the bank should habitually hold so large a reserve of bullion as will admit of allowing any probable drain to proceed until it has reached its limits. Whatever amount of reserve is needed for this purpose will be equally necessary on the plan of Sir Robert Peel, since the bullion, against which all notes

beyond the fixed amount of securities are to be issued, must be sufficient to meet the greatest drain which can ever be supposed to occur. We shall see presently that, in reality, the amount of reserve which would suffice on Mr. Tooke's plan will not be sufficient on Sir Robert Peel's.

We think, then—although with unfeigned diffidence, considering the high authorities by which we are opposed—that the reasons urged in recommendation of the contemplated changes, and in proof of the theory on which they rest, are all untenable, and that the system about to be adopted is in no way preferable to the present system, if improved as Mr. Tooke proposes, by making it imperative on the Bank to keep a larger reserve of bullion. But though not preferable, whether it is in any way inferior is another consideration. That question must be determined, not by its effects on price, for these we believe to be null, but by its operation upon the rate of interest, for that is real. Fluctuations of price do not, we believe, depend upon bank issues; but the operations of banks, as of other money-lenders, of course act upon the loan market, or as it is improperly called, the money market; in other words, upon the rate of interest, and what is almost synonymous, the prices of securities.

Mr. Tooke does not share the common opinion, that increased issues, by lowering the rate of interest, operate as a stimulus to speculation. He thinks it a vulgar error

That a facility of borrowing at a low rate of interest, not only confers the power of purchasing, but affords the inducement, applies the *stimulus* to speculation in commodities. If by facility of borrowing be meant a laxity of regard to security for repayment on the part of the lender, there is every probability that money so borrowed will be hazarded, if not recklessly employed; and whether in the purchase of shares, or of foreign securities, or of merchandize, or in any other mode of adventure or enterprise, or in mere personal expenditure, is a matter of chance, depending on the disposition and views of the borrower. Such borrowers are not *stimulated* to purchase commodities speculatively, merely because they can borrow on low terms; they are but too happy if they can borrow at all. But to suppose that persons entitled to credit are likely to be induced—*stimulated* is the favourite term—by the mere circumstance of a low rate of interest, to enter into speculations in commodities (using the term speculation in its obnoxious sense), argues a want of knowledge of the motives which lead to such speculations. These are seldom, if ever, entered into with borrowed capital, except with a view to so great an advance of price, and to be realized within so moderate a space of time, as to render the rate of interest or discount a matter of comparatively trifling consideration. (Pp. 81-2.)

The truth is, that the power of purchase by persons having capital and credit is much beyond anything that those who are unacquainted practically with speculative markets have any idea of. (P. 79.)

A person having the reputation of capital enough for his regular business, and enjoying good credit in his trade, if he takes a sanguine view of the prospect of a rise of price of the article in which he deals, and is favoured by circumstances in the outset and progress of his speculation, may effect purchases to an extent perfectly enormous, compared with his capital.* (P. 136.)

But why should this purchasing power be directed to the purchase of commodities, if there was nothing in the state of supply relatively to the rate of consumption, to afford the prospect of gain on the necessary eventual resale? The error is in supposing the *disposition* or *will* to be co-extensive with the power. The limit to the motive for the exercise of the power is in the prospect of resale with a profit. (P. 79.)

But although the issues of banks may not have the effect imputed to them, of stimulating speculation by lowering the rate of interest, there is no doubt that the mode of issuing and the mode of recalling them may and does produce *fluctuations* in the loan market.

Fluctuation is an evil in the interest of loans, as well as in the prices of commodities; and that is the best banking system (solvency and convertibility being first provided for) under which there is least liability to such fluctuations.

In this respect it is Mr. Tooke's opinion that the system about to be introduced is decidedly inferior to the old:—

That a total separation of the business of issue from that of banking is calculated to produce greater and more abrupt transitions in the rate of interest, and in the state of credit, than the present system of union of the departments. (P. 124.)

The ground of this opinion deserves attention.

It is a fact, attested by experience, that a drain of gold upon the Bank for exportation takes place in most cases mainly by drawing out deposits. As, in the proposed system, there is nothing to cause any change in this respect, we must suppose that this would still be the case, and that the demand for gold would be first felt by the deposit department.

Now, under the present arrangements, in case of a run upon the deposits, the Bank has to rely, not only on the portion of reserve which it retains, like other bankers, against the deposits themselves, but also on the gold in reserve on account of its notes. Until all the gold in the possession of the Bank is exhausted, it is in no danger of stopping payment. But under the proposed system the department of deposit must rest upon its own resources. The reserve in the deposit department could derive no aid from the issue department, while it would have to bear the first brunt of the whole action intended to be exercised through it upon the latter. As it would be prohibited from meeting this demand by creating more notes, or even by having the notes which it paid out, and which then went to the issue department for gold, returned to it; either the reserve of the deposit department alone will require to be as great as is now requisite for the deposits and issues together, or it will be obliged to suspend its discounts and sell its securities much earlier and more abruptly than is necessary under the present mixed system. If the demand for gold were to the extent of three or four millions, no “merchant, banker, or money dealer,” says Mr. Tooke,

Could for a moment have a doubt as to the extremity of pressure which it would cause. I am most intimately persuaded that it would be within the mark to suppose

that a rate of discount (assuming that the doors of the Bank and the ears of the directors were irrevocably closed against all applications) of twenty per cent. and upwards, would in many cases be submitted to, and sacrifices of goods, if any large proportion were held on credit, would be made at a still greater loss. And after all, it might be a question whether even this effort of the Bank on its securities would be effectual in restoring its reserve in sufficient time to meet the exigency.

While the circulating department was still abundantly provided with gold, the deposit department might have no alternative but to stop payment.

And all this inconvenience may have been purely gratuitous, as a sacrifice to the currency principle; because the utmost demand for gold might have been satisfied by an export of 3,000,000*l.* or 4,000,000*l.*, which, under a system of issuing and banking, would have been attended, as in the instances of 1828-29, and 1831-32, with no inconvenience whatever. (Pp. 109-10, 111.)

Indeed, if the purpose for which the new arrangements are intended is to be carried out, the deposit department must in any case begin selling its securities the moment a drain upon it commences; because if it does not, the notes which will be returned to the issue department in exchange for gold will not have been taken from those in circulation among the public, but from the reserve in the deposit department; and the cherished object of making the currency vary in quantity exactly as would be the case with a metallic currency will not be effected.

We have now stated partly, in the words of Mr. Tooke, partly and more often in our own, the grounds on which, in common with him, we have adopted the following conclusions:—

That the proposed changes in the mode of regulating the currency will be attended with none of the advantages predicted; that, so far as intended to guard against the danger of over-issue, they are precautions against a chimerical evil; that the real evil of commercial vicissitudes, of “cycles of excitement and depression,”^[*] is not touched by them, nor by any regulations which can be adopted for bank notes or other mere instruments of credit; and that in what Mr. Tooke justly calls (next to solvency and convertibility) “the main difference between one banking system and another,” namely, “the greater or less liability to abrupt changes in the rate of interest and in the state of commercial credit,”^[*] the present arrangements, under the condition of a larger bank reserve, have a decided advantage over the new system.

We have left ourselves little room for any observations on Colonel Torrens’s reply to Mr. Tooke.

Colonel Torrens is one of the first living economists, and, as he says of Mr. Tooke, “can afford to lose some reputation by his present publication,”^[†] though we do not think that such a result is to be apprehended. In clearness and precision of statement, and in that closeness of discussion which is a great part both of argumentative power and of dialectical dexterity, Colonel Torrens has never more distinguished himself. Not a single exposed point in his adversary escapes him; and on some minor questions

we think he has successfully answered Mr. Tooke. That we cannot entertain a similar opinion of his main argument, we have sufficiently shown: and the grounds of our difference have been so fully explained as to dispense, we hope, with any detailed controversy.

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THE CLAIMS OF LABOUR

1845

EDITOR'S NOTE

D&D, II (1867), 181-217. Headed: "The Claims of Labour"; with a footnote identifying the first publication, and adding: "Part of a review of the work by Mr. Helps, entitled 'The Claims of Labour: an Essay on the Duties of the Employers to the Employed' [London: Pickering, 1844]." (In 1859 the reading was "... review of a work, entitled 'The . . . Employed.' ") Reprinted from *Edinburgh Review*, LXXXI (Apr., 1845), 498-525 (unsigned), where it appeared as Art. VII (with the title of Help's work). Identified in JSM's bibliography as "A review of a book entitled 'The Claims of Labour' (by Arthur Helps Esq.) in the Edinburgh review for April 1845" (MacMinn, 58).

This article, its subject still fresh in JSM's mind when he wrote his *Principles* (see Book IV, Chaps. vi and vii), was conceived a year before the commencement of the *Principles*; on 9 Nov., 1844, he wrote to Macvey Napier, editor of the *Edinburgh*:

I have been feeling lately a very great inclination to write something on the doctrines & projects which are so rife just at present on the fashionable subject of the "Claims of Labour"—& the little book so called, would furnish an appropriate text, if you are inclined to the subject, & would not prefer seeing it in other hands. It appears to me that along with much of good intention, & something even of sound doctrine, the speculations now afloat are sadly deficient, on the whole, in sobriety & wisdom—forgetful, in general, of the lessons of universal experience, & of some of those fundamental principles which one did think had been put for ever out of the reach of controversy by Adam Smith, Malthus, & others. The general tendency is to rivet firmly in the minds of the labouring people the persuasion that it is the business of others to take care of their condition, without any self control on their own part—and that whatever is possessed by other people, more than they possess, is a wrong to them, or at least a kind of stewardship, of which an account is to be rendered to them. I am sure you will agree with me in thinking it very necessary to make a stand against this sort of spirit while it is at the same time highly necessary as well as right, to shew sympathy in all that is good of the new tendencies, & to avoid the hard, abstract mode of treating such questions which has brought discredit upon political economists & has enabled those who are in the wrong to claim, & generally to receive, exclusive credit for high & benevolent feeling.

I do not know of anything so important at the present time as to attempt to place these subjects in their right position before the public—and it can nowhere be done so well as in the *Edinburgh review*—where I hope it will be done even if it should not suit you that I should do it—although I know no reason for thinking that the manner in which I

should treat the subject would be unsuitable to you. (*Earlier Letters, Collected Works*, XIII, 643-4.)

The following text is collated with that in *D&D*, II (1st ed.), and that in the *Edinburgh*. In the footnoted variants, the 2nd ed. is indicated by “67”; the 1st by “59”; the *Edinburgh* by “45”. Two corrections in JSM’s hand in the Somerville College copy (an off-print paged 1-28, but otherwise unaltered) are indicated at 387^{l-l} and ^{m-m}.

The Claims Of Labour

“persons of a thoughtful mind,” says the introduction to this little volume, “seeing closely the falsehood, the folly, and the arrogance of the age in which they live, are apt, occasionally, to have a great contempt for it; and I doubt not, that many a man looks upon the present time as one of feebleness and degeneracy. There are, however, signs of an increased solicitude for the [“Claims of Labour”](#)^a, which of itself is a thing of the highest promise, and more to be rejoiced over than all the mechanical triumphs which both those who would magnify, and those who would depreciate, the present age, would be apt to point to as containing its especial significance and merit.”^[*]

It is true that many are now inquiring, more earnestly than heretofore, “how the great mass of the people are fed, clothed, and taught—and whether the improvement in their condition corresponds at all with the improvement of the condition of the middle and upper classes.” [P. 3.] And many are of opinion, with the writer from whom we quote, that the answer which can be given to these questions is an unsatisfactory one. Nor is the newly-awakened interest in the condition of the labouring people confined to persons, like this author, of feeling and reflection. To its claims upon the conscience and philanthropy of the more favoured classes, to its ever-strengthening demands upon their sense of self-interest, this cause now adds the more ephemeral attractions of the last new fashion. The [“Claims of Labour”](#)^b have become the question of the day: the current of public meetings, subscriptions, and associations, has for some time set strongly in that direction; and many minor topics which previously occupied the public mind, have either merged into that question, or been superseded by it. Even the Legislature, which seldom concerns itself much with new tendencies of opinion until they have grown too powerful to be safely overlooked, is invited, in each Session with increasing urgency, to provide that the labouring classes shall earn more, work less, or have their lot in some other manner alleviated; and in each Session yields more or less cheerfully, but still yields, though slowly yet increasingly, to the requisition.

That this impulse is salutary and promising, few will deny; but it would be idle to suppose that it has not its peculiar dangers, or that the business of doing good can be the only one for which [“zeal”](#)^c suffices, without [“knowledge”](#)^d or circumspection. A change from wrong to right, even in little things, is not so easy to make, as to wish for, and to talk about. Society cannot with safety, in one of its gravest concerns, pass at once from selfish supineness to restless activity. It has a long and difficult apprenticeship yet to serve; during which we shall be often reminded of the *dictum* of Fontenelle, that mankind only settle into the right course after passing through and exhausting all the varieties of error.^[*] But however this may be, the movement is not

therefore to be damped or discouraged. If, in the attempt to benefit the labouring classes, we are destined to see great mistakes committed in practice, as so many errors are already advocated in theory, let us not lay the blame upon excess of zeal. The danger is, that ^epeople^e in general will care enough for the object, to be willing to sacrifice other people's interest to it, but not their own; and that the few who lead will make the sacrifice of their money, their time, even their bodily ease, in the cause; but will not do for its sake what to most men is so much more difficult—undergo the formidable labour of thought.

For several reasons, it will be useful to trace back this philanthropic movement to its small and unobvious beginnings—to note its fountain-head, and show what mingled streams have from time to time swelled its course.

We are inclined to date its origin from an event which would in vulgar apprehension seem to have a less title to that than ^fany other honourable distinction—the appearance of Mr. Malthus's Essay on Population. Though the assertion may be looked upon as a paradox, it is historically true, that only from that time has the economical condition of the labouring classes been regarded by thoughtful men as susceptible of permanent improvement. We know that this was not the inference originally drawn from the truth propounded by Mr. Malthus. Even by himself, that truth was at first announced as an inexorable law, which, by perpetuating the poverty and degradation of the mass of mankind, gave a *quietus* to the visions of indefinite social improvement which had agitated so fiercely a neighbouring nation. To these supposed corollaries from Mr. Malthus's principle, it was, we believe, indebted for its early success with the more opulent classes, and for much of its lasting unpopularity with the poorer. But this view of its tendencies only continued to prevail while the theory itself was but imperfectly understood; and now lingers nowhere but in those dark corners into which no subsequent lights have penetrated. The first promulgator of a truth is not always the best judge of its tendencies and consequences; but Mr. Malthus early abandoned the mistaken inferences he had at first drawn from his celebrated principle, and adopted the very different views now almost unanimously professed by those who recognise his doctrine.

So long as the necessary relation between the numbers of the labouring population and their wages had escaped attention, the poverty, bordering on destitution, of the great mass of mankind, being an universal fact, was (by one of those natural illusions from which human reason is still so incompletely emancipated) conceived to be inevitable;—a provision of nature, and as some said, an ordinance of God; a part of human destiny, susceptible merely of partial alleviation in individual cases, from public or private charity. The only persons by whom any other opinion seemed to be entertained, were those who prophesied advancements in physical knowledge and mechanical art, sufficient to alter the fundamental conditions of man's existence on earth; or who professed the doctrine, that poverty is a factitious thing, produced by the tyranny and rapacity of governments and of the rich. Even so recent a thinker, and one so much in advance of his predecessors, as Adam Smith, went no further than to say, that the labourers might be well off in a rapidly progressive state of the public wealth; ^[*]—a state which has never yet comprehended more than a small portion of the earth's surface at once, and can nowhere last indefinitely; ^gbut that^g they must be

pinched and in a condition of hardship in the stationary state, which in a finite world, composed of matter not changeable in its properties, is the state towards which things must be at all times tending. The ideas, therefore, of the most enlightened men, anterior to Mr. Malthus, led really to the discouraging anticipations for which his doctrine has been made accountable. But these anticipations vanished, so soon as the truths brought to light by Mr. Malthus were correctly understood. It was then seen that the capabilities of increase of the human species, as of animal nature in general (being far greater than those of subsistence under any except very unusual circumstances), must be, and are, controlled, everywhere else, by one of two limiting principles—starvation, or prudence and conscience: That, under the operation of this conflict, the reward of ordinary unskilled labour is always and everywhere (saving temporary variations, and rare conjunctions of circumstances) at the lowest point to which the labourers will consent to be reduced—the point below which they will not choose to propagate their species: That this ^h[minimum](#)^h, though everywhere much too low for human happiness and dignity, is different in different places, and in different ages of the world; and, in an improving country, has on the whole a tendency to rise. These considerations furnished a sufficient ⁱ[explanation](#)ⁱ of the state of extreme poverty in which the majority of mankind had almost everywhere been found^j, without supposing any inherent necessity in the case—any universal cause, other than the causes which have made human progress altogether so imperfect and slow as it is. And the explanation afforded a sure hope, that whatever accelerates that progress would tell with full effect upon the physical condition of the labouring classes. Whatever raises the civilization of the people at large—whatever accustoms them to require a higher standard of subsistence, comfort, taste, and enjoyment, affords of itself, according to this encouraging view of human prospects, the means of satisfying the wants which it engenders. In every moral or intellectual benefit conferred upon the mass of the people, this doctrine teaches us to see an assurance also of their physical advantage; a means of enabling them to improve their worldly circumstances—not in the vulgar way of “rising in the world,” so often recommended to them—not by endeavouring to escape out of their class, as if to live by manual labour were a fate only endurable as a step to something else; but by raising the class itself, in physical well-being and in self-estimation. These are the prospects which the vilified population principle has opened to mankind. True, indeed the doctrine teaches this further lesson, that any attempt to produce the same result by other means—any scheme of beneficence which trusts for its moving power to anything but to the influence over the minds and habits of the people, which it either directly aims at, or may happen indirectly to promote—might, for any *general* effect of a beneficial kind which it can produce, as well be let alone. And, the doctrine being brought thus into conflict with those plans of easy beneficence which accord so well with the inclinations of man, but so ill with the arrangements of nature, we need not wonder that the epithets of “Malthusians” and “Political Economists” are so often considered equivalent to hard-hearted, unfeeling, and enemies of the poor;—accusations so far from being true, that no thinkers, of any pretensions to sobriety, cherish such hopeful views of the future social position of labour, or have so long made the permanent increase of its remuneration the turning-point of their political speculations, as those who most broadly acknowledge the doctrine of Malthus.

But if the permanent place now occupied in the minds of thinking men by the question of improving the condition of the labouring classes, may be dated from the new light cast by Malthus's speculations upon the determining laws of that condition, other causes are needful to account for the popularity of the subject as one of the topics of the day; and we believe they will be found in the stir and commotion of the national mind, consequent upon the passing of the Reform Bill. [\[*\]](#)

It was foretold during the Reform crisis, that when the consequences of the Bill should have had time to manifest themselves, the direct effects with which all mouths were filled, would prove unimportant compared with those indirect effects which were never mentioned in discussion, and which hardly any one seemed to think of. The prophecy has been signally verified. Considered as a great constitutional change, both friends and enemies now seem rather surprised that they should have ascribed so much efficacy to the Bill, for good or for evil. But its indirect consequences have surpassed every calculation. The series of events, commencing with Catholic Emancipation, [\[†\]](#) and consummated by the Reform Act, brought home for the first time to the existing generation a practical consciousness of living in a world of change. It gave the first great shock to old habits. It was to politics what the Reformation was to religion—it made reason the recognised standard, instead of authority. By making it evident to the public that they were on a new sea, it destroyed the force of the instinctive objection to new courses. Reforms have still to encounter opposition from those whose interests they affect, or seem to affect; but innovation is no longer under a ban, merely as innovation. The existing system has lost its *prestige*; it has ceased to be the system which Tories had been taught to venerate, and has not become that which Liberals were accustomed to desire. When any wide-spread social evil was brought before minds thus prepared, there was such a chance as there had not been for the last two hundred years, of its being examined with a real desire to find a remedy, or at least without a predetermination to leave things alone. That the evils of the condition of the working classes should be brought before the mind of the nation in the most emphatic manner, was the care of those classes themselves. Their “petition of grievances” was embodied in the People’s Charter.

The democratic movement among the operative classes, commonly known as Chartism, was the first open separation of interest, feeling, and opinion, between the labouring portion of the commonwealth and all above them. It was the revolt of nearly all the active talent, and a great part of the physical force, of the working classes, against their whole relation to society. Conscientious and sympathizing minds among the ruling classes, could not but be strongly impressed by such a protest. They could not but ask themselves, with misgiving, what there was to say in reply to it; how the existing social arrangements could best be justified to those who deemed themselves aggrieved by them. It seemed highly desirable that the benefits derived from those arrangements by the poor should be made less questionable—should be such as could not easily be overlooked. If the poor had reason for their complaints, the higher classes had not fulfilled their duties as governors; if they had no reason, neither had those classes fulfilled their duties in allowing them to grow up so ignorant and uncultivated as to be open to these mischievous delusions. While one sort of minds among the more fortunate classes were thus influenced by the political claims put forth by the operatives, there was another description upon whom that phenomenon

acted in a different manner, leading, however, to the same result. While some, by the physical and moral circumstances which they saw around them, were made to feel that the condition of the labouring classes *ought* to be attended to, others were made to see that it *would* be attended to, whether they wished to be blind to it or not. The victory of 1832, due to the manifestation, though without the actual employment, of physical force, had taught a lesson to those who, from the nature of the case, have always the physical force on their side; and who only wanted the organization, which they were rapidly acquiring, to convert their physical power into a moral and social one. It was no longer disputable that something must be done to render the multitude more content with the existing state of things.

Ideas, unless outward circumstances conspire with them, have in general no very rapid or immediate efficacy in human affairs; and the most favourable outward circumstances may pass by, or remain inoperative, for want of ideas suitable to the conjuncture. But when the right circumstances and the right ideas meet, the effect is seldom slow in manifesting itself. In the posture of things which has been described, we attribute considerable effect to certain writers, by whom what many were either thinking or prepared to think, was for the first time expressly proclaimed. Among these must be reckoned Mr. Carlyle, whose "Chartism"^[*] and "Past and Present"^[†] were openly, what much of his previous writings had been incidentally, an indignant remonstrance with the higher classes on their sins of omission against the lower; contrasted with what he deemed the superior efficiency, in that relation, of the rulers in older times. On both these points, he has met with auxiliaries from a directly opposite point of the political horizon; from those whom a spirit of reaction against the democratic tendencies of the age, had flung off with the greatest violence in the direction of feudal and sacerdotal ascendancy. As, in the Stuart times, there were said to be Church Puritans and State Puritans, so there are now Church Puseyites, and what may be called State Puseyites; ^k men who look back with fondness to times when the poor had no notion of any other social state than to give obedience to the nearest great landholder, and receive protection; and who assert, in the meantime, the right of the poor to protection, in hopes that the obedience will follow.

To complete the explanation of this increase of sympathy for the poor, it ought to be noticed that, until lately, few were adequately aware of their real condition. The agitation against the Poor-Law,^[*] bad as it was and is, both in its objects and in its effects, had in it this good, that it incessantly invited attention to the details of distress. The inquiries emanating from the Poor-Law Commission, and the official investigations of the last few years, brought to light many facts which made a great impression upon the public; and the poverty and wretchedness of great masses of people were incidentally unveiled by the struggles of parties respecting the Corn-Laws.^[†] The Agriculturists attempted to turn the tables upon their opponents, by highly coloured pictures of the sufferings and degradation of the Factory ^l*operatives*; and the League repaid the attack with interest, by sending emissaries into the rural districts, and publishing the deplorable poverty of the agricultural labourers.

From these multifarious causes a feeling has been awakened, which would soon be as influential in elections as the anti-slavery movement some years ago, and dispose of funds equal to those of the missionary societies, had it but as definite an object. The

stream at present flows in a multitude of small channels. Societies for the protection of needlewomen, of governesses—associations to improve the buildings of the labouring classes, to provide them with baths, with parks and promenades, have started into existence. Legislative interference to abridge the hours of labour in [m^mmanufactories^m](#) has obtained large minorities, and once a passing majority, in the House of Commons; and attempts are multiplying to obtain, by the consent of employers, a similar abridgment in many departments of retail trade. In the rural districts, every expedient, practicable or not, for giving work to the unemployed, finds advocates; public meetings for the discussion and comparison of projects have lately been frequent; and the movement towards the “allotment system” is becoming general.

If these, and other modes of relieving distress, were looked upon simply in the light of ordinary charity, they would not fill the large space they do in public discussion, and would not demand any special comment. To give money in alms has never been, either in this country or in most others, a rare virtue. Charitable institutions, and subscriptions for relief of the destitute, already abounded: and if new forms of suffering, or classes of sufferers previously overlooked, were brought into notice, nothing was more natural than to do for them what had already been done for others. People usually give alms to gratify their feelings of compassion, or to discharge what they think their duty by giving of their superfluity to alleviate the wants of individual sufferers; and beyond this they do not, nor are they, in general, qualified to look. But it is not in this spirit that the new schemes of benevolence are conceived. They are propounded as instalments of a great social reform. They are celebrated as the beginning of a new moral order, or an old order revived, in which the possessors of property are to resume their place as the paternal guardians of those less fortunate; and which, when established, is to cause peace and union throughout society, and to extinguish, not indeed poverty—that hardly seems to be thought desirable—but the more abject forms of vice, destitution, and physical wretchedness. What has hitherto been *done* in this brilliant career of improvement, is of very little importance compared with what is *said*; with the objects held up to pursuit, and the theories avowed. These are not now confined to speculative men and professed philanthropists. They are made familiar to every reader of newspapers, by sedulous inculcation from day to day.

It is therefore not superfluous to consider whether these theories, and the expectations built upon them, are rational or chimerical; whether the attempt to carry them out would in the end be found to accord or conflict with the nature of man, and of the world in which he is cast. It would be unfair to the theorists to try them by anything which has been commenced, or even projected. Were they asked if they expect any good to the general interest of the labouring people, from a Labourers’ Friend Society, or a Society for Distressed Needlewomen, they would of course answer that they do not; that these are but the first leaf-buds of what they hope to nourish into a stately and spreading tree; that they do not limit their intentions to mitigating the evils of a low remuneration of labour, but must have a high remuneration; in the words of the operatives in the late disturbances—“a fair day’s wages for a fair day’s work,”^[*]—that they hope to secure this, and will be contented with nothing short of it. Here,

then, is a ground on which we can fairly meet them. That object is ours also. The question is of means, not ends. Let us look a little into the means they propose.

Their theory appears to be, in few words, this—that it is the proper function of the possessors of wealth, and especially of the employers of labour and the owners of land, to take care that the labouring people are well off:—that they ought always to pay good wages;—that they ought to withdraw their custom, their patronage, and any other desirable thing at their disposal, from all employers who will not do the like;—that, at these good wages, they ought to give employment to as great a number of persons as they can afford; and to make them work for no greater number of hours in the twenty-four, than is compatible with comfort, and with leisure for recreation and improvement. That if they have land or houses to be let to tenants, they should require and accept no higher rents than can be paid with comfort; and should be ready to build, at such rents as can be conveniently paid, warm, airy, healthy, and spacious cottages, for any number of young couples who may ask for them.

All this is not said in direct terms; but something very little short of it is. These principles form the standard by which we daily see the conduct, both of classes and of individuals, measured and condemned; and if these principles are not true, the new doctrines are without a meaning. It is allowable to take this picture as a true likeness of the “new moral world”^[*] which the present philanthropic movement aims at calling into existence.

Mankind are often cautioned by divines and moralists against unreasonableness in their expectations. We attach greater value to the more limited warning against inconsistency in them. The state of society which this picture represents, is a conceivable one. We shall not at present inquire if it is of all others the most eligible one, even as an Utopia. We only ask if its promoters are willing to accept this state of society, together with ⁿ its inevitable accompaniments.

It is quite possible to impose, as a moral or a legal obligation, upon the higher classes, that they shall be answerable for the well-doing and well-being of the lower. There have been times and places in which this has in some measure been done. States of society exist, in which it is the recognised duty of every owner of land, not only to see that all who dwell and work thereon are fed, clothed, and housed, in a sufficient manner; but to be, in so full a sense, responsible for their good conduct, as to indemnify all other persons for any damage they do, or offence they may commit. This must surely be the ideal state of society which the new philanthropists are contending for. Who are the happy labouring classes who enjoy the blessings of these wise ordinances? The Russian boors. There are other labourers, not merely tillers of the soil, but workers in great establishments partaking of the nature of ^o[manufactories](#)^o, for whom the laws of our own country, even in our own time, compelled their employers to find wholesome food, and sufficient lodging and clothing. Who were these? The slaves on a West ^p[Indian](#)^p estate. The relation sought to be established between the landed and manufacturing classes and the labourers, is therefore by no means unexampled. The former have before now been forced to maintain the latter, and to provide work for them, or support them in idleness. But this obligation never has existed, and never will nor can exist, without, as a countervailing

element, absolute power, or something approaching to it, in those who are bound to afford this support, over those entitled to receive it. Such a relation has never existed between human beings, without ⁹[immediate](#) degradation to the character of the dependent class. Shall we take another example, in which things are not carried quite so far as this? There are governments in Europe who look upon it as part of their duty to take care of the physical well-being and comfort of the people. The Austrian government, in its German dominions, does so. Several of the minor German governments do so. But with paternal care is connected paternal authority. In these states we find severe restrictions on marriage. No one is permitted to marry, unless he satisfies the authorities that he has a rational prospect of being able to support a family.

Thus much, at least, it might have been expected that the apostles of the new theory would have been prepared for. They cannot mean that the working classes should combine the liberty of action of independent citizens, with the immunities of slaves. There are but two modes of social existence for human beings: they must be left to the natural consequences of their mistakes in life; or society must guard against the mistakes, by prevention or punishment. Which will the new philanthropists have? If it is really to be incumbent on whoever have more than a mere subsistence, to give, so far as their means enable them, good wages and comfortable homes to all who present themselves, it is not surely intended that these should be permitted to follow the instinct of multiplication at the expense of others, until all are reduced to the same level as themselves. We should therefore have expected that the philanthropists would have accepted the condition, and contended for such a measure of restriction as might prevent the good they meditate from producing an overbalance of evil. To our surprise, we find them the great sticklers for the domestic liberty of the poor. The outcry against the Poor-Law finds among them its principal organs. Far from being willing that a man should be subject, when out of the poorhouse, to any restraints other than his own prudence may dictate, they will not submit to its being imposed upon him while actually supported at the expense of others. It is they who talk of Union Bastiles. They cannot bear that even a workhouse should be a place of regulation and discipline; that any extrinsic restraint should be applied even there. Their bitterest quarrel with the present system of relief is, that it enforces the separation of the sexes.

The higher and middle classes might ^r[and](#) ought to be willing to submit to a very considerable sacrifice of their own means, for improving the condition of the existing generation of labourers, if by this they could hope to provide similar advantages for the generation to come. But why should they be called upon to make these sacrifices, merely that the country may contain a greater number of people, in as great poverty and as great liability to destitution as now? If whoever has too little, is to come to them to make it more, there is no alternative but restrictions on marriage, combined with such severe penalties on illegitimate births, as it would hardly be possible to enforce under a social system in which all grown persons are, nominally at least, their own masters. Without these provisions, the millennium promised would, in little more than a generation, sink the people of any country in Europe to one level of poverty. If, then, it is intended that the law, or the ^s[persons](#) of property, should assume a control over the multiplication of the people, tell us so plainly, and inform us how you

propose to do it. But it will doubtless be said, that nothing of this sort would be enduring; that such things are not to be dreamt of in the state of English society and opinion; that the spirit of equality, and the love of individual independence, have so pervaded even the poorest class, that they would not take plenty to eat and drink, at the price of having their most personal concerns regulated for them by others. If this be so, all schemes for withdrawing wages from the control of supply and demand, or raising the people by other means than by such changes in their minds and habits as shall make them fit guardians of their own physical condition, are schemes for combining incompatibilities. They ought '[on proper conditions](#)' to be shielded, we hope they already are so, by public or private charity, from actual want of mere necessities, and from any other extreme of bodily suffering. But if the whole income of the country were divided among them in wages or poor-rates, still, until there is a change in themselves, there can be no lasting improvement in their outward condition.

And how is this change to be effected, while we continue inculcating upon them that their wages are to be regulated for them, and that to keep wages high is other people's business and not theirs? All classes are ready enough, without prompting, to believe that whatever ails them is not their fault, but the crime of somebody else; and that they are granting an indemnity to the crime if they attempt to get rid of the evil by any effort or sacrifice of their own. The National Assembly of France has been much blamed for talking in a rhetorical style about the rights of man, and neglecting to say anything about the duties. The same error is now in the course of being repeated with respect to the rights of poverty. It would surely be no derogation from any one's philanthropy to consider, that it is one thing to tell the rich that they ought to take care of the poor, and another thing to tell the poor that the rich ought to take care of them; and that it is rather idle in these days to suppose that a thing will not be overheard by the poor, because it is not designed for their ears. It is most true that the rich have much to answer for in their conduct to the poor. But in the matter of their poverty, there is no way in which the rich *could* have helped them, but by inducing them to help themselves; and if, while we stimulate the rich to repair this omission, we do all that depends on us to inculcate upon the poor that they need not attend to the lesson, we must be little aware of the sort of feelings and doctrines with which the minds of the poor are already filled. If we go on in this course, we may succeed in bursting society asunder by a Socialist revolution; but the poor, and their poverty, we shall leave worse than we found them.

The first remedy, then, is to abstain from directly counteracting our own end. The second, and most obvious, is Education. And this indeed is not the principal, but the sole remedy, if understood in its widest sense. Whatever acts upon the minds of the labouring classes, is properly their education. But their minds, like those of other people, are acted upon by the whole of their social circumstances; and often the part of their education which is least efficacious as such, is that which goes by the name.

Yet even in that comparatively narrow sense, too much stress can hardly be laid upon its importance. We have scarcely seen more than the small beginnings of what might be effected for the country even by mere schooling. The religious rivalries, which are the unhappy price the course of our history has compelled us to pay for such religious liberty as we possess, have as yet thwarted every attempt to make this benefit

universal. But if the children of different religious bodies cannot be instructed together, each can be instructed apart. And if we may judge from the zeal manifested, and the sums raised, both by the Church and by Dissenters, since the abandonment of the Government measure two years ago, there is no deficiency of pecuniary means for the support of schools, even without the aid which the State certainly will not refuse. Unfortunately there is something wanting which pecuniary means will not supply. There is a lack of sincere desire to attain the end. There have been schools enough in England, these thirty years, to have regenerated the people, if, wherever the means were found, the end had been desired. But it is not always where there are schools that there is a wish to educate. There may be a wish that children should learn to read the Bible, and, in the Church Schools, to repeat the Catechism. In most cases, there is little desire that they should be taught more; in many, a decided objection to it. Schoolmasters, like other public officers, are seldom inclined to do more than is exacted from them; but we believe that teaching the poor is almost the only public duty in which the payers are more a check than a stimulant to the zeal of their own agents. A teacher whose heart is in the work, and who attempts any enlargement of the instruction, often finds his greatest obstacle in the fears of the patrons and managers lest the poor should be “over-educated;” and is driven to the most absolute evasions to obtain leave to teach the common rudiments of knowledge. The four rules of arithmetic are often only tolerated through ridiculous questions about Jacob’s lambs, or the number of the Apostles or “of” the Patriarchs; and geography can only be taught through maps of Palestine, to children who have yet to learn that the earth consists of Europe, Asia, Africa, and America. A person must be beyond being argued with, who believes that this is the way to teach religion, or that a child will be made to understand the Bible by being taught to understand nothing else. We forbear to comment on the instances in which Church Schools have been opened, solely that through the influence of superiors the children might be drawn away from a Dissenting School already existing; and, as soon as that was shut up, the rival establishment, having attained its end, has been allowed to fall into disuse.

This spirit could never be tolerated by any person of honest intentions, who knew the value of even the commonest knowledge to the poor. We know not how the case may be in other countries, among a more quick-witted people; but in England, it would hardly be believed to what a degree all that is morally objectionable in the lowest class of the working people is nourished, if not engendered, by the low state of their understandings. Their infantine credulity to what they hear, when it is from their own class; their incapacity to observe what is before their eyes; their inability to comprehend or believe purposes in others which they have not been taught to expect, and are not conscious of in themselves—are the known characteristics of persons of low intellectual faculties in all classes. But what would not be equally credible without experience, is an amount of deficiency in the power of reasoning and calculation, which makes them insensible to their own direct personal interests. Few have considered how any one who could instil into these people the commonest worldly wisdom—who could render them capable of even selfish prudential calculations—would improve their conduct in every relation of life, and clear the soil for the growth of right feelings and worthy propensities.

To know what schools may do, we have but to think of what ^vthe^v Scottish Parochial Schools have formerly done. The progress of wealth and population has outgrown the machinery of these schools, and, in the towns especially, they no longer produce their full fruits: but what do not the peasantry of Scotland owe to ^wthem!^w For two centuries, the Scottish peasant, compared with the same class in other situations, has been a reflecting, an observing, and therefore naturally a self-governing, a moral, and a successful human being—because he has been a reading and a discussing one; and this he owes, above all other causes, to the parish schools. What during the same period have the English peasantry been?

Let us be assured that too much opportunity cannot be given to the poor of exercising their faculties, nor too great a variety of ideas placed within their reach. We hail, therefore, the cheap Libraries, which are supplying even the poorest with matter more or less instructive, and, what is of equal importance, calculated to interest their minds. But it is not only, or even principally, books and book learning, that constitutes education for the working or for any other class. Schools for reading are but imperfect things, unless systematically united with schools of industry; not to improve them as workmen merely, but as human beings. It is by action that the faculties are called forth, more than by words—more at least than by words unaccompanied by action. We want schools in which the children of the poor should learn to use not only their hands, but their minds, for the guidance of their hands; in which they should be trained to the actual adaptation of means to ends; should become familiar with the accomplishment of the same object by various processes, and be made to apprehend with their intellects in what consists the difference between the right way of performing industrial operations and the wrong. Meanwhile they would acquire, not only manual dexterity, but habits of order and regularity, of the utmost use in after-life, and which have more to do with the formation of character than many persons are aware of. ^x Such things would do much more than is usually believed towards converting these neglected creatures into rational beings—beings capable of foresight, accessible to reasons and motives addressed to their understanding; and therefore not governed by the utterly senseless modes of feeling and action, which so much astonish educated and observing persons ^ywhen^y brought into contact with them.

But when education, in this its narrow sense, has done its best, and even to enable it to do its best, an education of another sort is required, such as schools cannot give. What is taught to a child at school will be of little effect, if the circumstances which surround the grown man or woman contradict the lesson. ^zWe^z may cultivate his understanding, but what if he cannot employ it without becoming discontented with his position, and disaffected to the whole order of things in which he is cast? Society educates the poor, for good or for ill, by its conduct to them, even more than by direct teaching. A sense of this truth is the most valuable feature in the new philanthropic agitation; and the recognition of it is important, whatever mistakes may be at first made in practically applying it.

In the work before us, and in the best of the other writings which have appeared lately on the philanthropic side of the subject, a strong conviction is expressed, that there can be no healthful state of society, and no social or even physical welfare for the poor, where there is no relation between them and the rich except the payment of

wages, and (we may add) the receipt of charity; no sense of co-operation and common interest between those natural associates who are now called the employers and the employed. In part of this we agree, though we think the case not a little overstated. A well-educated labouring class could, and we believe would, keep up its condition to a high standard of comfort, or at least at a great distance from physical destitution, by the exercise of the same degree of habitual prudence now commonly practised by the middle class; among whom the responsibilities of a family are rarely incurred without some prospect of being able to maintain it with the customary decencies of their station. We believe, too, that if this were the case, the poor could do very well without those incessant attentions on the part of the rich, which constitute the the new whole duty of man to his poorer neighbour. Seeing no necessary reason why the poor should be hopelessly dependent, we do not look upon them as permanent subjects for the exercise of those peculiar virtues which are essentially intended to mitigate the humiliation and misery of dependence. But the need of greater fellow-feeling and community of interest between the mass of the people and those who are by courtesy considered to guide and govern them, does not require the aid of exaggeration. We yield to no one in our wish that “cash payment” should be no longer “the universal *nexus* between man and man;”^[*] that the employers and employed should have the feelings of friendly allies, not of hostile rivals whose gain is each other’s loss. But while we agree, so far, with the new doctrines, it seems to us that some of those who preach them are looking in the wrong quarter for what they seek. The social relations of former times, and those of the present, not only are not, but cannot possibly be, the same. The essential requirements of human nature may be alike in all ages, but each age has its own appropriate means of satisfying them. Feudality, in whatever manner we may conceive it modified, is not the type on which institutions or habits can now be moulded. The age that produces railroads which, for a few shillings, will convey a labourer and his family fifty miles to find work; in which agricultural labourers read newspapers, and make speeches at public meetings called by themselves to discuss low wages—is not an age in which a man can feel loyal and dutiful to another because he has been born on his estate. Obedience in return for protection, is a bargain only made when protection can be had on no other terms. Men now make that bargain with society, not with an individual. The law protects them, and they give their obedience to that. Obedience in return for wages is a different matter. They will make that bargain too, if necessity drives them to it. But good-will and gratitude form no part of the conditions of such a contract. The deference which a man now pays to his “brother of the earth,” merely because the one was born rich and the other poor, is either hypocrisy or servility. Real attachment, a genuine feeling of subordination, must now be the result of personal qualities, and requires them on both sides equally. Where these are wanting, in proportion to the enforced observances will be the concealed enmity; not, perhaps, towards the individual, for there will seldom be the extremes either of hatred or of affection in a relation so merely transitory; but that *sourde* animosity which is universal in this country towards the whole class of employers, in the whole class of the employed.

As one of the correctives to this deep-seated alienation of feeling, much stress is laid on the importance of personal demeanour. In the “Claims of Labour” this is the point most insisted upon. The book contains numerous aphorisms on this subject, and they are such as might be expected from the author of “Essays written in the Intervals of

Business,”^[*] and “Thoughts in the Cloister and the Crowd.”^[†] A person disposed to criticise might indeed object, that these earnest and thoughtful sayings are chiefly illustrative of the duty of every one to every one; and are applicable to the formation of our own character, and to human relations generally, rather than to the special relation between the rich and the poor. It is not as concerning the poor specially, that these lessons are needed. The faults of the rich to the poor are the universal faults. The demeanour fitting towards the poor, is that which is fitting towards every one. It is a just charge against the English nation, considered generally, that they do not know how to be kind, courteous, and considerate of the feelings of others. It is their character throughout Europe. They have much to learn from other nations in the arts not only of being serviceable and amiable with grace, but of being so at all. Whatever brings the habitual feelings of human beings to one another nearer to the Christian standard, will produce a better demeanour to every one, and therefore to the poor. But it is not peculiarly towards them that the deficiency manifests itself. On the contrary, speaking of the rich individually (as distinguished from collective conduct in public life), there is generally, we believe, a very sincere desire to be amiable to the poor.

Where there exists the quality, so rare in England, of genuine sociability, combined with as much knowledge of the feelings and ways of the working classes as can enable any one to show interest in them to any useful purpose, the effects obtained are even now very valuable. The author of the “Claims of Labour” has done a useful thing by giving additional publicity to the proceedings of a generous and right-minded mill-owner, whom he does not name, but who is known to be Mr. Samuel Greg, from whose letters to Mr. Leonard Horner^[*] he has quoted largely. Mr. Greg proceeded partly in the obvious course, of building good cottages, granting garden allotments, establishing schools, and so forth. But the essence of his plan consisted in becoming personally acquainted with the operatives, showing interest in their pursuits, taking part in their social amusements, and giving to the *élite* of them—men, women, and young persons—periodical access to the society and intercourse of his own home. He has afforded a specimen and model of what can be done for the people under the calumniated Factory System. And in nothing is he more to be commended, than in the steadiness with which he upholds the one essential principle of all effectual philanthropy. “The motto on our flag,” says he, “is *Aide-toi, le ciel t’aidera*. It is the principle I endeavour to keep constantly in view. It is the only principle on which it is safe to help anybody, or which can prevent benevolence from being poisoned into a fountain of moral mischief.” [P. 26.] His experiment has, for many years, been well rewarded by success. But, for the cure of great social evils, too great stress must not be laid upon it. The originator of such a scheme is, most likely, a person peculiarly fitted by natural and acquired qualifications for winning the confidence and attachment of untutored minds. If the spirit should diffuse itself widely among the employers of labour, there might be, in every large neighbourhood, some such man; we could never expect that the majority would be such. Even Mr. Greg had to begin, as he tells us, by *selecting* his labourers. He had to “get rid of his aborigines.” He “endeavoured, as far as possible, to find such families as we knew to be respectable, or thought likely to be so, and who, we hoped, if they were made comfortable, would remain and settle upon the place; thus finding and making themselves a home, and losing by degrees that restless and migratory spirit which is one of the peculiar characteristics of the manufacturing population, and perhaps the greatest of all

obstacles in the way of permanent improvement among them.”^[*] It is in the nature of things that employers so much beyond the average should gather round them better labourers than the average, and retain them, while so eligible a lot is not to be had elsewhere. But ordinary human nature is so poor a thing, that the same attachment and influence would not, with the same certainty, attend similar conduct, if it no longer formed a contrast with the indifference of other employers. The gratitude of men is for things unusual and unexpected. This does not take from the value of Mr. Greg’s exertions. Whoever succeeds in improving a certain number of the working people, does so much towards raising the class; and all such good influences have a tendency to spread. But, for creating a permanent tie between employers and employed, we must not count upon the results manifested in cases of exception, which would probably lose a part of their beneficial efficacy if they became the rule.

If, on a subject on which almost every thinker has his Utopia, we might be permitted to have ours; if we might point to the principle on which, at some distant date, we place our chief hope for healing the widening breach between those who toil and those who live on the produce of former toil; it would be that of raising the labourer from a receiver of hire—a mere bought instrument in the work of production, having no residuary interest in the work itself—to the position of being, in some sort, a partner in it. The plan of remunerating subordinates in whom trust must be reposed, by a commission on the returns instead of only a fixed salary, is already familiar in mercantile concerns, on the ground of its utility to the employer. The wisdom, even in a worldly sense, of associating the interest of the agent with the end he is employed to attain, is so universally recognised in theory, that it is not chimerical to expect it may one day be more extensively exemplified in practice. In some form of this policy we see the only, or the most practicable, means of harmonizing the “rights of industry” and those of property; of making the employers the real chiefs of the people, leading and guiding them in a work in which they also are interested—a work of co-operation, not of mere hiring and service; and justifying, by the superior capacity in which they contribute to the work, the higher remuneration which they receive for their share of it.^a

But without carrying our view forward to changes of manners, or changes in the relation of the different orders of society to one another, let us consider what can be done immediately, and by the legislature, to improve either the bodily or mental condition of the labouring people.

And let it here be remembered that we have to do with a class, a large portion of which reads, discusses, and forms opinions on public interests. Let it be remembered also, that we live in a political age; in which the desire of political rights, or the abuse of political privileges by the possessors of them, are the foremost ideas in the minds of most reading men—an age, too, the whole spirit of which instigates every one to demand fair play for helping himself, rather than to seek or expect help from others. In such an age, and in the treatment of minds so predisposed, justice is the one needful thing rather than kindness. We may at least say that kindness will be little appreciated, will have very little of the effect of kindness upon the objects of it, so long as injustice, or what they cannot but deem to be injustice, is persevered in. Apply this to several of the laws maintained by our legislature. Apply it, for example, to the Corn-

Laws. Will the poor thank you for giving them money in alms; for subscribing to build baths and lay out parks for them, or, as Lord John Manners proposes, playing at cricket with them, if you are at the same time taxing their bread to swell your rents? ^b We could understand persons who said—the people will not be better off whatever we do, and why should we sacrifice our rents or open our purses for so meagre a ^cresult? ^c But we cannot understand men who give alms with one hand, and take away the bread of the labourer with the other. Can they wonder that the people say—Instead of doling out to us a small fragment of what is rightfully our own, why do you not disgorge your unjust gains? One of the evils of the matter is, that the gains are so enormously exaggerated. Those who have studied the question know that the landlords gain very little by the Corn-Laws; and would soon have even that little restored to them by the indirect consequences of the abrogation. The rankling sense of gross injustice, which renders any approximation of feeling between the classes impossible while even the remembrance of it lasts, is inflicted for a quite insignificant pecuniary advantage.

There are some other practices which, if the new doctrines are embraced in earnest, will require to be reconsidered. For example, it seems to us that mixing in the social assemblies of the country people, and joining in their sports, would ^dassort ^d exceedingly ill with the preserving of game. If cricketing is to be taken in common by ^e rich and poor, why not shooting? We confess that when we read of enormous game preserves, kept up that great personages may slaughter hundreds of wild animals in a day's shooting, we are amazed at the puerility of taste which can call this a sport; as much as we lament the want of just feeling which, for the sake of sport, can keep open from generation to generation this source of crime and bitterness in the class which it is now so much the fashion to patronize.

We must needs think, also, that there is something out of joint, when so much is said of the value of refining and humanizing tastes to the labouring people—when it is proposed to plant parks and lay out gardens for them, that they may enjoy more freely nature's gift alike to rich and poor, of sun, sky, and vegetation; and along with this a counter-progress is ^fconstantly ^f going on, of stopping up paths and enclosing commons ^g. Is not this another case of giving with one hand, and taking back more largely with the other? We look with the utmost jealousy upon any further enclosure of commons. In the greater part of this island, exclusive of the mountain and moor districts, there certainly is not more land remaining in a state of natural wildness than is desirable. Those who would make England resemble many parts of the Continent, where every foot of soil is hemmed in by fences and covered over with the traces of human labour, should remember that where this is done, it is done for the use and benefit, not of the rich, but of the poor; and that in the countries where there remain no commons, the rich have no parks. The common is the peasant's park. Every argument for ploughing it up to raise more produce, applies *à fortiori* to the park, which is generally far more fertile. The effect of either, when done in the manner proposed, is only to make the poor more numerous, not better off ^h. But what ought to be said when, as so often happens, the common is taken from the poor, that the whole or great part of it may be added to the enclosed pleasure domain of the rich? Is the miserable compensation, and though miserable ⁱ'not always' ⁱ granted, of a small scrap of the land to each of the cottagers who had a goose on the common, any equivalent to

the poor generally, to the lovers of nature, or to future generations, for this legalized spoliation?

These are things to be avoided. Among things to be done, the most obvious is to remove every restriction, every artificial hindrance, which legal and fiscal systems oppose to the attempts of the labouring classes to forward their own improvement. These hindrances are sometimes to be found in quarters in which they may not be looked for; as a few instances will show.

Some years ago the Society for the Diffusion of Useful Knowledge, in a well-intended tract addressed to the working people, to correct the prejudices entertained by some of them against the “claims of capital,” gave some advice to the labourers, which produced considerable comment at the time. It exhorted them to “make themselves capitalists.”^[*] To most labouring people who read it, this exhortation probably appeared ironical. But some of the more intelligent of the class found a meaning in it. It did occur to them that there was a mode in which they could make themselves capitalists. Not, of course, individually; but by bringing their small means into a common fund, by forming a numerous partnership or joint stock, they could, as it seemed to them, become their own employers—dispense with the agency of receivers of profit, and share among themselves the entire produce of their labour. This was a most desirable experiment. It would have been an excellent thing to have ascertained whether any great industrial enterprise, a manufactory for example, could be successfully carried on upon this principle. If it succeeded, the benefit was obvious; if, after sufficient trial, it was found impracticable, its failure also would be a valuable lesson. It would prove to the operatives that the profits of the employer are but the necessary price paid for the superiority of management produced by the stimulus of individual interest; and that if the capitalist be the costliest part of the machinery of production, he more than repays his cost. But it was found that the defects of the law of partnership, as applicable to numerous associations, presented difficulties rendering it impracticable to give this experiment a fair trial. Here, then, is a thing which Parliament might do for the labouring classes. The framing of a good law of Partnership, giving every attainable facility to the formation of large industrial capitals by the aggregation of small savings, would be a real boon. It would be the removal of no ideal grievance, but of one which we know to be felt, and felt deeply, by the most intelligent and right-thinking of the class—those who are most fitted to acquire, and best qualified to exercise, a beneficent influence over the rest.

Again, it is often complained of, as one of the saddest features of the constitution of society in the rural districts, that the class of yeomanry has died out; that there is no longer any intermediate connecting link between the mere labourer and the large farmer—no class somewhat above his own, into which, by industry and frugality, a labourer can hope to rise; that if he makes savings, they are less a benefit to him than a burden and an anxiety, from the absence of any local means of investment; unless indeed by becoming a shopkeeper in a town or village, where an additional shop is probably not wanted, where he has to form new habits, with great risk of failure, and, if he succeeds, does not remain an example and encouragement to others like himself. Is it not strange, then, that supposing him to have an opportunity of investing this money in a little patch of land, the Stamp-office would interfere and take a toll on the

transaction? The tax, too, which the State levies on the transfer of small properties, is a trifling matter compared with the tax levied by the lawyers. The stampduty bears some proportion to the pecuniary amount; but the law charges are the same on the smallest transactions as on the greatest, and these are almost wholly occasioned by the defects of the law. There is no real reason why the transfer of land should be more difficult or costly than the transfer of three per cent stock, except that ^j more of description is necessary to identify the subject-matter; all the rest is the consequence of mere technicalities, growing out of the obsolete incidents of the Feudal System. ^k

Many of the removable causes of ill-health are in the power of Government; but there is no need to enlarge upon a subject to which official Reports have drawn so much attention. The more effectual performance by Government of any of its acknowledged duties; the more zealous prosecution of any scheme tending to the general advantage, is beneficial to the labouring classes. Of schemes destined specially to give them employment, or add to their comforts, it may be said, once for all, that there is a simple test by which to judge them. Is the assistance of such a kind, and given in such a manner, as to render them ultimately independent of the continuance of similar assistance? If not, the best that can be said of the plans is, that they are harmless. To make them useful, it is an indispensable condition that there be a reasonable prospect of their being at some future time self-supporting. Even upon the best supposition, it appears to us that too much importance is attached to them. ^lGiven education and just laws, the poorer class would be as competent as any other class to take care of their own personal habits and ^mrequirementsⁿ .^o

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DE QUINCEY'S LOGIC OF POLITICAL ECONOMY

1845

EDITOR'S NOTE

Westminster Review, XLIII (June, 1845), 319-31. Signed "A"; not republished. Original heading: "Art. II.—*The Logic of Political Economy*. By Thomas De Quincey. [Edinburgh:] Blackwood, 1844." Running heads: "De Quincey's / Logic of Political Economy." Identified in JSM's bibliography as "A review of De Quincey's Logic of Political Economy in the Westminster Review for June 1845" (MacMinn, 58). No corrections or variants in Somerville College copy. When JSM turned later in 1845 to the writing of his *Principles of Political Economy*, De Quincey's work was fresh in his mind (see 783 below).

De Quincey's Logic Of Political Economy

this book can be interesting only to the very few who aspire to scientific thinking, on a subject essentially practical; who are not content with being, as they think, substantially right on those special topics of inquiry, the connexion of which with practice may have been brought into strong light by the political controversies of the day; but who feel an intellectual necessity for the co-ordination of those detached opinions; for fixing the relation of each to the others, and to the deeper principles which ought to be at the foundation of all.

To that limited class, who however are the ultimate teachers of the rest, such writings as the one before us are both pleasant and useful; tending eminently to clear up the ideas of the reader, whether he be led to adopt those of the writer or not. The title, however, of the book, is a misnomer. Its subject is not "the Logic of Political Economy." By the logic of a science we understand its method; its particular modes of investigation, and the nature of its evidence. Of these things Mr. De Quincey does not treat. What he does treat of shall be told in his own words:—

That the reader may not seek in this little work anything other or more than was designed, I will briefly state its primary object. Political Economy does not advance. Since the revolution effected in that science by Ricardo (1817), upon the whole it has been stationary. But why? It has always been my own conviction that the reason lies, not in any material defect of facts (except as to the single question of money), but in *the laxity of some amongst the distinctions which are elementary to the science*. If it were possible that but three elementary definitions, or axioms, or postulates, in geometry, should be liable to controversy and to a *precarious* use (a use dependent upon petition and momentary consent), what would follow? Simply this—that the whole vast aerial synthesis of that science, at present towering upwards towards infinity, would exhibit an edifice eternally, perhaps, renewing itself by facts, but eternally tottering in some parts, and in other parts mouldering eternally into ruins. . . .

. Such, even to this moment, as regards its practical application, is the science of Political Economy. Nothing can be postulated—nothing can be demonstrated; for anarchy, even as to the earliest principles, is predominant. [Pp. iii-v.]

To give greater clearness and precision, therefore, to the elementary distinctions, is the author's object. We agree in his estimate of its importance, though not for the reason which he indicates. We dissent from the opinion that political economy does not advance. We think it is in a state of most rapid progression. But, as with some other sciences in certain of their stages, the superstructure seems to be overgrowing the foundation. The science is growing at the extremities, without a proportional and suitable enlargement of the main trunk. Many important new views—new, at least, in having been previously overlooked—have dawned upon political economists during the last twenty years. But for want of sufficiently careful habits of systematic thought, these new views have been too frequently promulgated as contradictions of the doctrines previously received as fundamental; instead of being, what they almost always are, *developments* of them; corollaries flowing from these fundamental principles, certain conditions of fact being supposed. We may notice, as cases in point, Mr. Wakefield's theory of colonization (to which full justice is incidentally done by our author),^[*] and the doctrines, so far as they are tenable, of Professor Jones's "Essay on the Distribution of Wealth."^[†] From any such error Mr. De Quincey is free. One of his merits is his early and consistent appreciation of Ricardo, the true founder of the abstract science of political economy, and whose writings are still, after all that has been since written, its purest source. What has been added to the science since Ricardo, does not need to be substituted for his doctrines, but to be incorporated with them. They do not require alteration or correction, so much as fuller exposition and comment.

Mr. De Quincey has very partially supplied this want; but his book will be useful to whoever may undertake to supply it. There is always a benefit done to any department of knowledge, by digging about the roots of its truths. Truths which have been long planted, are apt to die or become unproductive, if we do not occasionally let in the air, and turn up the soil which surrounds them. In plainer terms, it is a good service to revivify old truths, by new illustrations and by altering the language in which they are expressed. They then come out with the force, because with the freshness, of discoveries; and are better understood and more consistently followed to their consequences, for some time after. And if mere novelty in the statement and exposition of principles has a beneficial effect, still better is it when the new mode of statement has any advantage over the old; when it brings prominently forward some aspect of the truth, or some distinction between it and a neighbouring error, which was liable to escape notice, or which the modes of exposition previously in use tended in any degree to disguise.

Mr. De Quincey is well qualified to render this kind of service to any branch of speculation with which he is conversant. His mind has a natural tendency to drawing distinctions; in doing which he frequently manifests real subtlety, and occasionally that turn for subtleties, which is not the same thing, but which simulates it. By means of his subtlety he is often enabled to see very exactly in what respect some received mode of expressing a scientific principle misses the mark—failing to convey the

whole truth, or conveying, under some particular circumstances, more than the truth. A practised and skilful wielder of philosophical terms, he is often happy in finding a form of language, or a combination of several forms of language, which shall just convey the whole of the intended meaning, and no more. In bringing an abstract thought home to an unpractised comprehension, he is very successful, and would be more so if he had not a strange delight in drawing illustrations from subjects ten times more abstruse than what they are designed to illustrate. He makes amends, however, by drawing largely upon topics the most homely and familiar; of which his miscellaneous knowledge furnishes him with an abundance, and which are continually starting up and crossing the path of his dissertation in the most unexpected and surprising manner. There is apparently something of design in this; either from a notion of relieving the dryness of a metaphysical discussion, or in connexion with a certain air of self-consciousness, if not self-complacency, which considerably alloys the pleasure arising from his liveliness and ingenuity. He never surmounts any obstacle in the line of his course, without letting you hear him soliloquize before he attempts the leap, and see him turn round to measure it after it is done.

Altogether, he is a person who has a full right to be heard on any subject connected with political economy, and who may be heard, even by those best versed in the subject, with profit.

The larger half of the volume is occupied with the theory of Value; which he rightly esteems the master-key to the principal difficulties of the science. On this subject he claims to have thrown light upon “a source of confusion which never has been exposed, and which, at the very vestibule, has hitherto defeated all attempt at a systematic theory of value.” [P. vii.] This confusion is one affecting the relation between what is called, in the terminology of Adam Smith, *value in use*, and value in exchange.

Although we cannot concede, to our author’s speculations on this subject, all the originality which he ascribes to them, the merit must be allowed him of having brought out into full theoretical explicitness what was known to all clear thinkers, but might easily be overlooked by the less advanced student. His exposition, though somewhat prolix, is so clear and effective that we need no apology for citing a considerable portion of it.

Almost all writers have agreed substantially, and have rightly agreed, in founding exchangeable value upon two elements—power in the article valued to meet some natural desire or some casual purpose of man, in the first place, and in the second place, upon difficulty of attainment. These two elements must meet, must come into combination, before any value in exchange can be established. They constitute the two co-ordinate conditions, of which where either is absent, no value in the sense of exchange value can arise for a moment. Indeed, it is evident to common sense, that any article whatever, to obtain that artificial sort of value which is meant by exchange value, must begin by offering itself as a means to some desirable purpose; and secondly, that even though possessing incontestably this preliminary advantage, it will never ascend to an exchange value in cases where it can be obtained gratuitously, and without effort—of which last terms both are necessary as limitations. For often it will

happen that some desirable object may be obtained gratuitously; stoop, and you gather it at your feet; but still, because the continued iteration of this stooping exacts a laborious effort, very soon it is found, that to gather for yourself virtually is *not* gratuitous. In the vast forests of the Canadas, at intervals wild strawberries may be gratuitously gathered by ship-loads: yet such is the exhaustion of a stooping posture, and of a labour so monotonous, that everybody is soon glad to resign the service into mercenary hands.

The same idea, the same demand of a two-fold *conditio sine qua non* as essential to the composition of an exchange value, is otherwise expressed (and in a shape better fitted for subsequent reference) by the two following cases, marked Epsilon and Omicron.

Case Epsilon.—A man comes forward with his overture: ‘Here is a thing which I wish you to purchase; it has cost me in labour five guineas, and that is the price I ask.’ ‘Very well,’ you reply; ‘but tell me this, what desire or purpose of mine will the article promote?’ Epsilon rejoins, ‘Why, as candour is my infirmity, none at all. But what of that? Useful or not, the article embodies five guineas’ worth of excellent labour.’ This man, the candid Epsilon, you dismiss.

Case Omicron.—Him succeeds Omicron, who praises your decisive conduct as to the absurd family of the Epsilons. ‘That man,’ he observes, ‘is weak—candid, but weak; for what was the cost in your eyes but so much toil to no effect of real service? But that is what nobody can say of the article offered by myself; it is serviceable always—nay, often you will acknowledge it to be indispensable.’ ‘What is it?’ you demand. ‘Why simply, then, it is a pound of water, and as good water as ever you tasted.’ The scene lies in England, where water bears no value except under that machinery of costly arrangements which delivers it as a permanent and guaranteed succession into the very chambers where it is to be used. Omicron accordingly receives permission to follow the candid Epsilon. Each has offered for sale one element of value out of two, one element in a state of insulation, where it was indispensable for any operative value, *i.e.* price, to offer the two in combination; and without such a combination it is impossible (neither does any economist deny this by his principles) that value in exchange, under the most romantic or imaginary circumstances, ever should be realized. [Pp. 13-15.]

Thus far, as the author observes, is plain sailing; but in the next step, he asserts, “a difficulty arises to all appearance insurmountable . . . which seems, when stated, to include a metaphysical impossibility.” [Pp. 15-16.] After what appears to us a most inordinate over-statement of this metaphysical perplexity, he proceeds to state the doctrine, in his opinion a novel one, which resolves it. This doctrine is, that while both usefulness and difficulty of attainment are necessary conditions to the existence of *any* exchange value, the *amount* of the value is determined not by both jointly, but either wholly by one or wholly by the other, according to the nature of the case.

The two elements are U and D. If both elements are to be present, and both are to be operative, then indeed we have a contradiction in terms such as never will be overcome. But how if both be uniformly present, one only being at any time

operative? How if both be indispensably present, but alternately each become inert? How if both act as motives on the buyer for buying at all, but one only (each in turn under its own circumstances) as a force operating on the price?

This is the real case: this is the true solution; and thus is a difference obtained—such a difference as will amply sustain a two-fold subdivision from elements substantially the same. Both are co-present, and always. Neither *can* be absent; for, if so, then the common idea of exchange value would vanish, the case *Epsilon* or the case *Omicron* would be realized. But each of the two is suspended alternately. Thus, by way of illustration, walk into almost any possible shop, buy the first article you see; what will determine its price? In ninety-nine cases out of a hundred, simply the element D—difficulty of attainment. The other element, U, or intrinsic utility, will be perfectly inoperative. Let the thing (measured by its uses) be, for your purposes, worth ten guineas, so that you would rather give ten guineas than lose it; yet, if the difficulty of producing it be only worth one guinea, one guinea is the price which it will bear. But still not the less, though U is inoperative, can U be supposed absent? By no possibility; for, if it *had* been absent, assuredly you would not have bought the article even at the lowest price. U acts upon *you*, though it does not act upon the price. On the other hand, in the hundredth case, we will suppose the circumstances reversed: you are on Lake Superior in a steam-boat, making your way to an unsettled region 800 miles a-head of civilization, and consciously with no chance at all of purchasing any luxury whatsoever, little luxury or big luxury, for the space of ten years to come: one fellow-passenger, whom you will part with before sunset, has a powerful musical snuff-box; knowing by experience the power of such a toy over your own feelings, the magic with which at times it lulls your agitations of mind, you are vehemently desirous to purchase it. In the hour of leaving London you had forgot to do so; here is a final chance. But the owner, aware of your situation not less than yourself, is determined to operate by a strain pushed to the very uttermost upon U, upon the intrinsic worth of the article in your individual estimate for your individual purposes. He will not hear of D as any controlling power or mitigating agency in the case: and finally, although at six guineas a-piece in London or Paris, you might have loaded a waggon with such boxes, you pay sixty rather than lose it when the last knell of the clock has sounded, which summons you to buy now or to forfeit for ever. Here, as before, only one element is operative: before it was D, now it is U. But, after all, D was not absent, though inoperative. The inertness of D allowed U to put forth its total effect. The practical compression of D being withdrawn, U springs up like water in a pump, when released from the pressure of air. Yet still that D was present to your thoughts, though the price was otherwise regulated, is evident; both because U and D must coexist in order to found any case of exchange value whatever, and because undeniably you take into very particular consideration this D, the extreme difficulty of attainment (which here is the greatest possible, viz., an impossibility), before you consent to have the price racked up to U. The special D has vanished; but it is replaced in your thoughts by an unlimited D. Undoubtedly you have submitted to U in extremity as the regulating force of the price; but it was under the sense of D's latent presence. Yet D is so far from exerting any positive force, that the retirement of D from all agency whatever on the price—this it is which creates as it were a perfect vacuum, and through that vacuum U rushes up to its highest and ultimate gradation. [Pp. 23-8.]

It would be difficult, we think, to cite a specimen of exposition on an abstract subject, more transparently clear, and at the same time so scientifically precise. But can Mr. De Quincey be serious in maintaining that the doctrine which this passage embodies is a novel one? Have not all political economists distinguished between articles which can be multiplied to an indefinite extent by labour, and articles naturally or artificially limited to a quantity short of the demand; and have they not all, from Ricardo downwards, affirmed that in the former, and more common case, the value conforms on an average to the cost of production, while in the latter there are no limits to the value except the necessities or desires of the purchaser? It is true that, as to some part of the theory of this latter case, there would be a difference. They would not, we conceive, agree with Mr. De Quincey in what follows:—

Suppose not D, but U, to become the ruling force; D has become infinite (as in the case of the musical toy in Canada), that is, the difficulties in the way of supplying the market by a continued reproduction of the article (in one word, the resistance) must be supposed so vast as to be quite beyond the power of any individual to overcome. Instantly, under these circumstances, U springs up to its *utmost height*. The rare holders of the article, as surviving from past times or regions now inaccessiblely distant, will fix a strain upon the few purchasers by means of the intrinsic or U value; each of the candidates must submit to see his own outside or extreme esteem for the article made operative against himself as the law of the price. He must ascend to the very *maximum* of what he will pay, under the known alternative of losing the article for ever if he will not pay it. [P. 30.]

Now we apprehend that political economists generally (and common sense can judge of this question as well as political economy) would deny that, in the case supposed, the utmost price which the purchaser would consent to pay, would necessarily be the actual price. They would say, that it would be merely a possible price; the extreme limit of price; which would be attained or not attained, according to something else. And to what else? In the opinion of all political economists, to the relation which might happen to subsist between the demand and the supply. And this brings us to our chief point of difference with the author. That supply and demand can of themselves in any case regulate price, is a notion of which he speaks with unbounded contempt. It is one of the delusions which he takes to himself most credit for dissipating.

People fancy [he says in his preface] that the relation of supply to demand could by possibility, and that in fact it often does, determine separately *per se* the selling price of an article. Within a few months this monstrous idea has been assumed for true by Colonel Torrens, in an express work on Economic Politics; by Lord Brougham, in relation to the foreign corn trade; and by almost every journal in the land that has fallen under my own eye.^[*] [And again (p. 127):—] A crazy maxim has got possession of the whole world; viz., that price is, or can be, determined by the relation between supply and demand.

We think it can be shown that Colonel Torrens, Lord Brougham, every journal in the land, and finally the whole world, happen in this particular case to be in the right, and Mr. De Quincey in the wrong. To prove this we must be allowed to add one or two circumstances to his hypothesis of the single musical box in the wilds of America.

Suppose, first, that the steam-boat contains not one, but two musical boxes, and only one person anxious to be a purchaser. Suppose, too, that neither of the possessors desires to keep the box; that both possess it only for the purpose of sale. The buyer is in the same emergency as before; willing to pay sixty guineas rather than lose the opportunity. But the situation of the sellers is different. Supposing no combination between them, and assuming that the purchaser wants only one of the boxes—the competition between the two thus coming fully into action—what will now be the price? No longer the highest which the buyer could be induced to give, but the lowest which the seller would take; the lowest, which would be a sufficient motive to him for selling the article then and there, rather than taking it back to New York when he returns by the steam-boat.

Suppose, secondly, instead of competition, the strictest monopoly, but without limitation of quantity. Let there be only one passenger who has any musical boxes, but let him possess not one but two. He can now, if he pleases, as our author expresses it, strain U to the utmost; he can obtain for one of his commodities the sum (supposed to be sixty guineas) which is the very utmost that the buyer would pay, rather than forego the purchase. But suppose that, by putting a somewhat lower price upon his article, he can prevail on his customer to take both boxes off his hands instead of one. The ordinary price, as determined by cost of production, being by supposition only six guineas, if the seller receives sixty-six for both, he gains as much as by receiving sixty for one: if he receives seventy, he gains more. It may be his interest therefore to fix thirty-five guineas, instead of sixty, as the price of his commodity. Sixty, which Mr. De Quincey calls the *affirmative* value^[*] (six in this case being the *negative*), is therefore only the *limit* of value. Beyond that amount the price cannot go. But it may stop short at any intermediate point between the affirmative value and the negative.

The two cases which we have put represent two large classes of cases, of continual occurrence, in which, we apprehend, demand and supply *do* regulate value; and even (within the admitted limits, of the cost price on one side, and on the other the highest price which any one would consent to give) are the *sole* regulators of it. Surely, then, there can be no preliminary objection against listening to Colonel Torrens, or any one who professes to be able to point out other cases of a like description. The proposition may safely be generalized. Wherever cost of production does *not* regulate the price, there demand and supply *do* regulate it.

But we have not yet stated through what singular concatenation of ideas this, which by his own admission seems obvious to “all the world,” [p. 127] appears to so ingenious a man as Mr. De Quincey a portentous absurdity. He thinks there is a metaphysical impossibility in the very idea.

Try to extract price for wheat from the simple relation of the supply to the demand. Suppose the supply to be by one-tenth part beyond the demand, what price will *that* indicate for eight imperial bushels of the best red wheat, weighing sixty-four pounds a bushel? Will the price be a shilling, or will it be a thousand pounds? You guess that the first would be too little, and the second too much. Perhaps so; but what makes you ‘guess’ this? Why, simply, your past experience. You fancy yourself ascertaining the price by the relation of supply to demand, and in fact you are ascertaining the price by

privately looking for the cost in past years; the very thing that you had pledged yourself to dispense with. [P. 127.]

That Mr. De Quincey should find anything insuperable in such a difficulty, is a mortifying example how little the acutest intellect can be depended on for being always present. “Suppose the supply to be by one-tenth part beyond the demand, what price will that indicate?” Why, the price, whatever it happens to be, which will increase the demand by one-tenth. If the harvest exceeds by one-tenth its ordinary amount, corn will fall just as much below its ordinary price as will create a market for the surplus, either through the increased consumption consequent on cheapness, or by inducing dealers to buy corn for the purpose of exporting it or storing it for future years. To that price, and that price exactly, which will restore the equality between demand and supply, will the commodities fall; unless some of the sellers, rather than submit to so great a reduction, keep their corn unsold, and thus re-establish the equilibrium in the other possible mode, by withdrawing the excess of supply. This is, we apprehend, the law of value, in the cases where cost of production is inoperative. The value (or price) will so adjust itself that the demand shall be equal to the supply. But if so, our author’s ingeniously expressed theory, that “whilst *natural* price (the contradiction of *market* price) is always a monomial, price founded on the relation of supply and demand must always be a binomial,” [p. ix] is, together with all that he says in its behalf [pp. 118ff.], without meaning or reason.

We find scarcely anything else from which to dissent, in the economical doctrines of the book. The chapters on Wages, Rent, and Profits, are all they profess to be, a useful commentary on Ricardo; a thing much wanted, and which very few persons could have done so well, or indeed done at all. Ricardo, though in point of mere style by no means an obscure writer, was as little fitted by nature and habit as Mr. De Quincey is eminently so, for the popular exposition of his own doctrines. Mr. De Quincey thoroughly understands his master, and is therefore able to supply new developments and illustrations of the master’s doctrines. But the most interesting, as well as the most original, of these developments and illustrations are on the subject already touched upon, that of value. As an example what pleasant reading he can make of a dry scientific discussion, we will quote some passages from the fourth section of the first chapter; which is devoted to the analysis of some apparently anomalous cases of exchangeable value as influenced by U, the capability of the object to serve a purpose, instead of D, the cost of production.

In the reign of Charles II occurred the first sale of a rhinoceros. The more interesting wild beasts—those distinguished by ferocity, by cruelty, and agility—had long been imported from the Mediterranean; and as some of them were ‘good fellows and would strike’ (though, generally speaking, both the lion and the tiger are the merest curs in nature), they bore tolerable prices, even in the time of Shakspeare. But a rhinoceros had not yet been imported; and in fact that brute is a dangerous connexion to form. As a great lady from Germany replied some twenty years ago to an Englishman who had offered her an elephant, ‘*Mit nichten*, by no means; him eat too mauch.’ In spite, however, of a similar infirmity, the rhinoceros fetched, under Charles II, more than 2,000*l*. But why—on what principle? Was it his computed negative value [cost of attainment]^[*]? Not at all. A granite obelisk from Thebes, or a Cleopatra’s needle,

though as heavy as a pulk of rhinoceroses, would not have cost as much to sling and transport from the Niger to the Thames. But in such a case there are two reasons why the purchaser is not anxious to inquire about the costs. In buying a loaf *that* is an important question, because a loaf will be bought every day, and there is a great use in knowing the cost, or negative value, as that which will assuredly govern an article of daily reproduction. But in buying a rhinoceros, which it is to be hoped that no man will be so ill-fated as to do twice in one world, it is scarcely to be hoped that the importer will tell any truth at all, nor is it of much consequence that he should; for the buyer cares little by comparison as to the separate question on the negative price of the brute to his importer. He cares, perhaps, not very much more as to the *separate* question upon the affirmative return likely to arise for himself in the case of his exhibiting such a monster. Neither value taken singly was the practical reply to his anxieties. That reply was found in both values, taken in combination; the negative balanced against the affirmative. It was less important to hear that the cost had been 1,000*l.*, so long as the affirmative return was conjecturally assigned at little beyond 2,200*l.*, than to hear that the immediate cost to the importer had been 2,000*l.*, but with the important assurance that 5,000*l.*, at the very least, might be almost guaranteed from the public exhibition of so delicate a brute. The creature had not been brought from the Barbary States, our staple market for monsters, but from some part of Africa round the Cape; so that the cost had been unusually great. But the affirmative value, founded on the public curiosity, was greater; and when the two terms in the comparison came into collision, then was manifested the excess of the affirmative value, in that one instance, as measured against the negative. An 'encore' was hardly to be expected for a rhinoceros in the same generation; but for that once it turned out that a moderate fortune might be raised upon so brutal a basis. [Pp. 61-3.]

Such cases are a sort of *praxis* to students of the science, to test the completeness of their understanding of its principles. [\[*\]](#) Again:

Hunters, as against *race-horses*. If a man were to offer you a hunter, master of your weight, and otherwise satisfactory, you would readily give him a fair price. But what *is* a fair price? That which will reproduce such a hunter—his cost; the total resistance to his being offered in this condition. Such is the value, and such the law of value, for a hunter. But it is no longer such for a racer. When a breeder of horses finds one amongst his stud promising first-rate powers of contending at Newmarket, he is no longer content to receive a cost price for the horse, or anything like it. The man who (as a master of pearl-divers) sells the ordinary seed-pearls at the mere cost and fair profit on the day's wages which have earned them, when he reaps a pearl fit to embellish the Schah of Persia's crown, looks to become a petty schah himself. He might sell it with a profit by obtaining even that whole day's wages, during one hour of which it was produced; but *will* he? No more than, amongst ourselves, the man who, by a twenty-guinea lottery ticket, drew a prize of 10,000*l.*, would have sold his ticket for a profit of cent per cent upon its cost. The breeder of the race-horse would take into his estimate the numerous and splendid stakes which the horse might hereafter win; sometimes at Epsom, on one Derby day, as much as from 5,000*l.* to 6,000*l.*; to say nothing of the Leger at Doncaster, or other enormous prizes. It is true that the chances of mortality and failure must also be weighed: and unluckily no insurance has yet been done on racers, except as regards sea-risk. But after all

drawbacks, the owner may succeed finally in obtaining for a first-rate horse (once known for good performances) as much as 4,000*l.*; whilst the whole value, computed on the resistance, might not have been more than as many hundreds. And this fact, though standing back in the rear as regards *public* knowledge, we may see daily advertised in effect by that common regulation which empowers the loser in many cases to insist on the winning horse being sold for 200*l.*, or a similar small sum. Were it not for this rule, which puts a stop to all such attempts without hazard of personal disputes, it would be a capital speculation for any first-rater, though beaten at Newmarket, to sweep all the stakes without effort on a tour through the provincial courses; justice would cease for the owners of inferior horses, and sport for the spectators of the competition. [Pp. 77-8.]

Land is another illustration, and of the first rank. . . . You may easily bring it under examination, by contrasting it with the case of a machine for displacing human labour. That machine, if it does the work in one hundred days of one hundred men in the same time, will at first sell for something approaching to the labour which it saves—say for the value of eighty men’s labour; that is, *it will sell for what it can produce, not for what will produce itself*: that is, it will sell for affirmative not for negative value. But as soon as the construction of such a machine ceases to be a secret, its value will totally alter. It will not sell for the labour produced, but for the labour producing. By the supposition, it produces work equal to that of a hundred men for one hundred days; but, if it can itself be produced by twenty men in twenty days, then it will finally drop in value to that price; it will no longer be viewed as a cause equal to certain effects, but as an effect certainly reproducible by a known cause at a known cost. Such is the case eventually with all *artificial* machines; and for the plain reason, that once ceasing to be a secret, they can be reproduced *ad infinitum*. On the other hand, land is a *natural* machine—it is limited—it cannot be reproduced. It will therefore always sell as a power—that is, in relation to the effects which it can produce, not as itself an effect; because no cause is adequate to the production of land. The rent expresses one year’s value of land; and, if it is bought in perpetuity, then the value is calculated on so many years’ purchase—a valuation worthy, on another occasion, of a separate consideration. For the present it is enough to say, that land is not valued on any principle of cost—does not sell at negative value—but entirely on the principle of its powers or intrinsic qualities; in short, it sells for affirmative value—as a power, as a cause, not as an effect. [Pp. 84-5.]

A writer with so wide a range of ideas as Mr. De Quincey, and so unusually disposed to give them out without distinction of occasion, cannot be dismissed with a simple judgment of what his book is in respect of the subject it professedly treats of. His writings treat of a hundred things besides their ostensible subject, and it is necessary to say what their worth is in that more extensive estimation. We will say, then, that this book is enriched with many acute remarks; some of a logical, some of a miscellaneous character; on any subject, important or trifling, from the qualities of turbot to the laws of thought: while it is deformed by ultra-Tory prejudices in a degree of virulence now seldom seen in men at all approaching to his standard of intellect. It might make the angels weep for the pretensions of science and philosophy, when, even on the subject with which he is most scientifically conversant, they cannot inspire such a man with sufficient calmness, impartiality, and candour of judgment, to

save him from the incessant use of such phrases as “corn traitors,” “corn-law incendiaries,”^[*] and the like, to designate those who think that the trade in food ought to be free; an opinion which the author himself is bound to hold, by every fair deduction from his own principles. We are quite unable to reconcile this wretched party invective with the respect we sincerely wish to feel for Mr. De Quincey. We turn from it with pleasure to an excellent passage with which, rather than any other of the book, we may appropriately conclude, because it is a well-thought and well-expressed explanation and justification of the purpose which such writings as this are intended to serve; and because the lesson it conveys is one which English thinkers in particular have pre-eminently need to learn:—

Although a masculine good sense will generally escape in practice from merely logical perplexities (that is, will cut the knot for all immediate results of practice which it cannot untie); yet errors ‘in the first intention’ come round upon us in subsequent stages, unless they are met by their proper and commensurate solutions. Logic must be freed by logic; a false dialectical appearance of truth must be put down by the fullest exposure of the absolute and hidden truth, since also it will continually happen that a plausible sophism, which had been summarily crushed for the moment by a strong appeal to general good sense upon the absurd consequences arising, will infallibly return upon us when no such startling consequences are at hand. [Pp. 16-17.]

[1] See a letter to Professor Rau (20/3/52), reprinted in Hugh S. R. Elliot, ed., *The Letters of John Stuart Mill* (London: Longmans, Green, 1910), I, 168-70.

[2] *Principles of Political Economy with Some of Their Applications to Social Philosophy*, in *Collected Works* (Toronto: University of Toronto Press, 1965; London: Routledge and Kegan Paul), III, 498.

[3] See my *Robert Torrens and the Evolution of Classical Economics* (London: Macmillan, 1958), 70-2. This, Mill’s earliest essay in economic theory, will appear in the forthcoming volume of his works devoted to contributions to newspapers.

[4] *Autobiography* (New York: Columbia University Press, 1924), 85.

[5] F. Y. Edgeworth, *Papers relating to Political Economy* (London: Macmillan, 1925), II, 22-3.

[6] *The Wealth of Nations*, ed. E. G. Wakefield (London: Knight, 1835-9), II, 367.

[7] See below, 12. Subsequent references to the present volumes are given in the text.

[8] Gary S. Becker and William Baumol, “The Classical Monetary Theory: The Outcome of the Discussion,” *Economica*, XIX (Nov. 1952), 355-76.

[9] Letter to Walter Coulson (22/11/50), in Elliot, ed., *Letters of John Stuart Mill*, I, 157. This was not one of Mill’s more urbane utterances; presumably some of Harriet’s tittle-tattle about Mrs. Taylor and himself had come to his ears: “Mr. Kingsley’s

notions must be little less vague about my political economy than about my socialism when he couples my name with that of a mere tyro like Harriet Martineau.”

[10] This passage is retained in the *Principles*; see II. 462-3.

[11] *Observations on the Principles which Regulate the Course of Exchange; and on the Present Depreciated State of the Currency* (London: Lloyd, 1810), which Huskisson described as containing “the most complete exposition of the whole doctrine of exchange that I have met with in any language.” *The Speeches of the Rt. Hon. William Huskisson* (London: Murray, 1837), I, 56n.

[12] See P. Sraffa, ed., *The Works and Correspondence of David Ricardo*, IV (Cambridge: At the University Press, 1951), 325-56.

[13] *Ibid.*, IX (Cambridge, 1952), 302.

[14] For a thorough discussion of Blake’s pamphlet and the controversy arising therefrom, see B. A. Corry, *Money, Saving and Investment in English Economics, 1800-1850* (London: Macmillan, 1962), 162-8.

[15] Thomas Tooke, *Thoughts and Details on the High and Low Prices of the Last Thirty Years* (London: Murray, 1823).

[16] *A Letter to Lord Archibald Hamilton on Alterations in the Value of Money* (London, 1823).

[17] For a fuller discussion of these issues, see my *Robert Torrens and the Evolution of Classical Economics*, chap. v.

[18] See his unsigned article, “Lord Overstone on Metallic and Paper Currency,” *Edinburgh Review*, CVII (Jan., 1858), 248-93.

[19] See the 2nd and 3rd editions of his *Principles and Practical Operation of Sir Robert Peel’s Act of 1844 Explained and Defended* (London: Longman, Brown, Green, Longmans, and Roberts, 1857 and 1858). See also my *Robert Torrens and the Evolution of Classical Economics*, 336-41.

[20] It is interesting to see that in this evidence Mill speaks out against the issue of small notes, which he had defended so passionately in his youthful paper on the crisis of 1826, his ground now being that the prohibition of issue retained in the country a quantity of gold which could be used to replenish the reserve in case of necessity. See II. 509-10.

[21] This second paper is also notable for the high praise awarded Perronet Thompson’s *Catechism on the Corn Laws*, one of the leading vehicles of the more popular propaganda on the subject. “Mr. Thompson is master of his subject, and has disposed of the fallacies with great philosophic accuracy” (I.152). But Mill goes out of his way to repudiate any endorsement of Thompson’s pamphlet on rent, which had criticized Ricardo on palpably superficial grounds.

[22] On the contemporary discussion of such issues, Dr. Shehab's useful monograph, *Progressive Taxation* (Oxford, 1953), may be consulted.

[23] *Principles*, III. 809-10.

[24] *Ibid.*, 810-11.

[25] So far as I am aware, he made no reference to the minimum standard in this connection. This might have presented difficulties at that time, but in our own day it is easy to conceive of alleviations through the pension system or the issue of vouchers for tax-free goods.

[26] *Principles*, III. 811-12.

[27] *Autobiography*, 174.

[28] *Principles*, III. 758-66.

[29] F. W. Taussig, *Wages and Capital* (New York: Appleton, 1899), chaps. xi and xii.

[30] *Principles*, III. 930.

[31] *Ibid.*, II. xciv.

[32] *Principles*, II. 199. See also *Autobiography*, 174-5.

[33] *Principles*, II. 207-8.

[34] *Principles*, III. 898.

[35] *Ibid.*, II. 227.

[36] *Ibid.*, 231-2.

[37] *Ibid.*, III. 819-20.

[38] Cambridge: Cambridge University Press, 1960.

[39] There is a chapter discussing these vicissitudes in some detail in my *The Theory of Economic Policy in English Classical Political Economy* (London: Macmillan, 1961).

[40] *Autobiography*, 161-4; Francis E. Mineka, ed., *The Earlier Letters of John Stuart Mill, 1812-1848*, in *Collected Works* (Toronto: University of Toronto Press; London: Routledge & Kegan Paul), 88-9.

[41] *Autobiography*, 162.

[42] Elliot, ed., *Letters of John Stuart Mill*, II, 334-5.

[43] *On Liberty* (London: Parker, 1859), 198-9.

[1] *Dissertations and Discussions*, I (2nd ed., 1867), iii-iv. (For the full text of this Preface, see *Essays on Ethics and Society in Collected Works*.) Cf. *Autobiography* (New York: Columbia University Press, 1924), 128 (quoted below, p. 194), and the letter of 25 Feb., 1855, quoted in F. A. von Hayek, *John Stuart Mill and Harriet Taylor* (London: Routledge and Kegan Paul, 1951), 226. Because of the confusion in library catalogues and hence in scholars' minds about the editions of *Dissertations and Discussions*, it may be helpful to say that the first two volumes were published in 1859 in London by Parker. In 1867 the second edition of these two volumes appeared, with the first edition of the third volume; the three volumes published by Longmans. In 1875 Longmans published the third edition of the first two volumes, with the second edition of the third volume, and the first edition of the fourth volume (which was republished in the same year in a second edition).

[2] Most of the variants in these essays derive from the first, not the second, republication. The second, however, as the latest to be revised by Mill, provides our copytext. Concerning the first edition of two volumes, Mill says in his *Autobiography* (183): "The selection had been made during my wife's lifetime, but the revision, in concert with her, with a view to republication, had been barely commenced [at the time of her death]; and when I had no longer the guidance of her judgment I despaired of pursuing it further, and republished the papers as they were, with the exception of striking out such passages as were no longer in accordance with my opinions."

[3] The page references for these items are taken from the inked numbers in the volumes in the British Museum, which run from the beginning to the end of the volumes, rather than from the printed numbers, which apply to sections printed separately but now bound together.

[4] The page references are to the edition by Ney MacMinn, J. M. McCrimmon, and J. R. Hains, *Bibliography of the Published Writings of J. S. Mill* (Evanston: Northwestern University Press, 1945), but the readings have been corrected from the manuscript in the British Library of Political and Economic Science, London School of Economics.

[5] A straight count of variants, which implies little in so small a sample, shows that there is an average of 10.6 variants per page in "The Currency Juggle," where there is the highest frequency of revision, but fewer of them are significant than in "Corporation and Church Property," where there is an average of 8.8 per page. In "The Claims of Labour" the average is only 1.6 per page. In "On the Definition of Political Economy," which was revised for a different provenance at an earlier time, the average is 5 per page.

[6] Typographical errors in earlier versions are ignored. The following are corrected (with the erroneous reading first, followed by the corrected reading in square brackets):

15.17 mis-calculation [miscalculation]

40.8 said [said,]

74.3 entirel [entirely]

85.21 expence [expense]

85.23 expence [expense]

86.7 whe e [where]

88.n14 fall. [fall,]

94.49 *excceding* [*exceeding*]

96.3 obvious [obvious.]

99.18 *unacompanied* [*unaccompanied*]

106.36 446,521 [446, 521]

122.13 in in [in]

133.4 of [on]

137.10 material [materials]

146.26 64s: [64s.:]

156.17 lie [lies] [*as in* Source]

187.13 years, [years.]

239.16 probly [probably]

261.13 snch [such]

358.n17 premt [prompt] [*as in* Source]

358.n24 premt [prompt] [*as in* Source]

413.15 fnnction [function]

433.26 combine [combine.]

433.29 comanies [companies]

- 434.25 indisputable [indisputable.]
- 451.24 exacted [enacted] [*as in Source*]
- 457.20 loaal [local] [*corrected in Somerville College copy*]
- 462.3 monoplized [monopolized]
- 466.25 principle the [principle of the]
- 467.23 posessing [possessing]
- 488.6 (D.) [(D.).]
- 493.19 somemode [some mode]
- 496.11 *an income* [*on income*]
- 523.10 grain [drain]
- 534.2 it [its]
- 534.20 *county* [*country*]
- 536.31 amounts [amount]
- 538.5 *hence.* [*hence?*]
- 555.4 *rule also* [*rule would also*]
- 568.35 man [men]
- 575.13 think, [think]
- 579.36 incom frome the [income from the]
- 584.20 says. [says,]
- 587.11 or [on] [*as in Source and in next quotation*]
- 588.14 other., [other,]
- 604.25 écoulement [écoulement]
- 608.38 c'est-à dire [c'est-à-dire]
- 610.33 privilège [privilège]

620.26 it it will [it will]

643.17 determine [determines] [*not corrected in D&D*]

685.n9 i dustrial [industrial]

The following errors disappear or are altered by re-styling and setting:

17.22 consume.” [consume.’]

22.n6 value.” [value.’]

78.11 *cur* [*cur-*]

88.n9 ap [ap-]

98.6 them [them-]

98.7 *prac* [*prac-*]

113.13 be [be-]

416.13 experi [experi-] [*end-of-line hyphen in present text also*]

421.30-1 *limitation?* [*limitation.*]

454.22 consum [consum-]

456.4 Mr [Mr.]

493.32 *pursuits?* [*pursuits.*]

563.10 *difficulties?* [*difficulties.*]

589.17 *taxation?* [*taxation.*]

[7]46 The ellipsis replaces “also”, a reference to the preceding item in the bibliography (“Liberty of the Press”).

162 “MacCulloch” altered to “McCulloch” twice; “Nations.” substituted for “nations”; and the closing parenthesis supplied.

194 “In February” altered to “in February”, and “reformable” corrected to “resumable”.

230 “from news” corrected to “four new”.

342 “Torke” corrected to “Tooke”; and “2)” added to complete the entry.

364 “,” deleted after the opening bracket.

392 “De Luciney’s” corrected to “De Quincey’s”.

406 Opening quotation marks added.

440 “Neuman” corrected to “Newman”.

464 “Vol. IX” substituted for “No. ”.

600 The final word “published” is deleted, as there is no indication of how JSM would have completed the entry.

632 “June 1,” added in blank space.

[8] Following the reference to the text, the first reference is to JSM’s identification; the corrected identification (that which appears in the text) follows in square brackets. There is no indication of the few places where a dash has been substituted for a comma to indicate adjacent pages (e.g., where “pp. 94-5” replaces “pp. 94, 95”), or where “P.” (or “Pp.”) replaces “p.” (or “pp.”) or the reverse.

7.22 p. 31 [p. 32]

7.n7 p. 31 [pp. 31-2]

14.27 p. 53 [pp. 53-4]

19.6 p. 67 [Pp. 66-7]

29.33 p. 307 [Pp. 307-8]

32.16 p. 25 [pp. 25-6]

33.25 p. 88 [pp. 88-9]

35.34 p. 316 [pp. 315-16]

39.7 p. 322 [p. 323]

41.34 p. 330 [Pp. 329-30]

56.22 p. 61 [Pp. 61-2]

64.5 pp. 58, 60 [pp. 58-60]

65.13 p. 197 [pp. 197-8]

66.4 pp. 98-9 [pp. 198-200]
92.n18 p. 47 [pp. 47-8]
109. n1 P. 62 [p. 62n]
117.n1 p. 314 [pp. 313-14]
154.11 p. 34 [Pp. 34-5]
154.37 p. 37 [Pp. 37-8]
155.5 p. 44 [Pp. 44-5]
155.42 p. 49 [Pp. 48-9]
156.36 p. 55 [Pp. 55-6]
158.6 p. 51 [Pp. 51-3]
158.41 p. 56 [Pp. 56-7]
351.9 pp. 373-4 [pp. 273-4]
360.23 Pp. 109, 111 [Pp. 109-10, 111]
446.39 p. 11 [P. 12]
449.17 p. 109 [Pp. 109-10]
454.15 p. 323 [pp. 322-3]
616.n2 p. 11 [pp. 11-12]
642.n7 p. 69 [p. 69n]
676.n19 Pp. 41, 87 [Pp. 41, 87-8]
678.5 P. 67 [Pp. 67-9]
678.18 Pp. 18, 20 [P. 18]
678. 47 P. 39 [Pp. 39-40]
680.19 p. 207 [pp. 207-8]
681.47 P. 191 [Pp. 191-2]

684.n24 P. 52 [Pp. 52-3]

685.n19 Pp. 77-9 [Pp. 76-9]

[*] We owe Mr. Tooke an apology for not having reviewed his work [*Thoughts and Details on the High and Low Prices of the Last Thirty Years*. 4 parts. London: Murray, 1823]. But we should have done it great injustice by such a meagre abstract, as it would have been possible to give in the space of an article. We flatter ourselves that we are rendering a more useful service to science, as well as expressing more highly the estimation in which we hold Mr. Tooke's work, by applying, as we shall do in the present article, his principles and his reasonings, in refutation of the fallacies with which his conclusions have been assailed.

[*] 37 George III, cc. 45, 91 (1797).

[*] Blake, p. 6.

[*] It is proper to remark, although it is not altogether essential to the argument, that Mr. Blake has here confounded the cause with the effect. Gold does not rise, in consequence of a fall of the exchange; on the contrary, if the exchange falls, it is because gold has risen. This will be admitted, if we reflect that persons having remittances to make, always consider, before they consent to give a premium for a bill, how much it will cost them to make the remittance in bullion; the market price therefore, of bullion, entering into the calculation of every purchaser of a bill, must necessarily determine the rate of exchange.

[*] It may be observed, by the way, that Mr. Blake appears in some degree sensible of the weakness of this part of his argument. For, although that argument turns wholly upon the obstructions to commerce, he scarcely mentions those obstructions otherwise than incidentally.

His main argument as stated in a preceding paragraph, is contained in the sixth and seventh pages of his work. The first passage in which he mentions the obstructions to exportation, is in pp. 31-2. He there observes,

“At the time of the Milan decrees being enforced, and when the ports of the continent were shut against English goods, the depression of the exchange would no longer be measured by the accustomed test of the expenses of transmitting bullion. The exporter would have to contend against the charges in the conveyance of bulky goods; he must incur the expense and risk of gaining admission for his goods, and when admitted, would have to sell them at low prices, in consequence of the supply being so much beyond the usual demand for consumption.”

The reader will doubtless have observed the great vagueness of this passage: such, however, as it is, it contains all which is said, otherwise than incidentally, and by allusion, on the effect of the obstructions to commerce.

[*] *Thoughts and Details*, Part 2, pp. 4-5.

[+] Pp. 43 ff.

[*] Blake, p. 52.

[*] This argument, we believe, was first stated by Mr. Mill: in whose *Elements of Political Economy* [London: Baldwin, Cradock, and Joy, 1821], it is fully and ably developed (pp. 186-195).

[*] Blake, pp. 64-5.

[*] “Minutes of Evidence taken before the Select Committee on the Depressed State of Agriculture,” *Parliamentary Papers*, 1821, IX, pp. 87-9, 178-80.

[+] London: Murray, 1824, pp. 162ff.

[*] “It has interfered, too, with all contracts between debtor and creditor; for, as the creditor is subject to the fluctuations that occur in the value of gold, and must submit to receive, in liquidation of his claim, the same nominal amount, whatever be the diminution in the value of the metal itself, he is justly entitled to receive the same nominal amount of gold, when any accidental circumstances occur to raise its value.” (Pp. 85-6.)

[*] Malthus, Thomas Robert. “Political Economy,” *Quarterly Review*, XXX (1824), p. 305.

[*] We cannot omit an opportunity of recording our feeble testimony to the merits of this essay, which deservedly ranks among the ablest productions of one of the first political economists of the age; and which, from the soundness of its principles, the aptness of its illustrations, and the perspicuity of its style, is one of the best elementary treatises of which the science has yet to boast. [McCulloch, John Ramsay. “Political Economy,” *Supplement to the 4th, 5th, and 6th Editions of the Encyclopaedia Britannica*. Edinburgh: Constable, 1824. Vol. VI, pp. 216-78.]

[+] Malthus, “Political Economy,” p. 298.

[*] Malthus, “Political Economy,” p. 331.

[*] *An Inquiry into the Nature and Causes of the Wealth of Nations*. 2 vols. London: Strahan and Cadell, 1776.

[+] Southey, Robert. “Inquiry into the Poor Laws, &c.,” *Quarterly Review*, VIII (Dec., 1812), p. 337.

[+] Southey, *ibid.*, p. 337.

[*] See a review of Colquhoun on the Poor, in the sixteenth number of the *Quarterly Review*. [Southey, “Inquiry into the Poor Laws, &c.,” pp. 320-7.]

[\[*\]](#) Malthus, T. R. *The Measure of Value Stated and Illustrated*. London: Murray, 1823.

[\[+\]](#) *Principles of Political Economy Considered with a View to their Practical Application*. London: Murray, 1820.

[\[*\]](#) See, e.g., *Measure of Value*, pp. 4-5.

[\[*\]](#) *Principles of Political Economy [and Taxation]*, 3rd edition [London: Murray, 1821], p. 34.

[\[*\]](#) Malthus, “Political Economy,” p. 310.

[\[+\]](#) *Ibid.*

[\[*\]](#) It is remarkable, that on this question of nomenclature, Mr. Ricardo actually *agreed with Mr. Malthus*: he did not indeed adopt the “measure of value,” but he believed that those modifications of the principle that value depends upon quantity of labour, on which Mr. Malthus lays so much stress, were not included in the proposition, but required to be annexed to it by a qualifying clause. Some other political economists, indeed, particularly Mr. McCulloch and Mr. Mill, think differently; and in their opinion we ourselves concur: not, however, to weary our readers by discussing a question of no practical use, we shall content ourselves with referring them to the latter part of the chapter on exchangeable value, in the second edition of Mr. Mill’s *Elements* [London: Baldwin, Cradock, and Joy, 1824, Chap. III, Section ii, pp. 94-9].

[\[*\]](#) P. 307; *cf.* p. 29 *above*.

[\[*\]](#) Malthus, “Political Economy,” pp. 314 ff.

[\[*\]](#) *Ibid.*, p. 315.

[\[+\]](#) *Ibid.*

[\[‡\]](#) *Ibid.*

[\[§\]](#) *Essay on the Principle of Population, as it Affects the Future Improvement of Society*. London: Johnson, 1798.

[\[*\]](#) Malthus, “Political Economy,” p. 316.

[\[+\]](#) *Ibid.*, pp. 318-19.

[\[*\]](#) *Ibid.*, p. 307.

[\[+\]](#) *Ibid.*, p. 308.

[[*]] Malthus, “Political Economy,” p. 321; quoted from McCulloch, “Political Economy,” p. 269.

[[*]] Malthus, “Political Economy,” p. 326.

[[*]] *Ibid.*, p. 327.

[[+]] Mill, J. S. “War Expenditure,” *Westminster Review*, II (1824), 27-48. I.e., that printed above, pp. 3-22.

[[‡]] Quoted by Malthus, “Political Economy,” p. 329, from McCulloch, “Political Economy,” p. 277.

[[\$]] *De Divitione*, 2.58.119.

[[*]] Malthus, “Political Economy,” pp. 305-7.

[[*]] See 3 George IV, c. 60, and related statutes.

[[+]] Isaiah, 28:10-11.

[*] See Morning Chronicle for May 22nd, 1824—“In this measure” (the bill for permitting the exportation of wool) “and in the consequences it was calculated to produce, he (Mr. Curteis) saw the first fruits of the new philosophy of free trade, at the shrine of which they were all called upon to bow down and worship, but to which he was determined to offer no incense.” [P. 2.]

[[*]] McCulloch, John Ramsay. “Corn Laws and Trade,” *Supplement to the 4th, 5th, and 6th Editions of the Encyclopaedia Britannica*. Edinburgh: Constable, 1824, Vol. III, pp. 342-73.

[[*]] McCulloch, John Ramsay, “Price of Foreign Corn—Abolition of the Corn-Laws,” *Edinburgh Review*, XLI (Oct., 1824), pp. 55-78.

[[+]] *Ibid.*, pp. 56-63.

[[‡]] *Ibid.*, p. 57.

[[\$]] Solly, Edward, “Evidence taken before the Select Committee on the Depressed State of Agriculture,” *Parliamentary Papers*, 1821, IX, pp. 315-19.

[[*]] Solly, “Evidence,” p. 316.

[[+]] *Ibid.*, pp. 316-17.

[*] In corroboration of Mr. Behrend’s opinion, and in contradiction to Mr. Solly’s assertion, that there is comparatively little land fitted for wheat in Poland, we extract the following passage from the conclusion of Mr. Jacob’s evidence: “Are you of opinion, that if the price of corn did rise materially in Poland, there is a very great

extent of country there, which might be made to produce very good corn, if they had a more encouraging price for it?—Yes; and if they had capital.—Would they not be tempted to bring that which is now under cultivation for rye, under cultivation for wheat?—Probably they might.”—*Report*, [*Parliamentary Papers*, 1821, IX,] p. 376.

[†] Odessa is the only port in Southern Europe from which a considerable supply of wheat can be at present obtained. It is impossible to say, however, to what extent corn might be supplied from the countries adjoining the Mediterranean, were any tolerable government introduced into those countries. Sicily, Egypt, Asia Minor, and the African coast, were once the granaries of the world; and might be so again, under any government which would but afford tolerable security to person and property.

[*] Tooke, Thomas, “Evidence taken before the Select Committee on the Depressed State of Agriculture,” *Parliamentary Papers*, 1821, IX.

[*] McCulloch, “Price of Foreign Corn,” p. 62.

[*] During these five years the dollar has gradually sunk in value from 4*s.* 6*d.* to 4*s.* 1*d.* or 4*s.* 2*d.* sterling. We have made our calculations at the rate of 4*s.* 3*d.*, being that assumed by the Reviewer.

[*] McCulloch, “Price of Foreign Corn,” p. 62.

[†] See the Edinburgh Reviewer himself, [*ibid.*,] note to p. 62.

[†] When the immense line of country on the banks of the Mississippi River comes to be in full cultivation, it may be expected, from the amazing fertility of its soil, and the facilities of water carriage which it enjoys, that it may be able to supply the western countries of Europe with corn at a much lower price than it is possible to calculate upon at present.

[*] On the other hand, the complicated and intricate provisions of the present law afford such scope to fraudulent artifices, that importation is often prevented, even when corn is selling to *bonâ fide* purchasers at a price exceeding that at which it was the intention of the legislature that the ports should open. Of the fraud and trickery which it is the inevitable tendency of the system of averages to produce, the pamphlet of Mr. Hays (himself an eminent corn-dealer) affords a most instructive display; and we regret that want of space prevents us from doing more than directing the attention of the reader to the pamphlet itself, which, though short, is valuable, and will reward him well for the trouble of its perusal. [Hays, John. *Observations on the Existing Corn Laws*. London: Richardson, 1824.]

[*] “The property in the West Indies is said, upon the average, to change hands every twenty years.” [*Whitmore’s footnote.*]

[*] Messrs. Almonde and Behrend, in their circular already quoted, observe, “It is generally thought that the consumption of British colonials and manufactures does not, at present, exceed one half of what it was before this unfortunate crisis of the corn

trade took place.” The crisis alluded to is the glut of agricultural produce, which has been principally occasioned by the cessation of demand from this country since 1818.

[\[\[*\]\]](#) McCulloch, “Price of Foreign Corn,” pp. 72-4.

[\[\[*\]\]](#) See Whitmore, William Wolryche. *Substance of a Speech delivered in the House of Commons on the 28th April, 1825*. London: Ridgway, 1825.

[\[†\]](#) The statutes referred to are: law, 5 George IV, c. 41; silk, 5 George IV, c. 21; wool, 5 George IV, c. 47; navigation, 6 George IV, cc. 105, 109; and wages of labour, 6 George IV, c. 129.

[\[*\]](#) The reader who desires to possess fuller information concerning the events of these remarkable periods, will find many valuable details in Part I of Mr. Tooke’s able and important work on High and Low Prices.

[\[*\]](#) [2nd ed. London: Murray, 1826.] Pp. 44-7.

[\[\[*\]\]](#) 7 George IV, cc. 6 and 46.

[\[\[*\]\]](#) 7 George IV, c. 46.

[\[\[*\]\]](#) *Parliamentary Papers*, 1819, III, p. 56.

[\[\[*\]\]](#) Tooke, *Considerations*, pp. 68-9.

[\[*\]](#) It may perhaps be objected, that the country banks would be more sparing in their advances to their customers, if they had to provide gold for the purpose. Under circumstances favouring the spirit of speculation, and thus tending to increase the *general* demand for loans, this would be perfectly true. But under the circumstances now supposed, it would not be true. If the country bankers would not make further advances to their customers when corn was rising, the London money dealers might and would. Except when there is a general spirit of speculation afloat, (or what is equivalent to it, an increased disposition to give credit), increased applications for loans from one quarter are always accompanied by diminished applications from another. It is the articles that appear to be rising, which excite speculation, and produce a demand for loans among the dealers in these particular articles. But unless there be an increase of the currency, either previous or simultaneous, one article cannot rise unless another falls. While agricultural produce, therefore, is rising, other articles will fall, and while the farmers and corn dealers are calling for increased loans, there will be a cessation even of the usual demands from other quarters. A number of the London money lenders will thus have a portion of their capital set free, which they will be ready to lend to the farmers, either directly, or, as would probably be more convenient, through the medium of the country bankers.

[\[*\]](#) The increased orders which our merchants send abroad in a period of over-trading, reduce the stocks on hand in the warehouses of the foreign dealers, and give rise to anticipations of deficiency in the supply. Anticipated deficiency is the most frequent of all causes of speculation: and the speculative spirit thus spreads to foreign

countries. There, as here, it leads to an increase of the circulating medium, by an extended use of private paper and credit; and of course sinks the value of the currency, though rarely to so low a level as ours, because the derivative speculation rarely equals the original one in extent.

[*] Thornton on the Paper Credit of Great Britain, p. 40. [Thornton, Henry. *An Enquiry into the Nature and Effects of the Paper Credit of Great Britain*. London: Hatchard, 1802.]

[*] This was strikingly the case during the speculative mania which preceded the late revulsion. "The speculative anticipation of an advance was no longer confined to articles which presented a plausible ground for some rise, however small. It extended itself to articles which were not only not deficient in quantity, but which were actually in excess. Thus, coffee, of which the stock was increased, compared with the average of former years, advanced from 70 to 80 per cent. Spices rose, in some instances, from 100 to 200 per cent. without any reason whatever, and with a total ignorance on the part of operators of every thing connected with the relation of the supply to the consumption. In short, there was hardly an article of merchandise which did not participate in the rise. For it had become the business of the speculators or the brokers, who were interested in raising and keeping up prices, to look minutely through the General Price Currents, with a view to discover any article which had not advanced, in order to make it the subject of anticipated demand. If a person, not under the influence of the prevailing delusion, ventured to inquire for what reason any particular article had risen, the common answer was, 'Every thing else has risen, and therefore this ought to rise.' "—Tooke *on the Currency*, pp. 47-8 [2nd. ed., pp. 48-9].

[[*]] *Parliamentary Papers*, 1826-27, VI, p. 511.

[[*]] *Parliamentary Papers*, 1826-27, VI, pp. 561-2.

[*] Mr. Burgess has since published a pamphlet, in which he informs us, that Mr. Roby made his statement upon an accurate examination of the receipts in his own bank for years past. He also states, that circulating bills compose the greatest part of the currency, not only in Lancashire, but throughout the north of England. He considers Bank of England notes and country bankers' notes to form, conjointly, not more than a tenth of the whole paper circulation of the kingdom. As a practical man, his testimony is valuable to the important fact that bills increase in a much greater proportion than notes, during periods of speculation. [Burgess, Henry. *A Letter to the Right Hon. George Canning*. London: Harvey and Darton, 1826, pp. 83n, 79.]

[*] It may possibly be contended, that an addition to the number of bank notes depreciates the currency somewhat more than an addition of equal amount to that part of the circulating medium which consists of bills; because paper which bears interest, does not in general pass so rapidly from hand to hand, as paper which is wholly unproductive in the hands of the owner. This is in some measure true. When a bill of exchange comes into the hands of a person not in business, or whose business at that time happens to be slack, he generally keeps it till it becomes due, having no particular motive to make purchases with it, and being well satisfied that so much of

his capital should be yielding interest without trouble to himself. But the bills drawn for the purposes of speculation are drawn in order to make purchases; and pass into the hands of the dealers in those articles which are the objects of speculation. With them, of course, business is very brisk, and they are very active in extending it. Far from keeping a bill in their hands for the sake of the interest at such a period, they are more likely, besides paying away the bills they receive, to draw additional bills of their own, for the purpose of increasing their available capital.

We have the important testimony of Mr. Tooke to the fact, that “a great briskness in the general circulation, a rapidity in the interchange between goods and money, or credit,” is “an invariable attendant on speculative periods.”—Tooke, *On High and Low Prices*, 2nd. edit. p. 73.

But even if it were true, that an addition to that part of the currency which consists of bills, produced a less depreciation than is produced by an *equal* addition to that part of it which consists of notes, there is a counterbalancing circumstance. The amount of bills in circulation may be more easily multiplied than the amount of notes. Every one who passes a bill affixes his own indorsement to it. The security of every bill thus becomes greater than that of most of the notes, and it consequently will be accepted with less difficulty.

[*] Much has been said on the subject of the peculiar evils which are supposed to have arisen from the loans (to the extent of 1,400,000*l.*) which the Bank came to the resolution of making upon mortgage. That such loans were utterly inconsistent with all sound principles of banking, on account of the virtual inconvertibility of the security, we admit: but these loans could not affect the money market in a different manner from any other loans. The table in the text has shewn, that when the Bank made these advances on mortgage, its loans to individuals were less, discounts and mortgage taken together, than they were when it made its loans solely by way of discount: notwithstanding the mortgages, therefore, its operation upon the rate of interest, must have been, not to produce the fall, but to check it. In point of fact, the Bank resorted to the measure of lending on mortgage, only because it could get no bills to discount, its rate of discount being higher than the market-rate.

[†] This dependence of the rate of interest upon the rate of profit, gives the measure of the extent to which an increase of loans, even when uncalled for by any increase of borrowers, can depress the rate of interest. Of the class of lenders there are always some, who at the existing rate of interest would rather lend their capital than embark in business themselves, but who, on the slightest reduction, would cease to lend, and withdraw their funds to another investment. Capital is thus withdrawn from the money-market, to an amount equal to that of the additional loans, and then things are as they were before. This answers the general argument against our paper currency, founded on its supposed tendency to cause fluctuations in the rate of interest. In the text we have contented ourselves with analyzing the particular case on which the supporters of that argument rely.

[*] We exclude the year 1793, which, if taken into the account, would render the average of the whole period far more favourable to our conjecture than it now

appears. But we are aware that the very high price of the public securities in that year, was owing to peculiar causes not connected with the general rate of profits on capital.

[*] *Parliamentary Review for 1825*. London: Longman, Rees, Orme, Brown, and Green, 1826.

[*] The Arbroath Banking Company, the Perth Banking Company, the Dundee Commercial Bank, the Aberdeen Town and Country Bank, the Commercial Banking Company of Scotland, and the National Bank of Scotland.

[*] [*Considerations*,] p. 62n.

[†] *Ante* [*Parliamentary History for 1826*. London: Longman, Rees, Orme, Brown, and Green, 1826], p. 320.

[†] *Ante* [*ibid.*], p. 236.

[*] *Ante* [*Parliamentary History for 1826*], p. 175.

[*] See Mr. Hudson Gurney's invective against the Bullion Committee (*ante* [*Parliamentary History for 1826*], p. 218). See also the speech of Mr. Thomas Wilson (*ante* [*ibid.*], p. 275). "As to the doctrine," says this gentleman, "of limiting discounts, in order to force up the exchanges, he regarded it as one of the absurdities of the day." It is a fact, pregnant with meaning, that a representative of this stamp should have sat in two parliaments for the city of London.

[*] Scott, Walter. *Thoughts on the Proposed Change of Currency*. Edinburgh: Blackwood, 1826.

[*] *Ante* [*Parliamentary History for 1826*], pp. 313-14.

[†] Mr. Ald. Heygate, *ante* [*ibid.*], p. 236.

[†] *Ante* [*ibid.*], p. 218.

[*] *Ante* [*Parliamentary History for 1826*], pp. 225-6.

[†] [*Ibid.*], p. 227.

[†] [*Ibid.*], p. 228.

[*] Sir Henry Parnell was this exception. He said a few words ([*ibid.*] p. 236) which were characterized, like most of that gentleman's observations, by good sense; but he did not enter at any length into the subject. He said enough, however, to prove that he understood it. On questions of this kind he is generally better informed than almost any other person in the house.

[†] *Ante* [*ibid.*], p. 202.

[*][*Parliamentary History for 1826*], p. 214.

[*]Ante [*ibid.*], p. 256.

[*]Ante [*Parliamentary History for 1826*], p. 259.

[[*]]*Ibid.*, p. 320.

[[†]]*Ibid.*

[[*]]*Ibid.*

[*]Ante [*ibid.*], pp. 319-21

[[*]]5 George IV, c. 21.

[*]Though the exportation of our wool is not now prohibited, the freight on so bulky a commodity must always subject the foreign purchaser to a great comparative disadvantage.

[[*]]See *Morning Chronicle*, 14 Feb., 1826, p. 4.

[†]In the year 1824 it amounted to 1,323 bales; in 1825, it was 3,716.

[[†]]13 George III, c. 68; repealed by 5 George IV, c. 95.

[*]The exaggerated statements of some of these gentlemen are almost laughable. At a meeting held at Taunton on the 31st of January, a Mr. Henry Smith is reported to have declared, that a duty of 100 per cent. would not protect the British manufacturer.—*Morning Chronicle*, 6th February [p. 3].

[*]It is stated in the fourth report (just published) of the committee of silk manufacturers, that the French grow three fourths of their consumption; and this is supposed by some to give them an advantage. It is, however, evident, that so long as they import a single bale, the price of that bale governs the price of all which is grown at home: the advantage therefore cannot be in the price. As to quality, it is said they can make some of the better kind of fancy articles from native silk, much superior to any thing we can make from Italian or China. If this be true, the people of England ought to have them, and they will have them in spite of prohibitions.

[[*]]*Parliamentary Papers*, 1821, VII, p. 453.

[[†]]*Ibid.*, 437.

[[†]]*Ibid.*, p. 425.

[*]A writer in the *Morning Chronicle* under the signature of T. G., who espouses very warmly the cause of the silk monopoly, says, "I pledge myself for the correctness of the assertion, that after the most anxious investigation into the manufacture of broad

silks, conducted without regard to cost or time, the nations of Europe do not perform more work with less labour; that they do not expedite the process by any application of machinery unknown or unused at home, and that unless the climate of the South of Europe be better fitted for spinning a thread of silk, or that it be injured during the conveyance to this country, there does not exist a single advantage or improvement in the whole routine of the manufacture which the English have yet to learn.”—*Morning Chronicle of 28th January last* [p. 3].

[a-a]26 buying [corrected in JSM's hand in Somerville College copy of Westminster Review]

[b-b]26 parties [*ibid.*]

[[*]] Mill, J. S. “The Corn Laws,” *Westminster Review*, III (Apr., 1825), pp. 394-420; i.e., that printed at pp. 47-70 above.

[*] We have good authority for asserting, that the introduction of the preventive service *has not even raised the rate of insurance* on smuggled goods.

[c-c] MS searched by order of the [*sic*] for French silks, & a quantity were seized as such, which were afterwards proved by the most unexceptionable evidence to have been made in England.

[d-d] MS We might also have remarked that the silk manufacturers, far from having reason to complain of Govt, have to thank them for a bounty of £500,000, nearly the whole of which went into their own pockets. It was given to them when the duty on raw & thrown silk was reduced, under the name of a compensation for the duty which they had already paid upon their stock in hand, but really (it is evident) as a sop to keep them quiet: for *no part of the compensation was given to the retail dealers*: consequently if the fall of price had taken place immediately, as was expected, the whole body of the retailers would have sustained, without compensation, the loss of part of the value of their stocks. Luckily the fall did not take place till some time afterwards, & the manufacturers & wholesale dealers received the amount of the duty a second time in the price, after having received it once from the government.

[e-e] MS But without insisting upon these minor topics we may now leave the question, as between the public & the silk manufacturers, in the hands of the impartial reader.

[[*]] See *Hansard*, 23 February, 1826, cols. 763-809.

[[*]] Eventually amended by 7 & 8 George IV, c. 57.

[*] Westminster Review, Nos. VI. and XII. [Mill, J. S. “The Corn Laws,” *Westminster Review*, III (Apr., 1825), pp. 394-420 (i.e., that printed above, pp. 47-70); Mill, James. “State of the Nation,” *ibid.*, VI (Oct., 1826), pp. 249-78.]

[[*]] See *Hansard*, 1 March, 1827, col. 768.

[*] It will be said, that, under the law of 1822, although the ports open at 70s. corn is not admitted unless charged with a duty of 17s. But this does not prevent importation from taking place at 70s.; for when the price is 70s., a duty of 17s. still leaves 53s. to the importer, which is more than a remunerating price.

[*] Up to 55s. at which price the duty changes to sixpence.

[*] Roebuck, John Arthur. "Timber Trade," *Westminster Review*, VII (Jan., 1827), pp. 126-46.

[†] See *Hansard*, 1 March, 1827, cols. 784-5.

[*] *A Catechism on the Corn Laws*. 2nd ed. London: Ridgway, 1827.

[*] Mr. Thompson has published another pamphlet, entitled "An Exposition of Fallacies on Rent, Tithes, &." [London: Hatchard; Rivington, 1826] which has recently been advertised under the title of "The true Theory of Rent, in opposition to Mr. Ricardo and others." This pamphlet appears to us a striking exemplification of the mistakes of an ingenious, but not thoroughly informed mind, more accustomed to think in solitude, than to discuss, and compare its ideas with those of other men. Mr. Thompson does not perceive that his theory of *rent* differs from that of Mr. Ricardo only in the expression. There is no difference in the principle, and we cannot but think, that, even in the mode of stating it, Mr. Ricardo has decidedly the advantage. Moreover, if the case were otherwise, and if Mr. Thompson's theory were a real discovery, whatever merit it might possess is by no means his own, since all that he has brought forward had been said previously in a single paragraph, and much more clearly, by the *Quarterly Review*, No. 50, pp. 475-6, in an able article attributed to the present Professor of Political Economy in the University of Oxford [Senior, Nassau William. "Report—On the State of Agriculture," *Quarterly Review*, XXV (July, 1821), pp. 466-504]. Mr. Thompson's opinions on *tithes* and other taxes on the land, are indeed different from those of Mr. Ricardo. But if he will read Mr. Ricardo's work again carefully, and reflect more, and, above all, converse more, on the subject with instructed and thinking men, he will perceive that his opinions on these topics are not corollaries from his doctrine of *rent*, but from a peculiar and altogether erroneous opinion on *profits*, which he conceives to be regulated, like wages, by the proportion between numbers and demand. We have not space to be more explicit, nor can we venture to refer any but the very laborious reader to Mr. Thompson's work; for, erroneous as we deem its conclusions, it is to the full as difficult of comprehension as it could be if it were the quintessence of pure reason; and if it be deficient in the sterling merit of profundity, it does not atone for the deficiency by the *agrément* of superficiality. Nor is this to be ascribed to any defect in the author's style. On the contrary, our copious extracts from his "Catechism on the Corn Laws" afford sufficient proof that he possesses an uncommon talent for explaining whatever he understands. The obscurity of the other tract is therefore owing entirely to an original confusion of ideas on one or two fundamental points.

[*] Swift, Jonathan. *Gulliver's Travels*, in *Works*, XII. Ed. Walter Scott. Edinburgh : Constable, 1814, p. 176.

[\[\[*\]\]](#) *This, and the preceding three “Fallacies“ are not in the 2nd ed. of Thompson’s Catechism; they occur in the 3rd ed. at p. 47. See p. 816 below.*

[\[*\]](#) *[An Inquiry into the Nature and Causes of the Wealth of Nations, ed. J. R. McCulloch. Edinburgh: Black and Tait, 1828.] Vol. i., p. 241.*

[\[\[*\]\]](#) *Wealth of Nations, ed. McCulloch, vol. IV, pp. 81-100.*

[\[*\]](#) This is what is meant by the application of additional capital. Inasmuch as all capital was originally produced by labour, it is the application of additional labour. Either the one phrase or the other may be used indiscriminately, as was explained in the note on Labour. *[Wealth of Nations, ed. McCulloch, vol. IV, pp. 73-80.]*

[\[*\]](#) The case here chosen for illustration does not strictly exemplify the real course of circumstances, though it corresponds with it accurately enough for the purpose in hand. The decline in the proportional return to capital does not in reality take place, as is here supposed, at regular intervals or successive stages, but gradually and imperceptibly, from the effect of improvements, and by insensible steps. The fifteen bushels, and afterwards the ten, would not be produced all of them at the same cost; on the contrary, every bushel would probably cost somewhat more than that which preceded it. The slightest increase of demand would accordingly be attended with some rise of price; and every bushel, except the last, would yield a rent equal to the difference between its cost of production and that of the last. When, therefore, there came to be a demand for the whole thirty-five or forty-five bushels, the land would in reality yield a much higher rent than five or fifteen bushels. But to have attempted to express these minutiae by means of numerals, would have produced interminable confusion and complexity.

[\[a-a\]](#) *[this passage put in square brackets in the Somerville College copy; in the margin JSM has written: The passage within brackets is by the editor—who has omitted what the author wrote on this topic.]*

[\[*\]](#) See his Principles of Political Economy, &c. 3d edit., p. 178.

[\[*\]](#) *[Wealth of Nations, ed. McCulloch.] Vol. i., p. 241.*

[\[b-b\]](#) *[a marginal line is drawn beside this passage in the Somerville College copy; in the margin JSM has written: Unsatisfactory]*

[\[*\]](#) *[Wealth of Nations, ed. McCulloch.] Vol. i., p. 276, [editor’s] note.*

[\[c-c\]](#) *[a marginal line is drawn beside this passage in the Somerville College copy; in the margin JSM has written: Qy]*

[\[d-d\]](#) *[a second line is drawn beside this sentence in the Somerville College copy; the comment mentioned in the preceding note may refer to this sentence]*

[\[\[*\]\]](#) West, *Essay on the Application of Capital to Land*. London: Underwood, 1815; Malthus, *An Inquiry into the Nature and Progress of Rent*. London: Murray, 1815;

Ricardo, *Essay on the Influence of a Low Price of Corn on the Profits of Stock*.
London: Murray, 1815.

[\[*\]](#) Pp. 176-7 above.

[\[†\]](#) *Wealth of Nations*, ed. McCulloch, vol. IV, pp. 184ff.

[\[a-a\]](#) 33 the spirit of

[\[b-b\]](#) 33 ; else, like so many others, we should be Conservatives. We are as
conservative as anybody of what we deem worth preserving; but we have judged that
Improvement

[\[c\]](#) 33 This being a settled point with us, our conduct shall not vary from it.

[\[d-d\]](#) 33 . We regard it as nowise *our* business

[\[e-e\]](#) 33 We leave these

[\[f-f\]](#) 33 *fit*

[\[g-g\]](#) 33 the

[\[h\]](#) 33 which we have prescribed to ourselves

[\[i\]](#) 33 serious

[\[j-j\]](#) 33 detriment to public morality

[\[k\]](#) 33 all

[\[l-l\]](#) 33 matters

[\[m-m\]](#) 33 in

[\[n-n\]](#) 33 *professed*

[\[o-o\]](#) +59, 67

[\[p-p\]](#) 33 in proportion as it is

[\[q-q\]](#) 33 *practicals*

[\[r-r\]](#) 33 *represented*

[\[s-s\]](#) 33 All mankind, Mr. Rothschild excepted, now know

[\[t-t\]](#) 33 paper-money

[u-u]33 thereupon do men

[v-v]33 man

[w-w]33 , of the genuine Tory stamp,

[x]33 on

[y-y]33 vulgarest

[z-z]33 we refer him to

[a-a]+59, 67

[*] See *Mansell & Co's. Report of the Important Discussion held in Birmingham, August the 28th and 29th, 1832, between William Cobbett, Thomas Attwood, and Charles Jones*. Birmingham: Mansell, 1832.

[b-b]33 man

[c-c]+59, 67

[d-d]33 existing

[e-e]33 a man

[f-f]33 except the folly

[g-g]33 is

[h-h]33 his

[i-i]33 paper-money

[j-j]33 fancies

[k-k]+59, 67

[l-l]33 may

[m-m]+59, 67

[n-n]33 have

[o-o]33 dispose, afterwards, of

[p-p]33 is, there has been, but

[q-q]33 men

[r]33 , we acknowledge,

[s]33 now

[t]33 our

[u-u]33 admit

[[*]]59 George III, c. 49.

[v-v]33 contend

[w-w]33 *not the same men*

[x-x]33 men

[y-y]33 *needs*

[z-z]33, 59 *is*

[a-a]33 *temporarily*

[b-b]33 furthest

[c-c]33 dared even to insinuate a proposition,

[d-d]33 we have not

[e-e]33 five

[f-f]33 We, therefore, have

[g-g]+59, 67

[h-h]+59, 67

[i-i]33 five

[j-j]+59, 67

[k-k]33 refund, must

[l-l]33 those five years

[m-m]33 *part*

[n-n]33 remainder!

[o-o]33 became greatest during

[\[p\]](#)33 far

[\[\[*\]\]](#)E.g., Thornton, Henry. *An Enquiry into the Nature and Effects of Paper Credit*. London: Hatchard, 1802; *Substance of Two Speeches on the Report of the Bullion Committee*. London: Hatchard, 1811.

King, Peter. *Speech upon Earl Stanhope's Bill, respecting Guineas and Bank Notes*. London: Ridgway, 1811; *Thoughts on the Restriction of Payments in Specie*. London: Cadell and Davies, 1803.

Ricardo, David. *The High Price of Bullion*. London: Murray, 1810; *Observations on Some Passages in an Article in the Edinburgh Review; Appendix to the Fourth Edition of the High Price of Bullion*. London: Murray, 1811; *Proposals for an Economical and Secure Currency*. London: Murray, 1816; *Reply to Mr. Bosanquet*. London: Murray, 1811.

Huskisson, William. *The Question concerning the Depreciation of our Currency*. London: Murray, 1810.

Blake, William. *Observations on the Principles which Regulate the Course of Exchange*. London: Lloyd, 1810.

[\[q-q\]](#)33 proceedings

[\[\[†\]\]](#)“Report from the Select Committee on the High Price of Gold Bullion,” *Parliamentary Papers*, 1810, III, pp. 1-232.

[\[r-r\]](#)33 Bank had the power to depreciate the currency without limit

[\[s\]](#)33 our

[\[t-t\]](#)33 we

[\[u-u\]](#)33 pays more than he borrows; everybody, at least, who borrows at interest

[\[v-v\]](#)33 promised

[\[w-w\]](#)33 less

[\[x-x\]](#)33 covenanted

[\[y-y\]](#)33 Civilization itself

[\[z-z\]](#)33 man

[\[a-a\]](#)33 Each man

[\[b-b\]](#)33 heroic ages

[c-c]33 does

[d-d]33 gives

[e]33 , as he seems to think,

[f-f]33 go

[g-g]33 every jot

[h-h]33 still, however,

[i-i]+59, 67

[[*]] See “Minutes of Evidence taken before the Committee of Secrecy on the Bank of England Charter,” *Parliamentary Papers*, 1831-32, VI, pp. 457ff.

[j]33 but

[k-k]33 Now, the

[l-l]33 The healthy working of the machinery, therefore,

[m-m]33 The extension of paper credit, called forth by speculations in a few leading articles

[n-n]33 man

[o]33 so

[p-p]+59, 67

[[*]] *Ibid.*, p. 461.

[q-q]33 enhancement of the motive we have

[r-r]33 the above

[s]33 No man to whom we are less indebted, has it in his power to do so much mischief as these men. Their merits and services do but render their errors the more dangerous.

[t-t]33 men

[u-u]33 men

[v]33 yet,

[w-w]33 so much as dreamed

[x-x]33 an execrable crime

[y-y]33 cause of Radical Reform

[z-z]33 though

[a-a]33 man

[b]33 man

[c]33 [*footnote, not by JSM; see headnote to this article:*] That our opinions may not be misunderstood, we think it right to explain that, while we object decidedly to any legislatorial depreciation of the currency, we advocate free trade in banking, as in everything else, and the unrestricted issue of bank notes, convertible on demand into the precious metals; in short, the Scottish system of Banking, as explained in our article on *The Bank Charter*, in Magazine No. III. [*Tait's Edinburgh Magazine*, I (June, 1832), pp. 291-314.] And while we maintain that the restoration of the currency to a sound state, gives us no right to deprive the fundholder of any part of his stock, we by no means contend that the huge debt shall be allowed to paralyze the national strength for ever. How it is to be disposed of, with the nearest possible approximation to exact justice to every person, must be the subject of future articles.

[a-a]33 We intend

[b-b]33 article

[c]33 , nor of a conspicuous place in the pages of a work like the present

[d-d]33 questions

[e]33 : on which to postpone forming an opinion, would be to abdicate the rank of thinking beings, and consent to be driven by the mere force of circumstances

[f]33 , capable of looking a quarter of a session before him,

[g]33 first and

[h-h]33 to which we, as public writers, are now about to address ourselves; namely, to decide, what righteously

[i-i]33 we can touch it

[j-j]33 *spoliation*

[k-k]33 *robbing*

[l-l]33 *discuss*

[m-m]33 no

[n-n]33 [paragraph] It is under this aspect, then, that we propose first to consider the subject of an interference with foundations. We leave it to others, or perhaps ourselves at another time, to discuss whether existing foundations require to be resumed. What must be first decided, and what we are now about to attempt to decide, is, whether the Legislature is at liberty to entertain the question.

[o]33 which we have now undertaken

[p-p]+59, 67

[q-q]33 these excited times

[r-r]+59, 67

[s-s]33 £100,100 [*printer's error corrected in pamphlet reprint*]

[t-t]33 an infamous

[u-u]33 is his or no

[v]33 [paragraph] Our assertion with respect to the Church of England, and the trustees of all other national foundations, is, that the funds which they are in charge of are not theirs, but the nation's, and that the nation may justly resume them. But we would rather a hundred times that the property should remain in the present hands, than that it should be taken otherwise than by a high and solemn act of duty. No use to which it would be possible to convert the endowments would do so much good, as an act of doubtful morality would do harm. The passions which prompt men to seize and take, are never let loose with impunity, and never require to be more tightly curbed than when they are indulged. If there be any one who, in supporting a general resumption of endowments, thinks of the convenience first, and of the justice only second, we have nothing in common with him. It is as much the bounden duty of a nation as of an individual, to exact from itself a survey of the moral bearings of an action, the more deliberate in proportion as it is itself a party concerned, and tempted to the proceeding by other motives than a sense of moral obligation.

If, in the observations we are about to make, we be found wanting in the performance of this duty; if we seek to carry our point not through the conscience of the nation, but through any of the less worthy impulses—let us be disregarded and despised, and let every word we are about to write be as if it were unwritten. But, if we approach the subject with a deep sense of the heavy responsibility of an unjust decision, and seek support to our cause from no motives but those to which an honest man may worthily listen on a question of right and wrong; then may the words which we shall utter in this spirit, obtain from readers imbued with the like, patient hearing and unprejudiced judgment.

[w-w]33 *be, is not*

[x]33 assignable

[y-y]33 might

[z-z]33 determining

[a-a]33 suffered

[b-b]33 We prefer

[c-c]33 University of London

[d-d]33 never have subscribed

[e-e]33 so simple and obvious, that we may venture to express a doubt whether

[f-f]33 not be a long] 59 be but a moderate

[g-g]33 is, we fear, a sorry wisdom

[h]33 It is as if one who was an infant when his mother died, should dress himself all his life in a frock and petticoats, because his mother clothed him in them when he was a baby.

[i-i]33 credit

[j-j]33 Gospel

[k]33 mere

[l-l]33 written

[m-m]33 the same

[*][59] Mr. Thelusson, ancestor of the present Lord Rendlesham.

[[*]]39 & 40 George III, c. 98.

[n-n]33 declare

[o-o]33 those

[p-p]33 his

[q]33 very

[r]33 The affections have here usurped the judgment-seat, and pronounced in place of the intellect.

[s-s]33 party

[\[t-t\]](#)33 if it be founded on conviction, we must be contemptible to blame:

[\[u-u\]](#)33 man

[\[v\]](#)33 try to

[\[w-w\]](#)+67

[\[x\]](#)33 come, and

[\[y-y\]](#)33 of England

[\[z\]](#)33 of

[\[a-a\]](#)33 we shall at all times lend an open ear

[\[b-b\]](#)33 man

[\[c\]](#)33 dead

[\[d-d\]](#)33 *his*

[\[e-e\]](#)33 stuck

[\[f\]](#)33 we mean

[\[g-g\]](#)33 a man

[\[h-h\]](#)+59, 67

[\[i-i\]](#)33 very few

[\[j-j\]](#)33 to continue

[\[k-k\]](#)33 *giving*

[\[l\]](#)33 now

[\[m-m\]](#)33 that

[\[n-n\]](#)33 precisely

[\[o-o\]](#)33 was

[\[p-p\]](#)33 had all been

[\[q-q\]](#)33, 59 *come*

[\[r-r\]](#)33 now

[*] Charities or liberalities of this kind are not always unconditional; they may be burthened with the performance of some duty. Still, if the duty be merely an incidental charge, and the main purpose of the endowment be a provision for the individuals, the Legislature, though it may release the incumbents from the performance of the duty, is not at liberty, on that pretext, to make them forfeit the right. This they ought to retain for their lives, or for the term of years for which it was conferred; provided they hold themselves in readiness to fulfil its conditions, so far as they lawfully may.

[s-s]+59, 67

[t]33 for example,

[u-u]33 money

[v-v]33 be sure

[w-w]33 for the convenience of classification; but it is a classification which only tends to mislead

[x-x]33 that not modestly, and in a tone of discussion, but angrily, abusively, and in the spirit of arrogant assumption

[y-y]33 their *property*

[z-z]33 estate!

[*] If any caviller should say [33 (and he must be a caviller who would say)] that the English common law is an exception, inasmuch as trusts are not recognised or enforced by the common law courts, the legal estate vesting in the trustee; we answer that we cannot consider anything as law which does not actually obtain as such, but is superseded by the contrary mandates of the rival power Equity.

[†] In the case of endowments which, though existing for public purposes, are not national but local, such as the estates of the City of London, the *cestui que trust* is not the entire people, but some limited portion of them, namely, those who are directly reached by the benefit intended to be conferred. To apply such property to *national* purposes, without the consent, duly signified, of the fractional part of the nation which is interested in it, might be wrong. But that fractional portion is generally far larger than the body which the law now recognises as the proprietor. We hold [33 We are ready to maintain], for example, that if the Legislature (as it ought) should unite the whole of the metropolis into one body for municipal purposes, the [33 all the] estates of the City of London, and probably those of [33 and of all] the incorporated trades, might be applied to the benefit of that collective body without [33 a particle of] injustice.

[a-a]33 his

[b-b]33 Though there might be inhumanity, there would be no injustice, in turning him out into the streets, when his services are no longer needed

[c-c]33 and [*printer's error? Altered in ink in JSM's copy of pamphlet reprint, Somerville College*]

[d-d]33 a

[e]33 loose

[f-f]33 we think it will

[g]33 perfect

[h-h]33, 59 *condition*

[i-i]33, 59 *understanding*

[j-j]33 to the very end of his days

[k-k]33 no

[l-l]33 men

[m]33 opposing

[n-n]+59, 67

[o-o]33 useful account

[p-p]33 shown

[q-q]33 we are not sure that we have said

[r-r]33 abhorrence

[s-s]33 proposition

[t-t]+59, 67

[[*]] Beaumarchais, Pierre Augustin Caron de. *Le Barbier de Séville*, III, xi. The line is spoken by Basile, not by Figaro.

[u-u]+59, 67

[v]33 Show us the man, woman, or child who is to be robbed, and he shall be forthwith unrobbed; we will warrant him harmless at our own risk.

[w-w]33 no woman, and no

[x-x]33 any hard cash

[y-y]33 are for appropriating it at once

[†]Butler, Samuel. *Hudibras*, I, i, 145-6.

[z-z]33 calling names

[a-a]33 men

[b-b]33 brings

[c-c]+59, 67

[d-d]33, 59 *person*

[e]33 two

[f-f]33 After declaring

[g-g]33 cease to exist

[h-h]33 till the end of all things

[i-i]33 rights which it created, cease

[i-j]33 except

[*][59] To make the proposition absolutely unassailable, instead of “existing incumbents,” it should [59 perhaps] be said, persons actually in orders. All authorized expectations of unbeneficed clergymen, and beneficed expectants of promotion, would [59 expectations of unbeneficed expectants would] be satisfied by postponing the resumption for a sufficient number of years to enable their expectation, if well grounded, to become possession.

[k-k]33 up

[l]33 Our argument, it is true, professes only to hold good in morality; we do not affect to believe it would hold good in law. What we propose would be contrary to law. Repealing a law is generally contrary to that law.

[m]33 the

[n]33 the

[o-o]33 are

[p]33 behind

[q-q]33 For

[r]33 utter

[s-s]33 our

[t-t]33 and thereby

[*][59] We know it is contended that there was no transfer of property at the Reformation from one church to another, but that it was still the same church, which had merely changed a portion of its opinions: but were not many prelates expelled from their sees, and parochial clergy from their benefices? And was not this done by the Act of Parliament which imposed the oath of supremacy [26 Henry VIII, c. 1], and not by the canonical authority of any merely ecclesiastical tribunal?

[u]33 popular

[v]33 unscriptural and

[w-w]33 *him*

[x-x]33 some stupid younger son of a

[y-y]33 party

[z-z]33 cutting off

[a-a]33 We have now arrived at the commencement of the second, and only remaining part of our task. We have contended

[b-b]33 purposes. It

[c]33 It is this.

[d-d]33 let the first object

[e-e]33 dispositions

[f]33 still

[g-g]33 any

[h-h]33 will

[i-i]33 opinion

[j-j]33 man

[k-k]33 allowances

[l]33 in an age

[m-m]59 for [*printer's error?*]

[n]33 itself

[o-o]33 The principal foundation

[p-p]33 ; when, if it had lost some part of its capacity of evil, it could less than ever pretend to contain any spark of good; when it

[q-q]33 when

[r]33 it

[s-s]33 that

[t-t]33 originally

[u-u]33 all their value

[v-v]33 false religion

[w-w]33 whose

[x-x]33 lie

[y]33 always

[z]33 which

[a-a]33 Then there

[b-b]33 licentiates

[[*]]Lesage, Alain-René, *Gil Blas de Santillane*.

[c]33 the

[d-d]+59, 67

[e-e]33 seem

[f]33 except not to be molested by him, nor from government,

[g-g]33 that government

[h]33 We should not despair of proving, that only in certain critical and transitional periods of history is the government itself the cause of much evil, or would a change

in the government produce much good: at all other times whatever evils exist in the government, are but the too faithful picture of the evils existing in the national mind: of little importance compared with these last, and incurable except in proportion as these are cured.

[i-i]33 While they are so much the greatest of

[i-j]33 parties

[k]33 the

[l-l]33 misery indeed is felt, but is

[m-m]33 , moreover,

[n-n]+59, 67

[o-o]33, 59 other

[p-p]33 they

[q-q]33 beginning with

[r-r]33 for

[s]33 atrocious

[*][59] Happily now no longer so [*because of, e.g., 17 & 18 Victoria, c. 81, and 19 & 20 Victoria, c. 88*].

[t-t]33 these

[u]33 very

[v]33 a particle

[w-w]33 education.

[x]33 the

[y-y]33 be the case under other circumstances

[z-z]33 *also*

[a-a]33 mere

[b-b]33 at

[c]33 perfect

[d-d]33 we answer

[e]33 , as we have contended at so much length,

[f-f]33 it sees cause

[g-g]33 no

[h-h]33 the above

[i-i]33 We can scarcely look forward to a time when it will not be extremely difficult to raise any considerable sum by taxation for any new purpose.

[j-j]33 never came

[k-k]33 purposes

[l-l]33 be willing enough

[m]33 if the government chose

[n-n]33 we, for our share, will let the state do what it likes with the endowments, so soon as the legislature, being well constituted and composed of the *élite* of the nation, shall be of opinion that the generality of the private schools and colleges are equal to any which itself can provide.

[o]33 And it must be a very conceited government which would shut the door in the teeth of all wisdom but its own.

[p-p]33 unless they can

[q-q]33 her

[r-r]33 she

[s-s]33 national [*printer's error?*]

[t-t]33 would

[u-u]33 York

[v]33 Such, perhaps, (but on this we do not pronounce a decided opinion) is a national gallery.

[w-w]33 a perpetuity is impossible

[x-x]33 We conceive that almost

[y-y]33 *some*

[z-z]33 indiscriminately: otherwise

[a-a]33 A still more cogent consideration, is the immense importance to society

[b-b]33 man

[c]33 uncalled-for

[d-d]33 (if not, strictly speaking, a violation of property)

[e]33 , as he himself did,

[f-f]33 then

[g-g]33, 59 *usefully*

[h-h]33, 59 *degree*

[i-i]33 We are not to consider to what object we

[j-j]33 should

[k-k]33 purposes

[l-l]33 man

[m-m]33 came [*printer's error?*]

[n]33 [*footnote:*] *See his little work on Church and State. [*On the Constitution of the Church and State*. 2nd ed. London: Hurst, Chance, 1830.]

[o-o]33 clerks : whose highest concern indeed was religion, as it was of all other men;
but

[p-p]33 Man

[q-q]33 or [*printer's error?*]

[r]33 so as

[s-s]33, 59 intellects

[t-t]33 the present

[u-u]33 *accidents*

[v-v]33 We may add, that the

[w]33 all

[x-x]33 none

[y-y]33 *duty*

[z-z]33 *convenience*

[a-a]33, 59 for

[b]33 , we think,

[c]33 still

[d-d]+59, 67

[e-e]33 We have still to add a few words

[f-f]33 *not*

[g-g]33 *unlawful*

[h-h]33 *every*

[i-i]33 or of instigating others to commit it, ought to be prohibited: not some particular modes only

[j-j]33 we do not deem this to be

[k-k]33 have only

[l]33 [*paragraph*] The very first step in a general revision of Foundations, and one which would be desirable even if the reform should go no further, would be to dispose of the estates of all the public trusts in Great Britain, by sale to the highest bidder, and to invest the proceeds in the stocks or other monied securities. If the legislature were then to assert its right of control over all endowments of an origin anterior to a certain recent date, the exercise of this control should become a regular department of the administration, and the expenditure of the interest should be brought under the consideration of parliament in an annual report. For until the execution of these trusts shall be subject to the common responsibility which attaches to other public functions, the endowments (at least the greater part of them), for any useful purpose, might fully as well not exist.

[a-a]34 to [*corrected by JSM in Somerville College copy*]

[[*]] See "Report from his Majesty's Commissioners into the Administration and Practical Operation of the Poor Laws," *Parliamentary Papers*, 1834, XXVII-XXXIX.

[[*]] Torrens, Robert. *The Budget. On Commercial and Colonial Policy*. London: Smith, Elder, 1844.

[\[\[*\]\]](#)Chapter iii, 3rd. ed., pp. 131-61.

[\[a-a\]](#)*[quoted in JSM's Principles, in Collected Works, III, 589]*

[\[*\]](#)*Elements of Political Economy*, by James Mill, Esq., 3rd edit. [London: Baldwin, Cradock, and Joy, 1826], pp. 120-1.

[\[\[*\]\]](#)Ricardo. *Principles*, 3rd ed., pp. 143 ff.

[\[\[*\]\]](#)*Ibid.*, pp. 139 ff.

[\[b-b\]](#)*[quoted in Principles, III, 596]*

[\[c-c\]](#)*[not in Principles]*

[\[d-d\]](#)*[quoted in Principles, III, 596]*

[\[e-e\]](#)237*[quoted in Principles, III, 597]*

[\[f-f\]](#)48, 49, 52, 57, 62, 65, 71 cloth

[\[g-g\]](#)48, 49, 52, 57, 62, 65, 71 other.

[\[h-h\]](#)238*[deleted from Principles, which runs directly frome-eabove toi-ibelow]*

[\[i-i\]](#)240*[quoted in Principles, III, 597-9]*

[\[j-j\]](#)48, 49, 52, 57, 62, 65, 71 exchange

[\[\[*\]\]](#)*Wealth of Nations*. Ed. with a commentary by E. G. Wakefield. London: Knight, 1835-39, I, p. 102.

[\[k-k\]](#)48, 49, 52, 57, 62, 65, 71 exchange

[\[l-l\]](#)48, 49, 52, 57, 62, 65, 71 suppositions

[\[m-m\]](#)71 has

[\[n-n\]](#)62, 65, 71 this

[\[o-o\]](#)48, 49, 52, 57, 62, 65, 71 would

[\[p-p\]](#)+48, 49, 52, 57, 62, 65, 71, 74

[\[q-q\]](#)48, 49, 52, 57, 62, 65, 71 without further alteration

[\[r-r\]](#)48, 49, 52, 57, 62, 65, 71 exchange

[\[s-s\]](#)48, 49, 52, 57, 62, 65, 71 articles

[\[t-t\]](#)48, 49, 52, 57, 62, 65, 71 exchange

[\[u-u\]](#)48, 49, 52, 57, 62, 65, 71 that

[\[v-v\]](#)62, 65, 71 be a

[\[w-w\]](#)[*not in Principles; for the way in which JSM altered his argument, see Principles, III, 600ff.*]

[\[x-x\]](#)243[*quoted in Principles, III, 632n-634n, with a paragraph added*]

[\[*\]](#)The figures used are of course arbitrary, having no reference to any existing prices. [*Footnote not in Principles.*]

[\[y-y\]](#)48, 49, 52, 57, 62, 65, 71 Germany: but

[\[z-z\]](#)[*omitted from Principles, III, 633n*]

[\[a-a\]](#)48, 49, 52, 57, 62, 65, 71 broadcloth: she

[\[b-b\]](#)48 these [*printer's error?*]

[\[c-c\]](#)48, 49, 52, 57, 62, 65, 71 fallen: but

[\[d-d\]](#)[*omitted from Principles, III, 634n*]

[\[e-e\]](#)245[*deleted from Principles*]

[\[f-f\]](#)249[*quoted in Principles, III, 851-4*]

[\[g-g\]](#)48, 49, 52, 57, 62, 65, 71 exports, we may, in

[\[h-h\]](#)48, 49, 52, 57, 62, 65, 71 Reverting to the suppositious case employed in the Essay, of a trade between Germany and England in broadcloth and linen, "suppose

[\[i-i\]](#)[*omitted from Principles, III, 851*]

[\[j-j\]](#)48, 49, 52, 57, 62, 65, 71 more; for,

[\[k-k\]](#)48, 49, 52, 57, 62, 65, 71 in

[\[l-l\]](#)48, 49, 52, 57, 62, 65, 71 total value

[\[m-m\]](#)57, 62, 65, 71 would

[\[n-n\]](#)44 which [*printer's error, corrected by JSM in Somerville College copy, in the Principles, and in the 2nd edition of Some Unsettled Questions*]

[\[o-o\]](#)48, 49, 52, 57, 62, 65, 71 the

[\[p\]](#)*[paragraph added in Principles, III, 852-3]*

[\[*\]](#) We have not deemed it necessary to enter minutely into all the circumstances which might modify the results mentioned in the text. For example, let us revert to the first case, that in which the demand for cloth in Germany is so little affected by the rise of price in consequence of the tax, that the quantity bought exceeds in pecuniary value what it was before. As the German consumers lay out more money in cloth, they have less to lay out in other things; other money prices will fall; among the rest that of linen; and this may so increase the demand for linen in England as to restore the equilibrium of exports and imports without any passage of money. But England's treasury will still gain from Germany the whole of the tax, and the English people will buy their linen cheaper besides. Again, in the opposite case, where the tax so diminishes the demand, that a smaller pecuniary value is required than before. The German consumers have, therefore, more to expend in other things; these, and among the rest linen, will rise; and this may so diminish the demand for linen in England, as to restore the equilibrium without the transmission of money. But the effect, as respects the division of the advantage, is still as stated in the text. *[Footnote omitted in Principles.]*

[\[q-q\]](#) 48, 49, 52, 57, 62, 65, 71 In general however there could be little doubt that a country which imposed such taxes would succeed in making foreign countries contribute something to its revenue; but unless the taxed article be one for which their demand is extremely urgent, they will seldom pay the whole of the amount which the tax brings in.**[2-sentence footnote]* "In any case,

[\[r-r\]](#) 48, 49, 52, 57, 62, 65, 71 *[paragraph]* Thus far of duties on exports. We now proceed to the more ordinary case of duties on imports.

[\[s-s\]](#) 48, 49, 52, 62, 65, 71 appropriate

[\[t\]](#)*[replaced in Principles by 2 paragraphs, III, 854-5]*

[\[u-u\]](#) 25048, 49, 52, 57, 62, 65, 71 Duties on importation may, then, be divided "into

[\[v-v\]](#) 251*[quoted in Principles, III, 855-6]*

[\[w\]](#) 48, 49, 52, 57, 62, 65, 71 *[no paragraph]*

[\[x-x\]](#) 48, 49, 52, 57, 62, 65, 71 means which

[\[y-y\]](#) 48, 49, 52, 57, 62, 65, 71 linen

[\[z-z\]](#) 48, 49, 52, 57, 62, 65, 71 cloth

[\[a-a\]](#) 48, 49, 52, 57, 62, 65, 71 linen

[\[b-b\]](#) 48, 49, 52, 57, 62, 65, 71 when any part of the revenue is derived from taxes on commodities

[\[c-c\]](#)48, 49, 52, 57, 62, 65, 71 little objectionable

[\[d-d\]](#)48, 49, 52, 57, 62, 65, 71 too

[\[e\]](#)48, 49, 52, 57, 62, 65, 71 revenue

[\[f\]](#)48, 49, 52, 57, 62, 65, 71 revenue

[\[g-g\]](#)48, 49, 52, 57, 62, 65, 71 those

[\[h-h\]](#)48, 49, 52, 57, 62, 65, 71 and dearer

[\[i\]](#)*[remainder of Essay not included in Principles]*

[\[i-j\]](#)74 attract itself *[printer's error?]*

[\[k-k\]](#)74 would *[printer's error?]*

[\[*\]](#) The world at large, sellers and buyers taken together, is always a gainer by underselling. If, in the case supposed, England were compelled by a commercial treaty to exclude the linen of Flanders from her market, the total wealth of the world, if affected at all, would be diminished.

For, what is the cause which enables Flanders to undersell Germany? That Flanders, if she had the trade, would exchange linen for cloth at a rate of interchange more advantageous to England. And why can Flanders do so? It must be either because Flanders can produce the article with a less comparative quantity of labour than Germany, and therefore the total advantage to be divided between the two countries is greater in the case of Flanders than of Germany; or else because, though the total advantage is not greater, Flanders obtains a less share of it, her demand for cloth being greater, at the same rate of interchange, than that of Germany. In the former case, to exclude Flemish linen from England would be to prevent the world at large from making a greater saving of labour instead of a less. In the latter, the exclusion would be inefficacious for the only end it could be intended for, viz., the benefit of Germany, unless Flemish money were excluded from England as well as Flemish linen. For Flanders would buy English cloth, paying for it in money, until the fall of her prices enabled her to pay for it with something else: and the ultimate result would be that, by the rise of prices in England, Germany must pay a higher price for her cloth, and so lose a part of the advantage in spite of the treaty; while England would pay for German linen the same price indeed, but as the money incomes of her own people would be increased, the same money price would imply a smaller sacrifice.

[\[*\]](#) This last possible effect of a sudden introduction of free trade, was pointed out in an able article on the Silk question, in a work of too short duration, the *Parliamentary Review*. [Coulson, Walter (?). "Silk Trade," *Parliamentary Review for 1826*, pp. 710-18.]

[\[a-a\]](#)74 sure

[\[*\]](#) See p. 259 above.

[\[*\]](#) Probably; because most articles of an ornamental description being still required from the same makers, these makers, with their capital, would probably follow their customers. Besides, from place to place within the same country, most persons will rather change their habitation than their employment. But the moving on this score would be reciprocal.

[\[*\]](#) See pp. 258-60 above.

[\[*\]](#) See pp. 258-60 above.

[\[*\]](#) Cf. McCulloch, *Principles of Political Economy*. Edinburgh: Tait, 1825, pp. 403 ff.

[\[*\]](#) Cf. McCulloch, *Principles*, pp. 411 ff.

[\[*\]](#) Smith, *Wealth of Nations*, ed. Wakefield, I, p. 101.

[\[+\]](#) See Ricardo, *Principles*, 3rd ed., pp. 107-30.

[\[*\]](#) See Ricardo, *Principles*, Chapter i, *passim*.

[\[a-a\]](#) 44 go

[\[*\]](#) It would be easy to go over in the same manner any other case. For instance, we may suppose, that, instead of dispensing with the *whole* of the fixed capital, material, &c., and taking on labourers in equal number to those by whom these were produced, *half* only of the fixed capital and material is dispensed with; so that, instead of 60 labourers and a fixed capital worth 60 quarters of corn, we have 80 labourers and a fixed capital worth 30. The numerical statement of this case is more intricate than that in the text, but the result is not different.

[\[*\]](#) *Wealth of Nations*, ed. Wakefield, I, p. 211.

[\[*\]](#) *Wealth of Nations*, ed. Wakefield, IV, pp. 252-3.

[\[*\]](#) London: Murray, 1826.

[\[a-a\]](#) 36 Philosophical Investigation in that Science

[\[b-b\]](#) 36 or [*printer's error*]

[\[c\]](#) 36 itself

[\[d-d\]](#) 36 *first*, and *then*

[\[e-e\]](#) 36 deposited therein. They

[\[f-f\]](#)36 *themselves*

[\[g\]](#)36 together

[\[h-h\]](#)36 imperfect ones

[\[i-i\]](#)+44 [*printer's error?*]

[\[\[*\]\]](#)Stewart, *Elements of the Philosophy of the Human Mind*. London: Strahan and Cadell, 1792, I, pp. 19-20.

[\[i-j\]](#)36 any material degree

[\[k-k\]](#)36 work

[\[l-l\]](#)36 were not

[\[m-m\]](#)+44

[\[n\]](#)36 [*footnote:*] *See the Gorgias of Plato [463b].

[\[o-o\]](#)+44

[\[p-p\]](#)36 men

[\[q\]](#)36 which is

[\[r-r\]](#)36 far [*printer's error, corrected by JSM in Somerville College copy of 36*]

[\[s\]](#)36 [*no paragraph*]

[\[t-t\]](#)36 in the definition stated

[\[u-u\]](#)36 a

[\[v-v\]](#)+44

[\[w-w\]](#)36 prophecy

[\[x-x\]](#)36 *definites* [*printer's error, corrected by JSM in Somerville College copy of 36*]

[\[y-y\]](#)36 *wealth*

[\[z-z\]](#)36 seen

[\[a-a\]](#)36 man

[\[b-b\]](#)36 *all*

[\[c-c\]](#)36 *material*

[\[d-d\]](#)36 our

[\[e-e\]](#)36 *production*

[\[f-f\]](#)36 *material*

[\[g-g\]](#)36 man

[\[h-h\]](#)36 the highest

[\[i-i\]](#)36 man

[\[j-j\]](#)36 and [*printer's error?*]

[\[k-k\]](#)36 if it be

[\[l-l\]](#)36 zoology

[\[m-m\]](#)36 *this*

[\[n-n\]](#)36 *there*

[\[o-o\]](#)36 *in kind*

[\[p-p\]](#)36 *in kind*

[\[q-q\]](#)36 *that*

[\[r\]](#)36 great

[\[s-s\]](#)36 *human mind*

[\[t\]](#)36 what are called

[\[u-u\]](#)36 *upon*

[\[v-v\]](#)36 *from*

[\[w-w\]](#)36 *desires*

[\[x-x\]](#)36 *wills*

[\[y-y\]](#)36 It is obvious why.

[\[z-z\]](#)36 and [*printer's error?*]

[\[a-a\]](#)36 , except the phenomena of the mind itself

[\[b-b\]](#)36 except pure metaphysics

[c-c]+44

[d-d]36 it

[e-e]36 *matter*

[f-f]36 *mind*

[*] We say, the *production* and *distribution*, not, as is usual with writers on this science, the production, distribution, and *consumption*. For we contend that Political Economy, as conceived by those very writers, has nothing to do with the consumption [36 *consumption*] of wealth, further than as the consideration of it is inseparable from that of production, or from that of distribution. We know not of any *laws* of the *consumption* of wealth as the subject of a distinct science: they can be no other than the laws of human enjoyment. Political economists have never treated of consumption on its own account, but always for the purpose of the inquiry in what manner different kinds of consumption affect the production and distribution of wealth. Under the head of Consumption, in professed treatises on the science, the following are the subjects treated of: 1st, The distinction between *productive* and *unproductive* consumption; 2nd, The inquiry whether it is possible for *too much* wealth to be *produced*, and for too great a portion of what has been produced to be applied to the purpose of further *production*; 3rd, The theory of taxation, that is to say, the following two questions—by whom each particular tax is paid (a question of *distribution*), and in what manner particular taxes affect *production*.

[†] The physical laws of the production of useful objects are all equally presupposed by the science of Political Economy: most of them, however, it presupposes in the gross, seeming to say nothing about them. A [36 them: a] few (such, for instance, as the decreasing ratio in which the produce of the soil is increased by an increased application of labour) it is obliged particularly to specify, and thus seems to borrow those truths from the physical sciences to which they properly belong, and include them among its own.

[g]36 a

[h-h]36 as an individual man, and would belong to him

[i-i]36 human beings individually

[j-j]+44

[k-k]+44

[l-l]36 taken singly and individually,

[m-m]36 *this*

[n-n]36 change

[\[o-o\]](#)36 men

[\[p-p\]](#)+44

[\[q-q\]](#)36 *practical*

[\[*\]](#) The *science* of legislation is an incorrect and misleading expression. Legislation is *making laws*. We do not talk of the *science* of *making* anything. Even the *science of government* would be an objectionable expression, were it not that *government* is often loosely taken to signify, not the act of governing, but the state or condition of *being governed*, or of living under a government. A preferable expression would be, the science of *political society*; a principal branch of the more extensive science of society, characterized in the text.

[\[\[*\]\]](#) See Say, Jean-Batiste. "Discours préliminaire," *Traité d'économie politique*. Paris: Deterville, 1803, I, pp. i ff.

[\[r-r\]](#)36 meaning

[\[s-s\]](#)36 signification. ?ιχονομία πολιτικ?, the economy of the πόλις, or commonwealth, must originally have meant the whole of the laws or principles which determine the working of the social machine.

[\[t-t\]](#)36 this extensive

[\[u-u\]](#)+44

[\[v\]](#)36 our

[\[w-w\]](#)36 centrifugal

[\[x-x\]](#)36 There are many

[\[y\]](#)36 and

[\[z-z\]](#)36 has

[\[a-a\]](#)36 that

[\[b-b\]](#)36 men

[\[c-c\]](#)36 conduce to the greatest increase of

[\[d-d\]](#)36 *differences of principle*

[\[e-e\]](#)36 *philosophic method*

[\[f-f\]](#)36 from which

[\[g-g\]](#)36 *theory*

[\[h-h\]](#)36 *practice or experience*

[\[i-i\]](#)36 two *kinds*,—if we did not see strong objections to the word we would say two *schools*—of inquirers into truth: one of these sets of people

[\[j\]](#)36 to us

[\[k-k\]](#)36 man

[\[l-l\]](#)36 bosoms

[\[m-m\]](#)36 *any*

[\[n-n\]](#)36 which makes such a pretension

[\[o-o\]](#)36 *experience*

[\[p-p\]](#)36 *specific*

[\[q-q\]](#)36 the hypotheses

[\[r-r\]](#)36 *might*

[\[s-s\]](#)36 therefore

[\[t-t\]](#)36 the moral sciences

[\[u-u\]](#)36 use Euclid's Elements as waste paper

[\[v-v\]](#)36 further

[\[w-w\]](#)36 *mode*

[\[x-x\]](#)36 *only*

[\[y-y\]](#)36 most

[\[z-z\]](#)36 sciences [*printer's error?*]

[\[a-a\]](#)36 accorded [*printer's error, corrected by JSM in Somerville College copy of 36*]

[\[b-b\]](#)+44

[\[c-c\]](#)36 unerring

[\[d-d\]](#)36 *class*

[\[e-e\]](#)36 , and here alone

[f-f]36 mere [*printer's error*] universal [*error corrected by JSM in Somerville College copy of 36*]

[g-g]36 *special*

[*] One of the strongest reasons for drawing the line of separation clearly and broadly between science and art [36 *science* and *art*] is the following:—That the principle of classification in science [36 *science*] most conveniently follows the classification of *causes*, while arts [36 *arts*] must necessarily be classified according to the classification of the *effects*, the production of which is their appropriate end. Now an effect, whether in physics or morals, commonly depends upon a concurrence [36 *concurrence*] of causes, and it frequently happens that several of these causes belong to different sciences. Thus in the construction of engines upon the principles of the science of *mechanics*, it is necessary to bear in mind the *chemical* properties of the material, such as its liability to oxydize; its electrical and magnetic properties, and so forth. From this it follows that although the necessary foundation of all art is science [36 *art is science*], that is, the knowledge of the properties or laws of the objects upon which, and with which, the art does its work; it is not equally true that every art corresponds to one particular science. Each art presupposes, not one [36 *one*] science, but science in general [36 *general*]; or, at least, many distinct sciences.

[h]36 , in our own minds,

[i-i]36 article

[j]36 yet

[k-k]36 know

[l-l]36 no

[m-m]+44

[n-n]36 *beyond*

[o-o]36 *in the abstract*

[p-p]+44 [*added by JSM in Somerville College copy of 36*]

[q-q]36 *disturbing cause*

[r-r]+44

[s-s]36 astronomical

[t-t]36 has to think

[u]36 Knowledge of what is called history, so commonly regarded as the sole fountain of political experience, is useful only in the third degree. History, by itself, if we knew

it ten times better than we do, could, for the reasons already given, prove little or nothing: but the study of it is a corrective to the narrow and exclusive views which are apt to be engendered by observation on a more limited scale. Those who never look backwards, seldom look far forwards: their notions of human affairs, and of human nature itself, are circumscribed within the conditions of their own country and their own times. But the uses of history, and the spirit in which it ought to be studied, are subjects which have never yet had justice done them, and which involve considerations more multifarious than can be pertinently introduced in this place.

[v-v]36 it is difficult to point out one who has

[w-w]36 greatest misfortunes

[x]36 (a separation unknown to the better days of Greece and Rome, where the practical men were brought up in philosophy, and the philosophers received their education and formed their character in the midst of active life,)

[y-y]36 closet-student

[z-z]36 which compose the furniture of his country-house

[a-a]36 *denies*

[b]36 utter

[c-c]+44 [*printer's error?*]

[d-d]36 generally seek in vain for a man

[e-e]36 , who will long remain the

[f]36 all

[g-g]+44

[h-h]36 *not*

[i-i]36 *finding*

[j-j]36 *prophecy*

[k-k]36 *approximation*

[l-l]36 we have

[m]36 [*paragraph*]

[n-n]36 potent [*printer's error, corrected by JSM in Somerville College copy of 36*]

[o-o]36 *their*

[p-p]36 *truths*

[q-q]36 *too wide*

[r-r]+44

[s-s]36 *two*

[t-t]36 *conjoint*

[u-u]36 *disturbing*

[v-v]36 *exception*

[w-w]36 *exception*

[x]36 *that*

[y-y]36 *prevent, it retards*

[z-z]36 *art*

[a]36 *always*

[b-b]36 *that*

[c-c]36 *probably*

[[*]] *A History of Prices, and of the State of the Circulation, from 1793 to 1837*. 2 vols. London: Longman, Orme, Brown, Green, and Longmans, 1838; and *A History of Prices, and of the State of the Circulation, in 1838 and 1839*. London: Longman, Orme, Brown, Green, and Longmans, 1840.

[*] We should have deemed it superfluous to re-assert Mr. Tooke's claims to attention, if we were addressing only persons in some degree conversant with the subject; but others may have received an erroneous impression from a flippant attack, continued through two numbers of a weekly paper somewhat extensively read. The assailant, who appears to think that strong writing consists in contemptuous language, has not deemed it necessary to prove himself a competent judge, by either answering or showing that he understands any one of Mr. Tooke's arguments or statements. [See Anon., "Mr. Thomas Tooke on the Currency Principle," and "Currency Crochets," *Examiner*, 13 & 27 Apr., 1844, pp. 226-7, 259-60.]

[[†]] *Inquiry into the Currency Question*.

[[*]] See, e.g., Loyd, Samuel Jones. *Thoughts on the Separation of the Departments of the Bank of England*. London: Richardson, 1844; Norman, George Warde. *Remarks*

upon Some Prevalent Errors, with respect to Currency and Banking. London:
Richardson, 1838.

[†] I.e., part of the title of Torrens' *Inquiry into the Practical Workings*. . . .

[‡] See 7 & 8 Victoria, c. 32.

[*] Torrens, *Inquiry*, p. iv.

[*] Torrens, *Inquiry*, p. iv.

[*] Tooke, *Inquiry*, pp. 55 ff.

[*] See Gurney, and Rothschild, "Evidence taken before the Committee of Secrecy on the Bank of England Charter," *Parliamentary Papers*, 1831-32, VI, pp. 249-69, 381-93.

[*] Tooke, *Inquiry*, p. 71.

[*] To be scientifically accurate, it must be admitted that if the increased issues were made in advances to employers of labour (for instance, in a loan to a manufacturer, who expends them in the direct payment of wages to his work-people), there would be, to that extent, as long as the expenditure was going on, an increase of the aggregate money income of the community, and hence a corresponding rise of prices. But this supposition is not applicable to our present currency, of which the smallest notes are of too high a denomination to be employed, in any extent worth considering, for the payment of wages.

[†] We may add, with Mr. Tooke [*Inquiry*, pp. 68 ff.], that the issues of a *Government* paper, even when not permanent, will raise prices; because Governments usually issue their paper in purchases for consumption. If issued to pay off a portion of the national debt, we believe they would have no such effect.

[*] There is (as it seems to us) an almost whimsical exemplification of this common fallacy in Colonel Torrens's pamphlet, which we have not room to extract, but which those who wish to refer to it may find in pages 10-17. Having assumed, for the purposes of his argument, that Birmingham has a metallic currency composed of one million sovereigns, he says [p. 10], "consequently the prices of commodities within the district would be governed by the power of effecting purchases to an amount not exceeding 1,000,000*l.*," forgetting that the million sovereigns may serve, by successive payments, to represent and circulate incomes to the amount of many millions, and that it is this, and not the one million of sovereigns, which constitutes the purchasing power of the community. We admire the ingenuity and polemical acuteness of Colonel Torrens, which have never been more highly manifested than in this pamphlet; but we think in this particular instance he will find, on reconsideration, that he has built an elaborate superstructure upon a foundation of sand.

[*] See note, *infra*, page 358.

[[*]]E.g., *Inquiry*, pp. 81-2.

[[†]]E.g., *ibid.*, pp. 76, 123-4.

[[*]]E.g., *ibid.*, pp. 22, 32.

[*] We say *likely* to take place—not any increase which *can* take place; because there have been instances, both with joint-stock banks and private bankers, of imprudent advances, on insufficient security, resembling, on a smaller scale, the gigantic mismanagement of the American banks. These must have tended, as we have already admitted, to raise prices: and though it was not peculiarly in their character of issuers that the banks thus misconducted themselves, their issues, no doubt, enabled them to do so on a larger scale.

[[*]] See *Inquiry*, pp. 108 ff.

[*] Mr. Tooke illustrates this statement by some most remarkable instances, which we append, because they are also illustrative of what has formerly been said on the immense purchasing power which may be exercised, and the great rise of prices which may be produced, by credit not represented by bank notes, or even bills of exchange.

Among the earliest speculators for an advance in the price of tea, in consequence of our dispute with China in 1839, were several retail grocers and tea dealers. There was a general disposition among the trade to get into stock, that is, to lay in at once a quantity which would meet the probable demand from their customers for several months to come. Some, however, among them, more sanguine and adventurous than the rest, availed themselves of their credit with the importers and wholesale dealers, for purchasing quantities much beyond the estimated demand in their own business. As the purchases were made in the first instance ostensibly, and perhaps really, for the legitimate purposes and within the limits of their regular business, the parties were enabled to buy without the condition of any deposit; whereas speculators, known to be such, are required to pay 2*l.* per chest to cover any probable difference of price which might arise before the expiration of the prompt, which, for this article, is three months. *Without, therefore, the outlay of a single farthing of actual capital or currency in any shape*, they made purchases to a considerable extent; and, with the profit realised on the re-sale of a part of these purchases, they were enabled to pay the deposit on further quantities when required, as was the case when the extent of the purchases attracted attention.

In this way, the speculation went on at advancing prices (100 per cent. and upwards), till nearly the expiration of the prompt, and if at that time circumstances had been such as to justify the apprehension which at one time prevailed, that all future supplies would be cut off, the prices might have still further advanced, and, at any rate, not have retrograded. In this case, the speculators might have realised, if not all the profit they had anticipated, a very handsome sum, upon which they might have been enabled to extend their business greatly, or to retire from it altogether, with a reputation for great sagacity in thus making their fortune. But instead of this

favourable result, it so happened that two or three cargoes of tea which had been transhipped were admitted, contrary to expectation, to entry on their arrival here, and it was found that further indirect shipments were in progress. Thus the supply was increased beyond the calculation of the speculators; and, at the same time, the consumption had been diminished by the high price. There was, consequently, a violent reaction on the market; the speculators were unable to sell without such a sacrifice as disabled them from fulfilling their engagements, and several of them consequently failed. Among these, one was mentioned who, having a capital not exceeding 1,200*l.*, which was locked up in his business, had contrived to buy 4,000 chests, value above 80,000*l.*, the loss upon which was about 16,000*l.*

The other example which I have to give is that of the operation on the corn market between 1838 and 1842. There was an instance of a person who, when he entered on his extensive speculations, was, as it appeared by the subsequent examination of his affairs, possessed of a capital not exceeding 5,000*l.*, but being successful in the outset, and favoured by circumstances in the progress of his operations, he contrived to make purchases to such an extent, that when he stopped payment his engagements were found to amount to between 500,000*l.* and 600,000*l.* Other instances might be cited of parties, without any capital at all, who, by dint of mere credit, were enabled, while the aspect of the market favoured their views, to make purchases to a very great extent.

And be it observed, that these speculations, involving enormous purchases, on little or no capital, were carried on in 1839 and 1840, when the money market was in its most contracted state; or when, according to modern phraseology, there was the greatest scarcity of money. (Pp. 137-8.)

Sir Robert Peel talks of preventing credit from being converted into money. What, by being converted into money, could it do, more than was done in these instances?

[\[\[*\]\]](#) See Torrens, *Inquiry*, p. iv; cf. Tooke, *Inquiry*, p. 55.

[\[\[*\]\]](#) Tooke, *Inquiry*, p. 106.

[\[\[†\]\]](#) Torrens, *Inquiry*, p. 55.

[\[a-a\]](#) 45 [*in italics*]

[\[\[*\]\]](#) Helps, Arthur. *The Claims of Labour*, pp. 2-3.

[\[b-b\]](#) 45 [*in italics*]

[\[c-c\]](#) 45 [*in italics*]

[\[d-d\]](#) 45 [*in italics*]

[\[\[*\]\]](#) Fontenelle, Bernard Le Bovier de. *Digression sur les Anciens et les Modernes*, in *Oeuvres*. New ed. Paris: Libraires associés, 1766, IV, p. 177.

[\[e-e\]](#) 45 men

[f]45, 59 to

[[*]] *Wealth of Nations*, ed. Wakefield, I, pp. 179ff.

[g-g]45 while

[h-h]45 [*in italics*]

[i-i]45 solution

[j]45 existing

[[*]]2 & 3 William IV, c. 45.

[[†]]See 10 George IV, c. 7.

[[*]]London: Fraser, 1840.

[[†]]London: Chapman and Hall, 1843.

[k]45 of whom the so-called “Young England” party aspires to be the parliamentary organ, and the *Times* newspaper makes itself to some extent the representative in the press:—

[[*]]4 & 5 William IV, c. 76.

[[†]]Ending with 9 & 10 Victoria, c. 22.

[l-l]45 people

[m-m]45 factories

[[*]]See Carlyle, *Past and Present*, p. 24, and *passim*.

[[*]]See Owen, Robert. *The Book of the New Moral World*. London: Wilson, 1836.

[n]45 all

[o-o]45 Factories

[p-p]45 India

[q-q]45 ultimate

[r-r]45 or [*printer’s error?*]

[s-s]45 people

[t-t]+59, 67

[u-u]+59, 67

[v-v]45 our

[w-w]45, 59 them?

[x]45 Mr. Aubin's school at Norwood contains, if reports may be trusted, many features worthy of study and imitation; and there are others to which favourable testimony is borne by competent observers. But we are inculcating principles, not proposing models.

[y-y]45 who are

[z-z]45 You

[[*]] See Carlyle, *Past and Present*, p. 44, and *passim*.

[[*]] London: Pickering, 1841.

[[†]] London: Wix, 1835.

[[*]] *Two Letters to Leonard Horner, Esq., on the Capabilities of the Factory System*. London: Taylor and Walton, 1840.

[[*]] Greg, pp. 5-6.

[a]45 [footnote:] *In the able and interesting "Lettres Politiques" of M. Charles Duveyrier [Paris: Amyot, 1843, II, pp. 258 ff.], some account is given of an attempt which has been successfully made to carry this principle into practice, on a small scale, by an employer of labour at Paris. The name of the individual is Leclaire, his occupation that of a house-painter, and he has made his proceedings public in a pamphlet, entitled "Répartition des Bénéfices du Travail en 1842." M. Leclaire pays his labourers, and other employés, by fixed salaries or weekly wages in the usual manner. He assigns also to himself a fixed allowance. When the year's accounts are made up, the surplus profits are shared among all concerned, himself included, in the ratio of their fixed allowances. The result has been most prosperous both to himself and to his labourers, not one of whom, who worked as much as three hundred days, obtained, in the year of which he has published the accounts, less than 1500 francs (£60,) and some considerably more.

In the mining districts of Cornwall the working miners are invariably joint adventurers in the concern; and for intelligence, independence, and good conduct, as well as prosperous circumstances, no labouring population in the island is understood to be comparable to the Cornish miners.

[b]45 We entreat "Young England" to believe, that as long as they vote for the Corn-Laws, people will never begin to take them and their professions *au sérieux*; they will be looked upon as they are now, as light-headed young men, momentarily more successful than other dandies in the line of peculiarity which they have chosen; but

not as serious thinkers acting upon any consistent intellectual scheme, or from any real conscientious feeling.

[c-c]45 result.

[d-d]45 square

[e]45 the

[f-f]+59, 67

[g]45 ; nay, a bill annually introduced into Parliament, with the prospect of success, offering new and unheard-of facilities to the latter operation

[h]45 ; and is particularly uncalled for in the face of a probable abolition of the Corn-Laws, rendering speculations upon the turning up of barren soils at this time especially precarious

[i-i]45 yet seldom

[[*]]Knight, Charles. *The Rights of Industry*. London: Knight, 1831, p. 56 and *passim*.

[j]45 a trifle

[k]45 [paragraph] A great part of the revenue of the country is raised by imposts which stand directly between the labourers and their essential comforts. The window-tax operates to deprive them of light; the excise on soap is a tax on cleanliness; the duties on bricks and timber render building expensive, and directly counteract the attempt to improve the dwellings of the poor. The duty and port dues on coal, exacted by the corporation of London, aggravate, to the inhabitants of the metropolis and surrounding districts, the most distressing of the physical privations incident to poverty.

[l-l]45 Giving [printer's error; corrected by JSM in Somerville College copy]

[m-m]45 acquirements [printer's error; corrected by JSM in Somerville College copy]

[n]45 [paragraph] The plans of a more ambitious kind, having in view the alleviation of poverty on a considerable scale, are principally two—the Allotment System, as it is commonly called, and Colonization. The last of these is too complicated a subject, and involves considerations too special, to be properly introduced as a subordinate branch of a more extensive scheme. We may say here, that from it we do expect considerable benefit. Like the other projects, it is only a palliative; but of all palliatives it is attended with the fewest drawbacks, while it far surpasses all others in the measure of its efficiency. With this observation, we reserve the topic for separate treatment.

The Allotment System is brought forward in two different shapes. In one, it consists

in attaching to every labourer's cottage a small patch of garden ground. This form of the system is worthy of all commendation; subject, however, as before, to the condition, that the ground be not given in alms, but, ultimately at least, paid for at a fair value. That every labourer should desire a garden, and should not be content without it, would be a point gained. It would raise the labourer's standard of comfort. A garden is itself a comfort, and a badge of comfort. It is also an ornament, and the ornamental is sometimes no contemptible part of the useful. It makes home more pleasant, which, again, tends to improve the labourer's conduct towards those who share it with him. Much more might be said of the beneficial influence of cottage gardens. Nor needs this benefit be confined to the rural population. The author of the "Claims of Labour" has some useful remarks on the value of garden allotments to the mechanics of towns; and combats, not without success, the objections arising from considerations of space and locality. He does not seem to be aware of the extensive experiment which has been made of his system in the important manufacturing town of Nottingham. We learn from Mr. Howitt,* [*footnote*: **Rural Life of England*, p. 500 [Howitt, William. *The Rural Life of England*. 2 vols. London: Longman, Orme, Brown, Green, and Longmans, 1838, II, pp. 305, 310]. *text*:] that there are in the outskirts of that place upwards of five thousand gardens, averaging four hundred square yards in extent; less than a tenth of an acre. The bulk of these "are occupied by the working class. A good many there are belonging to the substantial tradesmen and wealthier inhabitants; but the great mass are those of the mechanics. These lie on various sides of the town, in expanses of many acres in a place, and many of them as much as a mile and a half distant from the centre of the town." [P. 305.] The description of these gardens we subjoin in a note.† [*footnote*: †"Early in spring—as soon, in fact, as the days begin to lengthen, and the shrewd air to dry up the wintry moisture—you see them getting into their gardens, clearing away the dead stalks of last year's growth, and digging up the soil; but especially on fine days in February and March, are they busy. Trees are pruned, beds are dug, walks cleared, and all the refuse and decayed vegetation piled up in heaps; and the smoke of the fires in which it is burnt, rolling up from many a garden, and sending its pungent odour to meet you afar off. It is pleasant to see, as the season advances, how busy their occupants become; bustling there with their basses in their hands, and their tools on their shoulders; wheeling in manure, and cleaning out their summer-houses; and what an air of daily increasing neatness they assume, till they are one wide expanse of blossomed fruit-trees and flowering fragrance. Every garden has its summer-house; and these are of all scales and grades; from the erection of a few tub-staves, with an attempt to train a pumpkin or a wild-hop over it, to substantial brick houses, with glass windows. . . . The amount of enjoyment which these gardens afford to a great number of families, is not easily to be calculated. . . . You meet them coming home, having been busy for hours in the freshness of the summer morning in them, and now carrying home a bass brimful of vegetables for the house. In the evening, thitherward you see groups and families going; the key which admits to the common paths that lead between them is produced; a door is opened and closed; and you feel that they are vanished into a pure and sacred retirement, such as the mechanic of a large town could not possess without these suburban gardens." "What a contrast," Mr. Howitt adds, to "the alehouse; the drinking, noisy, politics-loving alehouse, where a great many of these very men would most probably be, if they had not this attraction." [II, pp. 307-8.] *text*:] The taste, he says, "seems to have grown up originally of itself, and then, exciting the

attention of speculators, has been extended to its present growth by them. The mechanics there have not their gardens at a cheap rate. They all say that they could purchase their vegetables in the market for the amount of their rent and incidental expenses; but then they get the health and the enjoyment, and their fruit and vegetables are so fresh. . . . These gardens let at from a half-penny to three-halfpence per yard; which, averaged at three farthings, make a rental of £1, 5s. per garden. . . . Thus it is evident, that any person willing to promote the taste for gardening in the neighbourhood of towns, might double, in many instances, the ordinary rent of the land, and yet let it in gardens at half the price of these Nottingham ones.”

But the salutary influence of the possession of a garden upon the labourer, depends upon his possessing it as an enjoyment, not as a means of subsistence. Very different, however, is the theory of those who urge allotments as a great measure of social improvement. They mean that the grounds are to be cultivated as a source of profit, to eke out the scanty wages of the agricultural labourer. And they bring a cloud of witnesses to vouch for the benefits of the system in stimulating industry, reforming vagrant habits, and keeping unemployed labourers off the parish.

That the plan, when zealously taken up as a work of philanthropy by influential persons, may have done some temporary good, and may yet do more, even upon the minds of the people, we are not inclined to deny. Any pet project of the great man or men of the neighbourhood usually succeeds for a time; any mode whereby the rich show interest in the well-conducted and industrious poor, and busy themselves to find employment for them, is likely to have some good effects. We admit also that for a time, perhaps even for a whole generation, this system may lower the poor-rates; though it is, indeed, a poor-rate of another kind; but tending, as it does, to augment the gross (though not the surplus) produce of the soil, it makes the labourers themselves produce by their labour the fund devoted to their relief.

Our objection to it is the same as to all the other modes of relief in aid of wages. Every shilling which it bestows as a supplement to wages, it subtracts from the wages themselves. There is nothing in the plan of renting half an acre or an acre of land to each cottage, which tends to raise the standard of living among the people, to increase their requirements, and make them unwilling to live unless a high scale of comfort is provided for them. By giving them an extra means of support in addition to wages, you merely enable them to exist upon still lower wages than before. You reduce even that wretched minimum of wages which corresponds to the minimum of subsistence, and which is practically imposed by the support afforded in the workhouse. Wherever there is already an excess of labourers above employment, the reduction of wages will be immediate; wherever there is not, a surplus will speedily grow up. We could name a parish in which, during the last few years, by the well-meant exertions of the incumbent, the system has been brought largely into operation, and where the consequence is already a reduction of wages beyond all previous experience. There will be nothing to hinder a population of paupers of this description from increasing with all the rapidity of America or of Ireland. What is Ireland but the allotment system made universal? Why are wages in Ireland less than sixpence a-day, but because every labourer has his allotment? In the next generation each man of the augmented population will be an additional candidate for a bit of ground; as their wages fall, they

will be thrown more and more upon the allotment for support; and the land will be delivered up to a cottier peasantry and their Irish potato-gardens.

We by no means intend to undervalue the importance of an intermediate class of labouring people connected with the land. We are at the furthest remove from any such opinion. Under some form we believe a class of yeomanry to be essential to the wellbeing of a state. We believe them to be among the happiest portions of the human race. Calling no man master, and free from all anxiety about a livelihood, they keep constantly before the eyes and minds of the other peasantry a superior status, into which, by frugality and good conduct, any of them may expect to rise. But people who rent little bits of land as tenants-at-will, are something very different from a yeomanry. We cannot here attempt any discussion of the grave questions connected with the size of holdings and the tenure of farms. It may be that in France small holdings do not produce over-population. But in France the small holder is generally the proprietor. After payment of a fixed land-tax, the remainder of the produce is his own. A peasant proprietor has inducements to prudence and forethought, which the holder of an allotment has not. He has a status which he is unwilling to lose. And, though there may be an illusion about the effect of overpopulation in lowering wages, there can be none about the insufficiency of a given piece of land to maintain twenty persons in the same abundance as ten.

Again, in Lombardy and Tuscany small holdings may not have been found incompatible with good agriculture. But there, too, the small farmers are not holders of allotments. They are universally *métayers*. The custom of the country ensures them fixity of tenure, and the landlord supplies the stock, receiving, in kind, half the produce. It is very true that this tenure would not encourage a capitalist to expend money in improvements. But the tenant is not a capitalist; he is a labourer. As such, the system affords to him considerable motives both to industry and providence. The labourers are really partners with the landowner, and have the feelings of joint ownership. They work for themselves no less than for their wealthier associate. The more they work the more they gain.

It is the Irish system, and not the system of France or of Italy, that the allotment plans of our philanthropists are tending to introduce. It might be supposed, indeed, that the allotment tenant, paying a fixed money rent, would be still more dependent upon his own exertions and frugality than the *métayer*; since his landlord does not go shares with him either in the benefit of his labour, or in the loss occasioned by his idleness. And this is true of capitalist farmers, (at least where they have any permanence of tenure;) but not of labourer-farmers. With them the only effect is to bring the population principle to bear directly upon rent, instead of upon wages. As in Ireland, the competition, being not for profit but for life, induces the cottier to promise rent beyond what he can pay and live. Whatever, then, may be his industry, or whatever the numbers of his family, his condition can neither be worse nor better. So long as he is not ejected, his children will not starve; the landlord can only take what they do not consume; and the peasants multiply not at their own expense, but at that of the foolish, penny-wise landlord. And it is with the example of Ireland before us, and where the evils which an allotment system has there nurtured, strike all eyes;—at the very time when our statesmen are struggling, almost against hope, to find some new

contrivance for keeping society together, under the destructive effects of such a social arrangement;—it is in the face of all this experience, that our gentry are running wild to introduce that system as an infallible specific for the far less formidable social evils of our own country.

[\[\[*\]\]](#) De Quincey, pp. 137-8.

[\[\[†\]\]](#) Jones, Richard. *An Essay on the Distribution of Wealth, and on the Sources of Taxation*. London: Murray, 1831.

[\[\[*\]\]](#) Pp. viii-ix.

[\[\[*\]\]](#) See, e.g., pp. 54ff.

[\[\[*\]\]](#) JSM's *square brackets*

[\[\[*\]\]](#) Cf. De Quincey, p. ix.

[\[\[*\]\]](#) Pp. 152, 245n; cf. 6n and 192.