

THE  
PRINCIPLES  
OF  
POLITICAL ECONOMY,

WITH SOME INQUIRIES RESPECTING THEIR APPLICATION,

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THE FIFTH EDITION,  
CORRECTED AND GREATLY IMPROVED.

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"Non enim me cuiquam mancipavi, nullius nomen fero; multum magnorum virorum iudicio credo, aliquid et meo vindico. Nam illi quoque, non inventa, sed quærenda nobis reliquerunt." *SENECÆ, Epist. 43.*

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MDCCCLXIV.

## PREFACE TO THIS EDITION.

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THE present edition of this work has been carefully revised, and, in many parts, re-written. I have endeavoured to set its theoretical doctrines in the clearest point of view ; elucidating, at the same time, the practical operation of the principles of the science, and showing how far they are liable to be influenced by the action of secondary and contingent circumstances. The chapter which treats of the circumstances that determine the common and average rate of wages has been greatly enlarged, partly on account of the magnitude and importance of the class dependent on wages, and partly because of the occasional prevalence of doctrines in regard to the employment of labour which appear to be not a little dangerous. A new chapter has been added on Co-operative Associations. And without pretending to anything like completeness in these respects, we venture to think that there are but few really important economical questions which are not treated, more or less fully, in this volume.<sup>1</sup>

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<sup>1</sup> We except from this remark those having reference to taxation, which we have made the subject of a separate work, of which the 3rd edition was published in 1863.

We have made no material change in any principle or doctrine advanced in the later editions of this treatise : not that we should have had the smallest hesitation in doing so, had we been satisfied that such change was required ; but we have seen nothing to lead us to any such conclusion. In some instances we have varied the exposition a little, and have sometimes introduced new illustrations, and modified some of the less important inferences ; but the leading doctrines developed in the last two editions continue unaltered in this.

LONDON, *July*, 1864.

## PREFACE TO THE THIRD EDITION.

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THE first edition of this work, which appeared in 1825, was nearly a reprint of the article on Political Economy in the Supplement to the “*Encyclopædia Britannica*,” edited by our friend the late Mr. Macvey Napier. That article was necessarily, from the limited space within which it had to be compressed, confined to a statement of the fundamental principles of the science, prefaced by a short sketch of its history,<sup>1</sup> and admitted of but few illustrations of the practical working of the different systems and measures referred to in the course of the work. If this were a defect in the original essay, it was but slightly amended on its first republication in a separate volume. But, on further reflection, we were led to believe that the work would gain in utility and interest, and that the distinguishing doctrines of the science would, at the same time, be better understood, if more attention were paid to practical considerations, and it were shown how the interests of society were affected, as

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<sup>1</sup> We have excluded this sketch from the present edition. It is given in an enlarged form, in the Introduction to the *Wealth of Nations*, by the author of this work.



well by the neglect as by the application of its theories. Hence the second edition of the work published in 1830, had much more of a practical character than the first; and while we endeavoured to simplify the theoretical investigations, and to set the general principles and conclusions in a clear point of view, we added a chapter on the Interference of Government, and extended those portions which treat of the application of the science, or of the influence which its principles, if acted upon, would most likely exert over some of the more important departments of national economy.

Time has since been afforded for additional observation and consideration; and these have strengthened the conviction, that the principle we followed in drawing up the edition of 1830, is, on the whole, the best. In this edition, consequently, a still greater extension has been given to the practical parts, or to inquiries respecting the real or probable influence of different systems of economical legislation, over the wealth and well-being of society. The work, indeed, is no longer to be regarded as a mere attempt to trace and exhibit the principles of Political Economy; but also as an attempt, however imperfect, to exhibit their more important applications.

We are aware that, in adopting this course, it may be said that we have stepped beyond the proper limits of the science, and encroached on ground belonging to the legislator and politician. But the truth is, that Political Economy and Politics are so very closely allied, and run into and mix with each

other in so many ways, that they cannot always be separately considered. Mr. Senior,<sup>1</sup> the ablest and most distinguished defender of what may be called the restricted system of Political Economy, says "that wealth, and not happiness," is the subject with which the economist has to deal. But, supposing this to be the case, the latter, in explaining the circumstances most favourable for the production of wealth and its accumulation, is not to content himself with showing the influence of the security of property, the division and combination of employments, and the freedom of industry over its production. If he stopped at this point, he would have done little more than announce a few barren generalities, of little real utility. It is not enough to point out the general rule or principle to be appealed to on any given occasion ; the really useful and important part is to show how the objections that may be made to the application of such rule or principle may be repelled, to point out its limitations, and to estimate its practical operation and real influence. Every one admits, for example, that security of property, at least to some extent, is indispensable to the production of wealth ; but security is not to be confined to the mere freedom to dispense at pleasure of property during one's own life. It extends to many other things. It is necessary, for example, that individuals should be permitted to exert some degree of authority over the disposal of property in the event of their

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<sup>1</sup> See his able "Essay on Political Economy," in the "Encyclopædia Metropolitana."

death; and this being admitted, it follows that all the knotty questions respecting conditions in wills, the influence of primogeniture and entails, compared with the system of equal partition, and so forth, come legitimately within the scope of the inquiries belonging to this science; the economist being bound to show the bearing of each system that may be proposed over the production and distribution of wealth.

It would be easy to give innumerable examples of the way in which this science necessarily involves discussions and inquiries extending beyond what may, at first sight, be supposed to be its natural limits. It may, for example, be laid down as a general rule, that the more individuals are thrown on their own resources, and the less they are taught to rely on extrinsic and adventitious assistance, the more industrious and economical will they become, and the greater, consequently, will be the amount of public wealth. But even in mechanics, the engineer must allow for the friction and resistance of matter; and it is still more necessary that the economist should make a corresponding allowance, seeing that he has to deal not only with natural powers, but with human beings enjoying political privileges, and imbued with the strongest feelings, passions, and prejudices. Although, therefore, the general principle as to self-reliance be as stated above, the economist or the politician who should propose carrying it out to its full extent in all cases and at all hazards, would be fitter for bedlam than for the closet or the cabinet. When any

great number of work-people are thrown out of employment, they must be provided for by extraneous assistance in one way or other; so that the various questions with respect to a voluntary and compulsory provision for the destitute poor, are as necessary parts of this science as the theories of rent and of profit.

It is obvious, too, that all the complicated and difficult questions, with respect to the influence of taxes and loans over the wealth and well-being of the public, come within the scope of this science, and form, indeed, one of its most attractive departments. But, owing to their extent and difficulty, we have been unable to profit by the interest they might have given to this work. We hope, however, to be able, at some not very distant period, to investigate, in detail, the various matters connected with taxation; and to embody the results of our researches in a supplementary volume on its principles and practical influence.<sup>1</sup>

We are also inclined to dissent from Mr. Senior, when he lays it down that the economist "is not to give a single syllable of advice," and that "his business is neither to recommend nor dissuade, but to state general principles!" This, no doubt, is a part of his business; but we cannot bring ourselves to believe that it is either the whole or even the greater part of it. On the contrary, it appears to us

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<sup>1</sup> We have since been able to realise this idea, having published in 1845 an 8vo. volume "On the Principles and Practical Influence of Taxation and the Funding System," of which a new and greatly improved edition appeared in 1863.

that the economist is bound, whenever he sees cause, to dissuade, censure, and commend, quite as much as the politician, or any one else. In treating, for example, of the influence of restrictions, is he not to censure those which, by fettering the freedom of industry, hinder the production of wealth? and is he not to commend the measures by which, and the ministers by whom, such restrictions are abolished? The economist who confines himself to the mere enunciation of general principles, or abstract truths, may as well address himself to the Pump in Aldgate, as to the British public. If he wish to be anything better than a declaimer, or to confer any real advantage on any class of his countrymen, he must leave general reasoning, and show the extent of the injury entailed on the community by the neglect of his principles; how their application may be best effected; and the advantages of which it will be productive. This science has its practical as well as its theoretical portion; and the economist will abdicate his principal functions if he do not call the public attention to every institution or regulation which appears, on a careful inquiry, to be adverse to the increase of public wealth and happiness. Unless he do this, he can be little else than a mere ideologist, about whose speculations most people will, very properly, care little or nothing.

We have elsewhere (Introductory Discourse to the *Wealth of Nations*) endeavoured to point out the distinction between Politics and Political Economy; and here we shall merely observe, that, though all inquiries into the constitution and character of

Governments be foreign to the business of the economist, it is his province to examine such laws or regulations as may appear (whether directly or indirectly is immaterial) to influence the production and distribution of wealth. It may be inexpedient for him to give any opinion upon the policy of measures involving various considerations; but, if he make a fair estimate of their influence in an economical point of view, and show their probable operation over the wealth and comforts of the people, he is acting strictly in his sphere, and is entitling himself to the gratitude of his country.

Besides improperly limiting the sphere of the science, and depriving it of all practical utility, Mr. Senior appears to take an erroneous view of the evidence on which its principles and conclusions are founded. He affirms, for example, that the facts on which its general principles rest may be stated in a very few sentences, or rather in a very few words; and that the difficulty is merely in reasoning from them. But while we admit the difficulty of drawing correct inferences, we greatly doubt whether the general principles can be so easily established as Mr. Senior supposes. He lays it down, for example, as a general principle, or rather axiom, that, supposing agricultural skill to remain the same, additional labour employed on the land will, speaking generally, yield a less return. But though this proposition be undoubtedly true, it is at the same time quite as true that agricultural skill never remains the same for the smallest portion of time; and that its improvement

may eountervail, for any given period, the decreasing fertility of the soils to which recourse is necessarily had in the progress of civilisation. It would, indeed, be easy to show, that the worst lands now under tillage in England, yield more produce per acre, and more as compared with the outlay, than the best lands did in the reigns of the Edwards and the Henrys. It is, therefore, to no purpose to say, that the science rests on principles of this description. . They, no doubt, form a part of its foundation ; but as they are modified in different degrees by others, the only general principles of any practical value are those deduced from observations made on their combined action ; or, in other words, on the phenomena really manifested in the progress of society. “ *Il ne suffit,*” to use the words of M. Say, “ *de partir des faits : il faut se placer dedans, marcher avec eux, et comparer incessamment les conséquences que l’on tire avec les effets qu’on observe. L’économie politique, pour être véritablement utile, ne doit pas enseigner, fût-ce par des raisonnemens justes, et en partant des premisses certaines, ce qui doit nécessairement arriver ; elle doit montrer comment ce qui arrive réellement est la conséquence d’un autre fait réel. Elle doit découvrir la chaîne que les lie, et toujours constater par l’observation, l’existence des deux points où la chaîne des raisonnemens se rattache.*”<sup>1</sup>

That a free commercial intercourse amongst different nations would be for their mutual advantage, is a proposition which is very generally true ; and being so, every proposal for a restriction on commerce

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<sup>1</sup> Traité D’Economie Politique, Discours Preliminaire.

may be fairly presumed to be inexpedient till the reverse be established. There can, however, be no manner of doubt that there are cases, though but few in number, in which nations would grossly overlook their own interests if they permitted a free intercourse with their neighbours. Suppose, for example, we had a monopoly of the supply of coal, it would not be difficult to show that it would be good policy, with a view to the increase of national wealth and security, either wholly to prohibit, or to lay a high duty on its exportation; and so in other instances.

The recent history of the theory of population affords a striking instance of the abuse of general principles, or rather of the folly of building exclusively upon one set of principles, without attending to the influence of the antagonist principles by which they are partly or wholly countervailed. The principle of increase, as explained by Malthus,<sup>1</sup> and afterwards by Chalmers, appeared to form an insuperable obstacle to all permanent improvement in the condition of society, and to condemn the great majority of the human race to a state approaching to destitution. But farther inquiries have shown that the inferences drawn by these and other authorities from the principle now referred to, are contradicted by the widest experience; that the too rapid increase of

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<sup>1</sup> Esclave d'une idée dominante, l'auteur de *l'Essai sur la Population* s'y abandonne sans réserve; en combattant des exagérations, il se livre à des exagérations contraires; à des vérités utiles, se mêle des aperçus qui ne sont que spécieux; et pour vouloir en tirer des applications absolues, il en fausse les conséquences.—*Degerando Bienfaisance Publique*, i. Introd. p. 23.



population is almost always prevented by the influence of principles which its increase brings into activity ; that a vast improvement has taken place in the condition of the people of most countries, particularly of those in which population has increased with the greatest rapidity;<sup>1</sup> and that, so far from being inimical to improvement, we are really indebted to the principle of increase for most part of our comforts and enjoyments, and for the continued progress of arts and industry.<sup>2</sup>

The real difficulty does not, therefore, lie in discussing matters connected with this science, in the statement of general principles, or in reasoning fairly from them ; but it lies in the discovery of the secondary or modifying principles, which are always in action, and in making proper allowance for their influence. Food is necessary to existence ; and it may, therefore, be laid down as a general principle, that this necessity on the one hand, and the difficulty of getting food on the other, tend to make every man die of hunger. Such, however, and so powerful are the countervailing influences, that not one individual out of 10,000 dies of want ; and this being the case,

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<sup>1</sup> La population de la Bohême a triplé en 70 ans. Elle s'est élevée de 1,361,000 âmes à 4,040,000 dans l'intervalle de 1762 à 1835 ; et jamais ses habitans n'ont joui d'une plus grande aisance. —(*Degerando Bienfaisance Publique*, i. 204 ) A similar progress, though not always in quite so striking a degree, has been made during the same period in most Continental states, and in Great Britain and the United States. And Ireland would have been no apparent exception to the principle, but for peculiar and accidental circumstances to which it is not necessary to advert.

<sup>2</sup> See the chapter on Population in this work.

a theory which should overlook these influences would not, we think, be good for much.

We have had occasion, in several parts of the following work, to regret that the evidence to which it is in our power to appeal, is insufficient to enable any certain conclusions to be come to with respect to some important questions involved in the application of the science. Generally, indeed, we may predicate, with considerable confidence, the more immediate results that would follow the adoption of any novel system of measures; but it is extremely difficult, or rather, perhaps, impossible, without an extensive analogous experience, to foretell its remoter consequences; because we must, in the absence of such experience, be necessarily in the dark respecting the nature and influence of the modifying principles which the change of measures would no doubt bring into action. Notwithstanding the pretensions so frequently put forward by politicians and economists, some of the more interesting portions of the sciences which they profess are still very imperfectly understood; and the important art of applying them to the affairs of mankind, so as to produce the greatest amount of permanent good, has made but little progress, and is hardly, indeed, advanced beyond infancy. *Initiatus nos credimus dum in vestibulo hæremus.* Nor, considering the totally different circumstances under which society is now placed, from those under which it was placed in previous ages, and the consequent want of applicable experience, is this deficiency of knowledge to be wondered at. The

LEGES LEGUM, to which Lord Bacon says appeal may be made to learn *quid in singulis legibus bene aut perperam positum aut constitutum sit*, have yet, in great measure, to be ascertained. However humiliating the confession, it is certainly true that, owing to the want of information, not a few of the most interesting problems in economical legislation are at present all but insoluble ; and it must be left to the economists of future ages, who will, no doubt, be able to appeal to principles that have not yet developed themselves, or that have escaped observation, to perfect the theoretical, and to complete or reconstruct the practical part of the science.

But, however we may differ from Mr. Senior in our view of the principles of the science, and the mode of its application to the business of life, we cordially agree in all that he has stated as to the duty of every one who attempts to explain its principles, or to show how they should be applied :—" Employed as he is upon a science, in which error, or even ignorance, may be productive of such intense and extensive mischief, he is bound, like a juryman, to give deliverance true according to the evidence, and to allow neither sympathy with indigence, nor disgust at profusion or at avarice ; neither reverence for existing institutions, nor disgust at existing abuses ; neither love of popularity, nor of paradox, nor of system, to deter him from stating what he believes to be the facts, or from drawing from those facts what appear to be the legitimate conclusions."

We have endeavoured as well as we could to

conduct our investigations under a deep sense of the obligations so forcibly set forth in this admirable paragraph. Where, however, the subjects are so very difficult, and the evidence not unfrequently conflicting, incomplete, and questionable, we doubt whether we have been always sagacious enough to arrive at a "true deliverance." But we have done our best to avoid error; and while we have not hesitated to speak with the utmost freedom of the institutions, systems, and opinions we have had to review, we are not conscious of having, in any instance, allowed our judgment to be warped by personal feeling or political prejudice.

LONDON, *November* 1842.

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## MR. M'CULLOCH'S PUBLICATIONS.

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In addition to these Principles, Mr. M'CULLOCH has published the following Works, viz. :—

1. A DESCRIPTIVE AND STATISTICAL ACCOUNT OF THE BRITISH EMPIRE, exhibiting its Extent, Physical Capacities, Population, Industry, and Civil and Religious Institutions. Fourth and much improved Edition. 2 vols. 8vo. London, 1854.
2. A DICTIONARY, GEOGRAPHICAL, STATISTICAL, AND HISTORICAL, of the various Countries, Places, and principal Natural Objects in the World. 2 thick and closely printed vols. 8vo., illustrated with Maps. New and improved Edition. London, 1851.
3. SMITH'S WEALTH OF NATIONS ; with a Life of the Author, Notes, and Supplemental Dissertations. New and improved Edition. 1 vol. 8vo., double columns. Edinburgh, 1863.
4. A TREATISE ON THE PRINCIPLES AND PRACTICAL INFLUENCE OF TAXATION AND THE FUNDING SYSTEM. 1 vol. 8vo. Third Edition, revised, corrected, and improved. Edinburgh, 1863.
5. A DICTIONARY, PRACTICAL, THEORETICAL, AND HISTORICAL, OF COMMERCE, AND COMMERCIAL NAVIGATION. A new and greatly improved Edition, in one large vol. 8vo, illustrated with Maps and Plans. London, 1859-60.
6. THE LITERATURE OF POLITICAL ECONOMY : a Classified Catalogue of Select Publications in the different Departments of that Science ; with Historical, Critical, and Biographical Notices. 1 vol. 8vo. London, 1845.
7. A TREATISE ON THE SUCCESSION TO PROPERTY VACANT BY DEATH ; including Inquiries into the Influence of Primogeniture, Entails, Compulsory Partition, Foundations, &c., over the Public Interests. 1 vol. 8vo. London, 1848.
8. A TREATISE ON THE CIRCUMSTANCES WHICH DETERMINE THE RATE OF WAGES, AND THE CONDITION OF THE LABOURING CLASSES. 1 vol. post 8vo. Second Edition. London, 1854.
9. TREATISES AND ESSAYS ON MONEY, EXCHANGE, INTEREST, THE LETTING OF LAND, ABSENTEEISM, THE HISTORY OF COMMERCE, MANUFACTURES, &c. ; with Accounts of the Lives and Writings of Quesnay, Adam Smith, and Ricardo. Second Edition. 1 vol. 8vo. Edinburgh, 1859.

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# PRINCIPLES

OF

## POLITICAL ECONOMY.

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### PART I.

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#### PRODUCTION AND ACCUMULATION OF WEALTH.

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#### CHAPTER I.

SECTION I. *Definition of the Science.*—SECTION II. *Definition of Production*  
—*Labour the only Source of Wealth.*

##### SECT. I.—DEFINITION OF POLITICAL ECONOMY.

POLITICAL ECONOMY<sup>1</sup> may be defined to be the science of the laws which regulate the production, accumulation, distribution, and consumption of those articles or products that are necessary, useful, or agreeable to man, and which at the same time possess exchangeable value.

When it is said that an article or product is possessed of exchangeable value, it is meant that there are individuals disposed to give some quantity of labour, or of some other article or product, obtainable only by means of labour, in exchange for it.

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<sup>1</sup> *Economy*, from *oikos*, a house, or family, and *νόμος*, a law—the *government of a family*. Hence, Political Economy may be said to be to the State what domestic economy is to a family.

The power or capacity which particular articles or products have of satisfying one or more of the various wants and desires of which man is susceptible, constitutes their *utility*, and renders them objects of demand.

An article may be possessed of the highest degree of utility, or of power to minister to our wants and enjoyments, and may be universally made use of, without possessing exchangeable value. This is an attribute or quality of those articles only which it requires some portion of voluntary human labour to produce, procure, or preserve. Without utility of some kind or other, no article can ever become an object of demand; but how necessary soever an article may be to our comfort, or even existence, yet, if it be a spontaneous production of nature—if it exist independently of human agency—and if every one may command it in indefinite quantities, without any voluntary exertion or labour, it is destitute of value, and affords no basis for the reasonings of the economist. A commodity or product, is not valuable merely because it is useful or desirable; but it is valuable when, besides being possessed of these qualities, it can only be procured through the intervention of labour. It cannot justly be said, that the food with which we appease the cravings of hunger, or the clothes by which we defend ourselves from the inclemency of the weather, are more useful than atmospheric air; and yet they possess that exchangeable value of which the latter is wholly destitute. The reason is, that food and clothes are not, like air, gratuitous products; they cannot be had at all times, and in any quantity, without exertion; on the contrary, labour is always required for their production, or appropriation, or both; and as none will voluntarily sacrifice the fruits of their industry without receiving an equivalent, they are truly said to possess exchangeable value.

The economist does not investigate the laws which determine the production and distribution of such articles as exist, and may be obtained in unlimited quantities, independently of all voluntary human agency. The results of the industry

of man are the only subjects that engage his attention. Political Economy might, indeed, be called the *science of values*; for, nothing destitute of exchangeable value, or which will not be received as an equivalent for something else which it has taken some labour to produce or obtain, can ever be properly brought within the scope of its inquiries.

The word *value* has, no doubt, been frequently employed to express, not only the exchangeable worth of a commodity, or its capacity of exchanging for other commodities, but also its *utility*, or capacity of satisfying our wants, or of contributing to our comforts and enjoyments. But it is obvious, that the utility of commodities—that the capacity of bread, for example, to appease hunger, and of water to quench thirst—is a totally different and distinct quality from their capacity of exchanging for other commodities. Adam Smith perceived this difference, and showed the importance of carefully distinguishing between utility, or, as he expressed it, “*value in use*,” and value in exchange. But he did not always keep this distinction in view, and it has been very often lost sight of by subsequent writers. The confounding of these opposite qualities has indeed been a principal cause of the confusion and obscurity in which many branches of the science, not in themselves difficult, are still involved. When, for example, it is said that water is valuable, the phrase has a very different meaning from what is attached to it when it is said that gold is valuable. Water is indispensable to existence, and has, therefore, a high degree of utility, or of “*value in use*,” but as it can generally be obtained in large quantities, without much labour or exertion, it has, in most places, a very low value in exchange. Gold, on the other hand, is of little utility; but as it exists only in limited quantities, and requires a great deal of labour for its production, it has a high exchangeable value, and may be exchanged or bartered for a proportionally large quantity of most other commodities. Those who confound qualities so different can hardly fail to

arrive at the most erroneous conclusions. And hence, to avoid all chance of error from mistaking the sense of so important a word as value, we shall not use it except to signify exchangeable worth, or value in exchange ; and shall always use the word utility to express the power or capacity of an article to satisfy our wants, or gratify our desires.

Political Economy has sometimes been termed "the science which treats of the production, distribution, and consumption of wealth ;" and if by wealth be meant those useful or agreeable articles or products which possess exchangeable value, the definition would seem to be unexceptionable. If, however, the term wealth be understood in either a more enlarged or contracted sense, it will be faulty. Malthus, for example, has supposed wealth to be identical with "those material objects which are necessary, useful, and agreeable to man."<sup>1</sup> But the inaccuracy of this definition is evident, though we should waive the objections which may perhaps be justly taken to the introduction of the qualifying epithet "material." In proof of this, it is sufficient to mention, that atmospheric air, and the heat of the sun, are both material, necessary, and agreeable products ; though their independent existence, and their incapacity of appropriation, by depriving them of exchangeable value, place them, as already seen, without the pale of the science.

Adam Smith nowhere states the precise meaning he attached to the term wealth ; but he most commonly describes it to be "the annual produce of land and labour." Malthus, however, has justly objected to this definition, that it refers to the sources of wealth before it is known what wealth is, and that it includes all the useless products of the earth, as well as those appropriated and enjoyed by man.

The definition previously given does not seem to be open to any of these objections. By confining the science to a discussion of the laws regulating the production, accumulation,

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<sup>1</sup> "Principles of Political Economy," p. 28.

distribution, and consumption of articles or products possessed of exchangeable value, we give it a distinct and definite object. When thus properly restricted, the researches of the economist occupy a field exclusively his own. He runs no risk of wasting his time in inquiries which belong to other sciences, or in unprofitable investigations respecting the production and consumption of articles which cannot be appropriated, and which exist independently of human industry.

No article can be regarded as forming a portion of the wealth either of individuals or states, unless it be susceptible of appropriation. We shall, therefore, endeavour to employ the term wealth to distinguish such products only as are obtained by the intervention of human labour, and which, consequently, may be appropriated by one individual, and enjoyed exclusively by him. A man is not said to be wealthy because he has an indefinite command over atmospheric air, or over the articles with which he, in common with others, is gratuitously supplied by nature; for, this being a privilege which he enjoys along with every one else, it can form no ground of distinction: but he is said to be wealthy, according to the degree in which he can afford to command those necessities, conveniences, and luxuries, that are not the gifts of nature, but the products of human industry.

## SECT. II.—DEFINITION OF PRODUCTION—LABOUR THE ONLY SOURCE OF WEALTH.

All the operations of nature and art are reducible to, and consist of, *transmutations*, that is, of changes of form and of place. By production, in this science, is not meant the production of matter, that being the exclusive attribute of Omnipotence, but the production of utility, and consequently of value, by appropriating and modifying matter in existence, so as to fit it to satisfy our wants, and contribute

to our enjoyments.<sup>1</sup> The labour which is thus employed is the only source of wealth. Nature spontaneously furnishes the matter of which commodities are made; but until labour has been applied to appropriate matter, or to adapt it to our use, it is destitute of value, and is not, and never has been, considered as forming wealth.<sup>2</sup> Were we on the banks of a river, or in an orchard, we should infallibly perish of thirst or hunger, did we not, by an effort of industry, raise the water to our lips, or pluck the fruit from its parent tree. It is seldom, however, that the mere appropriation of matter is sufficient. In the vast majority of cases, it is not only necessary to appropriate it, but also to convey it from place to place, and to give it that peculiar shape, without which it may be totally useless and incapable of ministering either to our necessities or our comforts. The coal used as fuel is buried deep in the bowels of the earth, and is absolutely worthless until the miner has extracted it from the mine, and brought it into a situation where it may be made use of. The stones and mortar used in building houses, and the rugged and

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<sup>1</sup> This point has been forcibly stated by M. Destutt Tracy. "Non-seulement," says he, "nous ne créons jamais rien, mais il nous est même impossible de concevoir ce que c'est que *créer* ou *anéantir*, si nous entendons rigoureusement par ces mots, *faire quelque chose de rien*, ou *réduire quelque chose à rien*; car nous n'avons jamais vu un être quelconque sortir du néant ni y rentrer. De-là cet axiome admis par toute l'antiquité,—rien ne vient de *rien*, et ne peut redevenir *rien*. Que faisons-nous donc par notre travail, par notre action sur tous les êtres qui nous entourent? Jamais rien, qu'opérer dans ces êtres des changemens de forme ou de lieu qui les approprient à notre usage, qui les rendent utiles à la satisfaction de nos besoins. Voilà ce que nous devons entendre par produire; c'est donner aux choses une utilité qu'elles n'avoient pas. Quel que soit notre travail, s'il n'en résulte point d'utilité, il est infructueux; s'il en résulte, il est productif." —*Traité d'Economie Politique*, p. 82.

<sup>2</sup> The writer of an article in "The Quarterly Review," (No. 60, Art. I.,) contends, that the earth is a source of wealth, because it supplies us with the matter of commodities. But this, it is obvious, is the old error of the economists reproduced in a somewhat modified shape. It would, in truth, be quite as correct to say that the earth is a source of pictures and statues, because it supplies the materials made use of by painters and statuary, as to say that it is a source of wealth, because it supplies the matter of commodities.

shapeless materials that have been fashioned into the various articles of convenience and ornament with which they are furnished, were, in their original state, destitute alike of value and utility. And of the innumerable variety of animal, vegetable, and mineral products, which form the materials of food and clothes, none were originally serviceable, while many were extremely noxious to man. It is his *labour* that has given them utility, that has subdued their bad qualities, and made them satisfy his wants, and minister to his comforts and enjoyments. "Labour was the first price, the original purchase-money that was paid for all things. It was not by gold or by silver, but by labour, that all the wealth of the world was originally purchased."<sup>1</sup>

Those who observe the progress and trace the history of the human race, in different countries and states of society, will find that their well-being has, in all cases, been principally dependent on their ability to appropriate the raw products of nature, and to adapt them to their use. The savage who gathers wild fruits, or picks up shell-fish on the sea-coast, is placed at the very bottom of the scale of civilization, and is, in point of comfort, decidedly inferior to many of the lower animals. The *first* step in the progress of society is made when man learns to hunt wild animals, to feed himself with their flesh, and clothe himself with their skins. But labour, when confined to the chase, is extremely barren and unproductive. Tribes of hunters, like beasts of prey, whom they closely resemble in their habits and modes of subsistence, are but thinly scattered over the countries which they occupy; and notwithstanding the fewness of their numbers, any unusual deficiency of game never fails to reduce them to the extremity of want. The *second* step in the progress of society is made when the tribes of hunters and fishers apply themselves, like the ancient Scythians and modern Tartars, to the domestication of wild animals and the

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<sup>1</sup> "Wealth of Nations," p. 14. The edition, in one vol., by J. R. McC., is uniformly quoted.



rearing of flocks. The subsistence of herdsmen and shepherds is much less precarious than that of hunters, but they are almost entirely destitute of those comforts and elegancies which give to civilized life its chief value. The *third* and most decisive step in the progress of civilization—in the great art of producing necessities and conveniences—is made when the wandering tribes of hunters and shepherds renounce their migratory habits, and become agriculturists and manufacturers. It is then that man begins fully to avail himself of his productive powers. He then becomes laborious, and, by a necessary consequence, his wants are then, for the first time, fully supplied, and he gains an extensive command over the articles required for his comfort as well as his subsistence.<sup>1</sup>

The importance of labour in the production of wealth was very clearly perceived by Hobbes and Locke. At the commencement of the 24th chapter<sup>2</sup> of the “Leviathan,” published in 1651, Hobbes says, “The *nutrition* of a commonwealth consisteth in the *plenty* and *distribution* of *materials* conducing to life.

“As for the plenty of matter, it is a thing limited by nature to those commodities which (from the two breasts of our common mother) *land* and *sea*, God usually either freely giveth, or for labour selleth to mankind.

“For the matter of this nutriment, consisting in animals, vegetables, minerals, God hath freely laid them before us, in or near to the face of the earth; so as there needeth no more but the labour and industry of receiving them. Insomuch

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<sup>1</sup> This progress has been pointed out by Varro :—“*Gradum fuisse naturalem, cum homines viverunt ex iis rebus quæ inviolata ultrò ferret terra. Ex hac vitâ in secundam descendisse pastoritiam, cum, propter utilitatem, ex animalibus quæ possent sylvestria, deprehenderent, ac concluderent, et mansuescerent. In quæ primùm, non sine causâ, putant oves assumptas, et propter utilitatem et propter placiditatem. Tertio denique gradu, à vitâ pastoralis ad agriculturam descendunt; in quâ ex duobus gradibus superioribus retinuerunt multa, et quod descenderunt ibi processerunt longè, dum ad nos perveniret.*”—*De Re Rusticâ*, lib. ii. cap. 1.

<sup>2</sup> “Of the Nutrition and Procreation of a Commonwealth.”

that *plenty dependeth* (next to God's favour) *on the labour and industry of man.*"

Locke, however, had a much clearer apprehension of this doctrine. In his "Essay on Civil Government," published in 1689, he has entered into a lengthened, discriminating, and able analysis, to show that labour gives to the products of the earth almost all their value. "Let any one consider," says he, "what the difference is between an acre of land planted with tobacco or sugar, sown with wheat or barley, and an acre of the same land lying in common, without any husbandry upon it, and he will find that the improvement of labour makes the far greater part of the value. I think it will be but a very modest computation to say, that of the products of the earth useful to the life of man, *nine-tenths* are the effects of labour; nay, if we will rightly consider things as they come to our use, and cast up the several expenses about them, what in them is purely owing to nature, and what to labour, we shall find, that in most of them *ninety-nine hundredths* are wholly to be put on the account of labour.

"There cannot be a clearer demonstration of any thing than several nations of the Americans are of this, who are rich in land, and poor in all the comforts of life; whom nature having furnished as liberally as any other people with the materials of plenty, *i.e.*, a fruitful soil apt to produce in abundance what might serve for food, raiment, and delight; yet, for *want of improving it by labour*, have not one-hundredth part of the conveniencies we enjoy; and the king of a large and fruitful territory there, feeds, lodges, and is clad worse than a day-labourer in England.

"To make this a little clearer, let us but trace some of the ordinary provisions of life through their several progresses, before they come to our use, and see how much they receive of their value from human industry. Bread, wine, and cloth, are things of daily use and great plenty; yet, notwithstanding, acorns, water, and leaves or skins, must be our bread, drink, and clothing, did not labour furnish us with these more useful

commodities; for, whatever bread is more worth than acorns, wine than water, and cloth or silk than leaves, skins, or moss, that is solely owing to labour and industry; the one of these being the food and raiment which unassisted nature furnishes us with; the other provisions which our industry and pains prepare for us; which how much they exceed the other in value, when any one hath computed, he will then see how much labour makes the far greatest part of the value of things we enjoy in this world; and the ground which produces the materials is scarce to be reckoned in as any, or at most, but a very small part of it; so little, that even amongst us, land that is wholly left to nature, that hath no improvement of pasturage, tillage, or planting, is called, as indeed it is, *waste*: and we shall find the benefit of it amount to little more than nothing.

“An acre of land that bears here twenty bushels of wheat, and another in America which, with the same husbandry, would do the like, are, without doubt, of the same natural intrinsic value (utility). But yet, the benefit mankind receives from the one in a year is worth five pounds, and from the other possibly not worth a penny, if all the profit an Indian received from it were to be valued and sold here; at least, I may truly say, not  $\frac{1}{1000}$ . 'Tis labour, then, which puts the greatest part of value upon land, without which it would scarcely be worth any thing. 'Tis to that we owe the greatest part of all its useful products; for all that the straw, bran, bread, of that acre of wheat, is more worth than the product of an acre of as good land which lies waste, is all the effect of labour. For 'tis not barely the ploughman's pains, the reaper's and thrasher's toil, and the baker's sweat, is to be counted into the bread we eat; the labour of those who broke the oxen, who digged and wrought the iron and stones, who felled and framed the timber employed about the plough, mill, oven, or any other utensils, which are a vast number, requisite to this corn, from its being seed to be sown, to its being made bread, must all be charged on the account of *labour*, and

received as an effect of that : nature and the earth furnishing only the almost worthless materials as in themselves. 'Twould be a strange catalogue of things that industry provided and made use of about every loaf of bread, before it came to our use, if we could trace them. Iron, wood, leather, barks, timber, stone, bricks, coals, lime, cloth, dyeing-drugs, pitch, tar, masts, ropes, and all the materials made use of in the ship that brought away the commodities made use of by any of the workmen to any part of the work ; all which 'twould be almost impossible, at least too long, to reckon up."<sup>1</sup>

Locke has here all but established the fundamental principle on which the science rests. Had he carried his analysis a little farther, he could not have failed to perceive that neither water, leaves, skins, nor any one of the spontaneous productions of nature, has any value, except what it derives from the labour required for its appropriation. The utility of such products makes them be demanded ; but it does not give them value. This is a quality which can be communicated only through the agency of voluntary labour of some sort or other. An object which it does not require any portion of labour to appropriate or to adapt to our use, may be of the very highest utility ; but, as it is the free gift of nature, it is quite impossible it should possess the smallest value.<sup>2</sup>

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<sup>1</sup> "Of Civil Government," book ii. §§ 40, 41, 42, and 43. This is a very remarkable passage. It contains a more distinct and comprehensive statement of the fundamental doctrine, that labour is the constituent principle of value, than is to be found in any other writer previous to Smith, or than is to be found even in the "Wealth of Nations." But Locke does not seem to have been sufficiently aware of the real value of the principle he had elucidated, and has not deduced from it any important practical conclusion. On the contrary, in his tract on "Raising the Value of Money," published in 1691, he lays it down broadly, that all taxes, however imposed, ultimately *fall on the land*; whereas it is plain he ought, consistently with the above principle, to have shown, that they would fall, not exclusively on the produce of land, but generally on the produce of industry, or on all species of commodities.

<sup>2</sup> Bishop Berkeley entertained very just opinions respecting the source of wealth. In his "Querist," published in 1735, he asks,—"Whether it were not wrong to

That commodities could not be produced without the co-operation of the powers of nature, is most certain; and we are very far, indeed, from seeking to depreciate the obligations we are under to our common mother, or from endeavouring to exalt the benefits man owes to his own exertions by concealing or underrating those which he enjoys by the bounty of nature. But it is the distinguishing characteristic of the services rendered by the latter, that they are gratuitous. They are infinitely useful, and they are, at the same time, infinitely cheap. They are not, like human services, sold for a price; they are merely appropriated. When a fish is caught, or a tree is felled, do the nereids or wood-nymphs make their appearance, and stipulate that the labour of nature in its production should be paid for before it is carried off and made use of? When the miner has dug his way down to the ore, does Plutus hinder its appropriation? Nature is not, as so many would have us to suppose, frugal and grudging. Her rude products, and her various capacities and powers, are all freely offered to man. She neither demands nor receives a return for her favours. Her services are of inestimable utility; but being granted freely and unconditionally, they are wholly destitute of value,

suppose land itself to be wealth? And whether the industry of the people is not first to be considered, as that which constitutes wealth, which makes even land and silver to be wealth, neither of which would have any value, but as means and motives to industry? Whether, in the wastes of America, a man might not possess twenty miles square of land, and yet want his dinner, or a coat to his back?"—*Querist*, Numbers 38 and 39.

Say appears to think ("Discours Préliminaire," p. 37) that Galiani was the *first* who showed, in his treatise "*Della Moneta*," published in 1750, that labour is the only source of wealth. But the passages now laid before the reader prove the erroneousness of this opinion. Galiani has entered into no analysis or argument to prove the correctness of his statement; and as it appears from other parts of his work that he was well acquainted with Locke's "*Tracts on Money*," a suspicion naturally arises that he had seen the "*Essay on Civil Government*," and that he was really indebted to it for a knowledge of this principle. This suspicion derives strength from the circumstance of Galiani being still less aware than Locke of the value of the discovery.—See *Trattato della Moneta*, p. 39, ediz. 1780.

and are consequently without the power of communicating that quality to any thing.

The utility of water, or its capacity to slake thirst, is equal at all times and places ; but this quality being communicated to it by nature, adds nothing to its value, which is, in all cases, measured by the labour required for its appropriation. A very small degree of exertion being required to carry water from a river to the individuals on or near its banks, its value, in such cases, is very trifling indeed. But when, instead of being upon its banks, the consumers of the water are five, ten, or twenty miles distant, its value being increased proportionally to the greater cost of its conveyance, may become very considerable. This principle holds universally. The utility of coal, or its capacity of furnishing heat and light, makes it an object of demand ; but this utility being a free gift of nature, has no influence over its value or price : that depends entirely on the labour required to extract the coal from the mine, and to convey it to the place where it is to be consumed.

"Si je retranche," to use a striking illustration of this doctrine given by M. Canard, "de ma montre, par la pensée, tous les travaux qui lui ont été successivement appliqués, il ne restera que quelques grains de minéral placés dans l'intérieur de la terre, d'où on les a tirés, et où ils n'ont aucune valeur. De même, si je décompose le pain que je mange, et que j'en retranche successivement tous les travaux successifs qu'il a reçus, il ne restera que quelques tiges d'herbes graminées, éparses dans des déserts incultes, et sans aucune valeur."<sup>1</sup>

Those who contend, as almost all the continental economists do, that the agency of natural powers adds to the value of commodities, uniformly confound utility and value—that is, as was formerly observed, they confound the power or capacity of articles to satisfy our wants and desires with their cost, or with the labour required to produce them, or for which they

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<sup>1</sup> "Principes d'Economie Politique," p. 6.

would exchange. These qualities are, however, as radically different as those of weight and colour. To confound them is to stumble at the very threshold of the science. It is but too clear that those who do so have yet to make themselves acquainted with its merest elements.

It is true that natural powers may sometimes be appropriated or engrossed by one or more individuals to the exclusion of others, and those by whom they are so engrossed may exact a price for their services; but does that show that these services cost the engrossers any thing? If A have a waterfall on his estate, he may, probably, get a rent for it. It is plain, however, that the work performed by the waterfall is as completely gratuitous as that which is performed by the wind that acts on the blades of a windmill. The only difference between them consists in this, that all individuals having it in their power to avail themselves of the services of the wind, no one can intercept the bounty of nature, and exact a price for that which she freely bestows; whereas A, by appropriating the waterfall, and consequently acquiring a command over it, may prevent its being used at all, or sell its services. He can oblige B, C, and D, to pay for liberty to use it; but as they pay for that which costs him nothing, he gains the whole that they lose; so that the services rendered by the waterfall are plainly so much clear gain, so much work performed gratuitously for society.

Had Mr. Senior attended to these considerations he would not have said, at least without the necessary qualification, that if aerolithes consisted wholly of gold, they would, according to the above principles, be destitute of value.<sup>1</sup> If, indeed, they were so very abundant as to furnish every one with as much gold as he desired, they would have no value other than what they might derive from the trouble of gathering them. But as they exist only in extremely limited quantities, and are quite incapable, supposing them to be

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<sup>1</sup> Art. Political Economy, Encyclopædia Metropolitana.

gold, of supplying one ten-millionth part of the demand for that metal, the fortunate finder of one of them may sell or exchange it for the same quantity of other things that it would have commanded had it been produced, like gold in general, by the labour of the miner, smelter, &c. It is obvious, however, that the value of the imaginary aerolithe is, in this case, derived from circumstances which, though extrinsic to itself, depend wholly on the expenditure of labour; and that, in fact, it is measured or determined by the labour ordinarily required to produce gold, precisely in the same way that the value of the waterfall is determined by the labour it will save to the party by whom it may be bought or rented.

It is to labour, therefore, and to it only, that man owes every thing possessed of value. *Dii laboribus omnia vendunt.* Labour is the talisman that has raised him from the condition of the savage, that has changed the desert and the forest into cultivated fields, that has covered the earth with cities, and the ocean with ships, that has given us plenty, comfort, and elegance, instead of want, misery, and barbarism. What was said of the enchantress Enothea, may be truly said of labour :

Quicquid in orbe vides, paret mihi. Florida tellus,  
Cum volo, fundit opes; scopulique, atque horrida saxa  
Niliades jaculantur aquas.

Dr. Barrow has illustrated with great ability and surpassing eloquence the paramount importance of labour or industry, in providing subsistence and accommodation to man from his rudest to his highest state.

"Of all our many necessities, none can be supplied without pains, wherein all men are obliged to bear a share; every man is to work for his food, for his apparel, for all his accommodations, either immediately and directly, or by commutation and equivalence. We cannot come by the fruits of the earth without employing much art and many pains; in order thereto there must be skill used in observing seasons and



preparing the ground ; there must be labour spent in manuring, in delving and ploughing, in sowing, in weeding, in fencing it ; there must be pains taken in reaping, in gathering, in laying up, in threshing, and dressing the fruit, ere we can enjoy it ; so much industry is needful to get bread. And if we list to fare more daintily, we must either hunt for it, using craft and toil to catch it out of the woods, the water, the air, or we must carefully wait on those creatures of which we would serve ourselves, feeding them that they may feed us ; such industry is required to preserve mankind from starving. And to guard it from other inconveniences, mischiefs, and dangers surrounding us, it is no less requisite : for, to shelter us from impressions of weather, we must spin, we must weave, we must build ; and in order thereto we must scrape into the bowels of the earth to find our tools ; we must sweat at the anvil to forge them for our use ; we must frame arms to defend our safety and our store from the assaults of wild beasts, or of more dangerous neighbours, wild men. To furnish accommodations for our curiosity and pleasure, or to provide for the convenience and ornament of our life, still greater measures of industry are demanded ; to satisfy those intents, a thousand contrivances of art, a thousand ways of trade and business do serve, without which they are not attainable. In whatever condition any man is, in what state soever he be placed, whatsoever calling or way of life he doth embrace, some peculiar business is thence imposed on him, which he cannot with any advantage or good success, with any grace, with any comfort to himself, or satisfaction to others, manage without competent industry ; nothing will go on of itself, without our care to direct it, and our pains to hold it, and forward it in the right course : all which things show that Divine Wisdom did intend that we should live in the exercise of industry or not well without it ; having so many needs to be supplied, so many desires to be appeased thereby ; being exposed to so many troubles and difficulties from which we cannot extricate ourselves without it. \* \* \*

"It is industry whereto the public state of the world, and of each commonweal therein, is indebted for its being, in all conveniencies and embellishments belonging to life, advanced above rude and sordid barbarism; yea, whereto mankind doth owe all that good learning, that morality, those improvements of soul, which elevate us beyond brutes.

"To industrious study is to be ascribed the invention and perfection of all those arts whereby human life is civilized, and the world cultivated with numberless accommodations, ornaments, and beauties.

"All the comely, the stately, the pleasant, and useful works which we do view with delight, or enjoy with comfort, industry did contrive them, industry did frame them.

"Industry reared those magnificent fabrics, and those commodious houses; it formed those goodly pictures and statues; it raised those convenient causeys, those bridges, those aqueducts; it planted those fine gardens with various flowers and fruits; it clothed those pleasant fields with corn and grass; it built those ships, whereby we plough the seas, reaping the commodities of foreign regions.

"It hath subjected all creatures to our command and service, enabling us to subdue the fiercest, to catch the wildest, to render the gentler sort most tractable and useful to us. It taught us from the wool of the sheep, from the hair of the goat, from the labours of the silkworm, to weave us clothes to keep us warm, to make us fine and gay. It helpeth us from the inmost bowels of the earth to fetch divers needful tools and utensils. It collected mankind into cities, and compacted them into orderly societies, and devised wholesome laws, under shelter whereof we enjoy safety and peace, wealth and plenty, mutual succour and defence, sweet conversation and beneficial commerce.

"It by meditation did invent<sup>1</sup> all those sciences whereby our minds are enriched and ennobled, our manners are refined

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<sup>1</sup> Ut varias usus meditando extunderet artes.—Virg. Georg. I. 133.

and polished, our curiosity is satisfied, our life is benefited. What is there which we admire, or wherein we delight, that pleaseth our mind, or gratifieth our sense, for the which we are not beholden to industry?

“Doth any country flourish in wealth, in grandeur, in prosperity? It must be imputed to industry, to the industry of its governors settling good order, to the industry of its people following profitable occupations: so did Cato, in that notable oration of his in Sallust,<sup>1</sup> tell the Roman senate, that it was not by the force of their arms, but by the industry of their ancestors, that commonwealth did arise to such a pitch of greatness. When sloth creepeth in, then all things corrupt and decay; then the public state doth sink into disorder, penury, and a disgraceful condition.”<sup>2</sup>

The fundamental principle, that it is only through the agency of labour that the various articles and conveniences required for the use and accommodation of man can be obtained, being thus fully established, it necessarily follows, that the great practical problem involved in that part of the science which treats of the *production* of wealth, resolves itself into a discussion of the means by which labour may be rendered most efficient, or by which the greatest amount of necessary, useful, and desirable products may be obtained with the least outlay of labour. Every measure that has any tendency to add to the efficiency of labour, or, which is the same thing, to reduce the cost of commodities, must add proportionally to our means of obtaining wealth; while every measure or regulation that has any tendency to waste labour, or to raise the cost of commodities, must equally lessen these means. Here, then, is the simple and decisive test by which we are to judge of the expediency of all measures affecting the wealth of the country, and of the value of all inventions.

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<sup>1</sup> Cat. apud Sallust. in Bello Catil.

<sup>2</sup> Barrow's First and Second Sermon on Industry.

If they make labour more productive—if by reducing the value of commodities, they render them more easily obtainable, and bring them within the command of a greater portion of society, they must be advantageous; while, if their tendency be different, they must as certainly be disadvantageous. Considered in this point of view, that great branch of the science which treats of the *production* of wealth will be found to be abundantly simple, and easily understood.<sup>1</sup>

Labour, according as it is applied to the raising of raw produce,—to the fashioning of that raw produce when raised, into articles of utility, convenience, or ornament—or to the conveyance of raw and wrought produce from one country or place to another, and their distribution among the consumers,—is said to be agricultural, manufacturing, or commercial. An acquaintance with the particular processes and best methods of applying labour in each of these grand departments of industry, forms the peculiar and appropriate study of the agriculturist, manufacturer, and merchant. It is not consistent with the objects of the political economist to enter into the details of particular businesses and professions. He confines himself to an investigation of the means by which labour in general may be rendered most productive, and how its powers may be increased in *all* departments of industry.

Most writers on Political Economy have entered into lengthened discussions with respect to the difference between what they have termed productive and unproductive labour. But it is not easy to discover any real ground for most of those discussions, or for the distinctions that have been set up between one sort of labour and another. The subject is not one in which there is apparently any difficulty. It is not at the species of labour carried on, but at its *results*, that we

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<sup>1</sup> Il problema dell' Economia politica si è accrescere al possibile l'annua riproduzione col minor possibile travaglio, ossia data la quantità di riproduzione ottenerla col minimo travaglio; data la quantità del travaglio ottenere la massima riproduzione; accrescere quanto più si può il travaglio e cavarne il massimo effetto di riproduzione.—(Verri, "*Medit. Sulla Econ. Politica*," lib. 21).

should look. So long as an individual employs himself in any way not detrimental to others, and accomplishes the object he has in view, his labour is obviously productive; while, if he do not accomplish it, or obtain some sort of equivalent advantage from the exertion of his labour, it is as obviously unproductive. This definition seems sufficiently clear, and leads to no perplexities; and it will be shown, in another chapter, that it is not possible to adopt any other without being involved in endless difficulties and contradictions. (See *post.*)

In thus endeavouring to exhibit the importance of labour, and the advantages which its successful prosecution confers on man, it must not be supposed that reference is made to the labour of the hand only. This species, indeed, comes most under observation; it is that, too, without which we could not exist, and which principally determines the value of commodities. It is questionable, however, whether it be really more productive than the labour of the mind. There are other instruments beside the plough, the spade, and the shuttle. The hand is not more necessary to execute than the head to contrive. Some very valuable discoveries have no doubt been the result of accident; while others have naturally grown out of the progress of society, without being materially advanced by the efforts of any single individual. These, however, have not been their only, nor, perhaps, their most copious sources; and every one, how little soever he may be acquainted with the history of his species, is aware that we are indebted to the labour of the mind, to patient study, and long-continued research, for numberless inventions, some of which have made almost inculcalable additions to our powers, and changed, indeed, the whole aspect and condition of society.

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## CHAPTER II.

*Progressive Nature of Man—Means by which the Productive Powers of Labour are increased.—SECTION I. Right of Property.—SECTION II. Division of Employments.—SECTION III. Accumulation and Employment of Capital—Definition and Source of Profit—Circumstances most favourable for the Accumulation of Capital.*

It is the proud distinction of the human race, that their conduct is determined by reason, which, though limited and fallible, is susceptible of indefinite improvement. Man is destined to be the artificer of his own fortune. In the infancy of society, indeed, being destitute of that knowledge which is the result of long experience and study, without that dexterity which is the effect of practice, and without the guidance of those instincts which direct other animals, he seems to occupy one of the lowest places in the scale of being. But the faculties of most animals come rapidly to maturity, and admit of no further increase or diminution ; whereas, the human species is naturally progressive. It may be truly said of man that necessity (*sæva necessitas*) was the original source and main-spring of his exertions. He had no choice between being industrious and being starved. But no sooner is he supplied with subsistence, than his desires begin to expand. He is uniformly actuated by a desire to improve his condition ; and he is endowed with sagacity adequate to devise the means of gratifying this desire. The description given by Homer of the state of the Cyclops or ancient inhabitants of Sicily, may be taken as a truthful representation of the state of the human race in temperate climates in early ages. "The Cyclops," says he, "know no laws. Each governs his family, and rules over his wife and children. They trouble not themselves with the affairs of their neighbours, and think not themselves interested

in them. Accordingly, they have no assemblies to deliberate on public affairs. They have no general laws to regulate their manners and actions. They neither plant nor sow. They are fed by the fruits which the earth produces spontaneously. Their abode is on the summits of mountains, and caverns serve them for a retreat."<sup>1</sup> Such is a vivid picture of the state of savage barbarism, without any tincture of art or science, and without even the most indispensable accommodations, from which the European has raised himself to the high pitch of knowledge, civilization, and refinement to which he has attained.<sup>2</sup> By slow degrees, partly by the aid of observation, and partly by contrivances of his own, he gradually learns to augment his powers, and to acquire an increased command over necessities, conveniencies, and enjoyments. Without the unerring instinct of the ant, the bee, or the beaver, he becomes, from a perception of their advantage, the greatest storemaster and builder in the world; and without the strength of the elephant, the swiftness of the hound, or the ferocity of the tiger, he has subjected every animal to his power. When once excited, the passion for improved accommodations extends itself on all sides, and becomes quite illimitable. The attainment of that which seemed, at the commencement of the

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<sup>1</sup> Odyss., lib. ix., v. 106.

<sup>2</sup> Dr. Whately, late Archbishop of Dublin, following in the wake of Dr. Doig (Letters on the Savage State, 12mo, 1792), denies that mankind could by any efforts of their own have raised themselves from this depressed state: "If man," says he, "when first created, was left, like the brutes, to the unaided exercise of those natural powers of body and mind which are common to the European and to the New Hollander, how comes it that the European is not now in the condition of the New Hollander?" (Lectures on Political Economy, 4th ed., p. 78.) This question involves a *petitio principii* not very creditable to a logician like Dr. Whately. Had he shown that the capacities of the Australian and European are and always have been equal, there might have been some force in his conclusion; but he has been wise enough not to attempt that in which he was sure to fail. The most comprehensive experience proves that the Europeans are endowed with a capacity of improvement of which the Australians, Negroes, Red Indians, and others, are all but wholly destitute. This difference of capacity is the only and sufficient cause of the difference in their progress and condition.

undertaking, to be an object beyond which his wishes could not expand, acts as an incentive to new efforts. "Man never is, but always to be blessed." The gratification of a want or desire is merely a step to some new pursuit. In every stage of his progress, he is destined to contrive and invent, to engage in new undertakings, and, when these are accomplished, to enter with fresh energy upon others. "Even after he has attained to what, at a distance, appeared to be the summit of his fortune, he is in reality only come to a point at which new objects are presented to entice his pursuits, and towards which he is urged with the spurs of ambition, while those of necessity are no longer applied. Or, if the desire of anything better than the present should at any time cease to operate on his mind, he becomes listless and negligent, loses the advantages he had gained, whether of possession or skill, and declines in his fortune, till a sense of his own defects and his sufferings restore his industry."<sup>1</sup>

It has been said that nations, like individuals, have their periods of infancy, maturity, decline, and death. But though the comparison strikes at first, and history affords many apparent instances of its truth, it is, notwithstanding, inapplicable. The human body is of frail texture and limited duration: but nations are perpetually renovated; the place of those who die is immediately filled up by others, who, having succeeded to the arts, sciences, and wealth of those by whom they were preceded, start with unprecedented advantages in their career. Hence if the principle of improvement were not countervailed by hostile aggression, vicious institutions, or other adventitious circumstance, it may be reasonably concluded that it would always operate, and secure the constant advancement of nations.

Powerful, however, as is the passion to rise—to ascend still higher in the scale of society—the advance of the arts has not been left wholly to depend on its agency. Had such been the

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<sup>1</sup> Ferguson's "Principles of Moral and Political Science," vol. i. p. 56.



case, it is reasonable to suppose that the earlier inventions and discoveries, by rendering others of comparatively less importance, would have slackened the progress of society. But in the actual state of things, no such relaxation ever takes place. The principle of increase implanted in the human race is so very powerful, that population never fails of speedily expanding to the limits of subsistence, how much soever they may be extended. Its tendency indeed is to exceed these limits, or to increase the number of people faster than the supplies of food and other necessary accommodations provided for their support. In civilized societies, this tendency, as will be afterwards shown, is checked and regulated by the prudential considerations to which the difficulty of bringing up a family necessarily gives rise. But, despite their influence, the principle of increase is at all times, and under every variety of circumstances, so very strong as to call forth unceasing efforts to increase the means of subsistence. It forms, in fact, a constantly operating incentive to the activity and industry of man. The most splendid inventions and discoveries do not enable him to intermit his efforts ;—if he did, the increase of population would speedily change his condition for the worse, and he would be compelled either to sink to a lower station, or to atone for his indolence by renewed and more vigorous exertions. The continued progress of industry and the arts is thus secured by a double principle: man is not merely anxious to advance; he dares not, without manifest injury to himself, venture to stand still. But, because such is our lot, because we are constantly seeking a repose and felicity we are never destined to realize, are we, therefore, as some have done, to arraign the wisdom of Providence? Far from it. In the words of the able and eloquent philosopher to whom we have just referred, “We ought always to remember that these labours and exertions are themselves of principal value, and to be reckoned amongst the foremost blessings to which human nature is competent; that mere industry is a blessing apart from the wealth it procures; and that the exercises of

a cultivated mind, though considered as means for the attainment of an external end, are themselves of more value than any such end whatever.”<sup>1</sup>

In tracing the progress of mankind from poverty and barbarism to wealth and civilization, there are three circumstances, the vast importance of which must strike even the most careless observer; and without whose conjoined existence and co-operation, labour could not have become considerably productive, nor society made any preceptible progress. The *first* is the establishment of a right of property, or the securing to every individual the quiet enjoyment of his natural powers, and of the products, lands, and talents he may have inherited, or honestly acquired. The *second* is the introduction of exchange or barter, and the consequent appropriation of particular individuals to particular employments. And the *third* is the accumulation and employment of the produce of labour, or, as it is more commonly termed, of capital, or stock in industrial undertakings. All the improvements that ever have been or ever can be made, in the progress of society, may be classed under one or other of these three heads. It is, therefore, indispensable that principles so important, and which lie at the very bottom of the science, should be well understood.

#### SECT. I.—RIGHT OF PROPERTY.

We should occupy the reader's time to no good purpose were we to state the different theories that have been advanced by jurists, and writers on public law, to account for the origin of the right of property. It appears to be sufficiently obvious. All the rude products furnished by nature have to be appropriated; and not one in a hundred, perhaps, of these products is, in its natural state, capable either of supplying our wants or ministering to our comforts. Hence the necessity of applying labour to appropriate natural products, and to fashion

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<sup>1</sup> Ferguson's "Principles of Moral and Political Science," vol. i. p. 250.

and prepare them so as to be useful ; and hence, also, the source of the right of property.

If a number of individuals be set down together on the shore of an unoccupied and unappropriated island, each will have quite as good a right as another to take the game or the fruit. But those who do so, or who, through their skill and industry, appropriate a portion of the common stock, will obviously be entitled to the exclusive use of such portion. We shall not undertake to decide whether there be or be not a principle inherent in man that at once suggests to every individual not to interfere with what has been produced or appropriated by others ; it is sufficient to know that the briefest experience would point out to every one the necessity of establishing and respecting such a principle. If A climb a tree and bring down fruit, which, as soon as he comes to the ground, is seized by others, he will do nothing of the sort again till he be pretty well assured that he will not be exposed to a repetition of such violence, nor will others engage in the like undertakings till they have the same assurance. No doubt, therefore the right of property has a very remote origin. The necessity for its establishment is so obvious and urgent, that it must have been all but coeval with the formation of societies. All have been impressed with the reasonableness of the maxim which teaches, that the produce of a man's labour and the work of his hands are exclusively his own. Even among the rudest savages the principle of *meum* and *tuum* is recognized ; the bows and arrows of the huntsman, and the game he has killed, being regarded by him as his own, and his right to their exclusive possession being respected by his fellows. The right of property is, no doubt, perfected only by slow degrees. Thus, among hunters, the *feræ naturæ* on which they subsist, not being bred under the care or inspection of owners, are, so long as they run wild in the forest, the common property of the tribe, and only become private property after they have been captured by individuals. As society advances, the right of property expands. The modern

Tartars, like the ancient Scythians, estimate their wealth by the number of their cattle. Their right to the animals which they have domesticated and reared is deemed inviolable ; but the pasture grounds belong, like the hunting-grounds of the Indians, to the whole society ; and as the flocks are driven from one place to another, the grounds may be successively depastured by the cattle of every different individual. The moment, however, that men began to renounce the pastoral for the agricultural mode of life, a right of property in land began to be established. The soil cannot be cultivated, its fertility cannot be increased, nor can it be made to produce those crops which yield supplies of food and other necessities, without continuous labour and attention. Hence the origin of property in land. Nothing, it is plain, would ever tempt any one to engage in a laborious employment ; he would neither domesticate wild animals nor clear and cultivate the ground, if, after months and years of toil, when his flocks had become numerous and his harvests were ripening for the sickle, another were allowed to step in and rob him of the fruits of his industry. The utility, or rather necessity, of regulations fitted to secure to individuals the produce they had raised, and the ground they had cultivated and improved, is so very obvious, that they existed in the most remote ages. The author of the book of Job sets those who removed their neighbours' landmarks at the head of his list of wicked men ; and the earliest Greek and Roman legislators placed these marks under the especial protection of the god Terminus, and made their removal a capital offence.<sup>1</sup>

It is obvious from these statements that the law of the land is not, as Paley has affirmed, the real foundation of the right of property. It rests on a more ancient and a more solid basis. It grows out of the circumstances under which man is placed. Every people emerging from barbarism has established this right. And as it could not be overthrown or set aside without

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<sup>1</sup> Goguet, "De l'Origine des Loix," &c., lib. i. art. 2.

depopulating the earth, and throwing mankind back into primæval barbarism, it has been guarded by the strongest sanctions. It is, in truth, the foundation on which the other institutions of society mainly rest; for, as Cicero has stated, it was chiefly that property might be protected that civil government was instituted. *Hanc enim ob causam maximè, ut sua tuerentur, respublicæ civitatesque constitutæ sunt. Nam etsi duce naturæ, congregabantur homines, tamen spe custodiæ rerum suarum, urbium præsidia quærebant.*<sup>2</sup> Where property is not publicly guaranteed, men must look on each other as enemies rather than as friends. The idle and improvident are always desirous of seizing on the wealth of the laborious and frugal; and, did not the strong arm of the law restrain them from prosecuting their attacks, they would, by generating a feeling of insecurity, effectually check both industry and accumulation, and sink all classes to the same level of hopeless misery as themselves. The security of property is, indeed, quite as indispensable to accumulation as to production. Where it is protected, an individual who produces as much by the labour of one day as is sufficient to maintain him two, is not idle during the second day, but accumulates the surplus above his wants as a reserve stock; the advantages which the possession of stock or capital brings along with it, being, in the great majority of cases, more than sufficient to counterbalance the desire of immediate gratification. But, wherever property is insecure, we look in vain for the operation of this principle. "It is plainly better for us," is then invariably the language of the people, "to enjoy while it is in our power, than to accumulate property which we will not be permitted to dispose of, and which will either expose us to the extortion of a rapacious government, or to the depredations of those who exist only by the plunder of their more industrious neighbours."

It must not, however, be imagined that the security of property is violated only when a man is not allowed to enjoy

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<sup>2</sup> "De Officiis," lib. ii. cap. 21.

or dispose at pleasure of the fruits of his industry : it is also violated, and perhaps in a still more unjustifiable manner, when he is prevented from using the powers given him by nature, in any way, not injurious to others, he considers most beneficial for himself. Of all the species of property which a man can possess, the faculties of his mind and the powers of his body are most particularly his own ; and these he should be permitted to enjoy, that is, to use or exert, at his discretion. And hence this right is as much infringed upon when a man is interdicted from engaging in a particular branch of business, as when he is unjustly deprived of the property he has produced or accumulated. All monopolies which give to a few individuals the power to carry on certain branches of industry to the exclusion of others, are thus really established in violation of the property of every one else. They prevent them from using their natural capacities or powers in what they might have considered the best manner ; and, as every man not a slave is held to be the best, and, indeed, only judge of what is advantageous for himself, the most obvious principles of justice and the right of property are both subverted when he is excluded from any employment. In like manner, this right is violated when any regulation is made to force an individual to employ his labour or capital in a particular way. The property of a landlord would be violated were he compelled to adopt any system of cultivation, even though it were preferable to that which he was previously following ; the property of a capitalist would be violated were he obliged to accept a particular rate of interest for his stock ; and the property of a labourer would be violated were he obliged to employ himself in any particular occupation, or for a fixed rate of wages.

The finest soil, the finest climate, and the finest intellectual powers, can prevent no people from becoming barbarous, poor, and miserable, if they have the misfortune to be subjected to a government which does not respect and maintain the right of

property. This is the greatest of calamities. The ravages of civil war, pestilence, and famine, may be repaired ; but nothing can enable a nation to contend against the deadly influence of an established system of violence and rapine. The want of security, or of any lively and well-founded expectation among the inhabitants of their being permitted freely to dispose of the fruits of their industry, is the principal cause of the wretched state of the Ottoman dominions at the present time, as it was of the decline of industry and arts in Europe during the middle ages. When the Turkish conquerors overran those fertile and beautiful countries in which, to the disgrace of the European powers, they are still permitted to encamp, they parcelled them among their followers, on condition of their performing certain military services, on a plan corresponding in many important particulars, to the feudal system of our ancestors. But excepting such as have been assigned to the church, or left to it in trust, none of these possessions are hereditary. The others revert, on the death of the present possessors, to the sultan, the sole proprietor of all the immovable property in the empire. The majority of the occupiers of land in Turkey, having, in consequence of this vicious system, no adequate security that their possessions will be allowed to descend at their death, to their children or legatees, are comparatively careless of futurity ; and as none can feel any interest in the fate of an unknown successor, no one ever executes any improvement of which he does not expect to reap all the advantage during his own life. Hence, the carelessness of the Turks in regard to their houses : they seldom construct them of solid or durable materials ; and it would gratify them to be assured that they would fall to pieces the moment after they have breathed their last. Under this wretched government, palaces have been changed into cottages, and cities into villages. The long-continued want of security has gone far to extinguish the very spirit of industry, and to destroy not only the power, but even the desire to emerge from bar-

barism.<sup>1</sup> "The miserable condition of the Sultan's territories is not to be attributed to the disposition or habits of the people, but to the inefficiency of the government, the insecurity of private property, and the total disregard to every principle of political economy."<sup>2</sup>

Had it been possible for arbitrary power to profit by the lessons of experience, it must long since have perceived that its own wealth, as well as the wealth of its subjects, would be most effectually promoted by maintaining the inviolability of property. Were the Turkish government to establish a vigilant system of police—to secure to each individual the power freely to dispose of the fruits of his labour, and to substitute a regular plan of taxation for the present odious system of extortion and tyranny, industry would revive; capital and population would be augmented; and moderate duties, imposed on a few articles in general demand, would bring a much larger sum into the coffers of the treasury than all that is now obtained by force and violence. The *stated* public burdens to which the Turks are subject are light compared with those imposed on the English, the Hollanders, or the French. But the latter know that when they have paid the taxes due to government, they will be permitted to dispose at pleasure of the residue of their wealth; whereas the subjects of Eastern despotisms who have paid the stated contributions, have no security that the pacha, or one of his satellites, may not forthwith strip them of every remaining farthing! Security is the foundation, the principal element of every well-digested system of finance. When maintained inviolate, it enables a country to support, without much difficulty, a very heavy load of taxes; but where there is no

<sup>1</sup> Thornton's "Account of the Turkish Empire, vol. ii. p. 63. "The Turks," says Denon, "bâtissent le moins qu'ils peuvent; ils ne réparent jamais rien: un mur menace ruine, ils l'étaient; il s'éboule, ce sont quelques chambres de moins dans la maison; ils s'arrangent à côté des décombres: l'édifice tombe enfin, ils en abandonnent le sol, où, s'ils sont obligés d'en déblayer l'emplacement, ils n'emportent le plâtras que le moins loin qu'ils peuvent."—Tom. i. p. 193.

<sup>2</sup> Macdonald Kinneir's "Asia Minor, Armenia," &c., p. 223.



security, where property is a prey to rapine and spoliation, to the attacks of the needy, the powerful, or the profligate, the smallest burdens are justly regarded as oppressive, and uniformly exceed the means of the impoverished and spiritless inhabitant.

Mr. Brydone tells us that in his day it was customary for the more intelligent Sicilians with whom he conversed respecting the natural riches of their celebrated island and its capacities of improvement, to observe,—“Yes, if these were displayed, you would have reason, indeed, to speak of them. Take a look of these mountains, they contain rich veins of every metal, and many of the Roman mines still remain. But to what end should we explore them? *It is not we that should reap the profit.* Nay, a discovery of any thing very rich might possibly prove the ruin of its possessor. No, in our present situation, the hidden treasures of the island must ever remain a profound secret. Were we happy enough to enjoy the blessings of your constitution, you might call us rich indeed. Many hidden doors of opulence would then be opened which now are not even thought of, and we should soon reassume our ancient name and consequence.”<sup>1</sup>

The Jews have been supposed to afford an instance of a people whose property was long exposed to an almost uninterrupted series of tyrannical attacks, and who, notwithstanding, continued to be rich and industrious. But when rightly examined, it will be found that the case of the Jews forms no exception to the general rule. The strong prejudices of which they have been the objects have, in most countries, prevented their acquiring property in land, and have also excluded them from participating in their charitable institutions. Having therefore, no extrinsic support on which to depend, in the event of their becoming infirm or destitute, they had a powerful additional motive to be industrious and parsimonious; and being driven from

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<sup>1</sup> “Tour in Sicily and Malta,” p. 351.

agriculture, they were compelled to addict themselves to commerce and the arts. In an age when the mercantile profession was generally looked upon as mean and sordid, and when, of course, they had comparatively few competitors, they, no doubt, made considerable profits; though these have been greatly exaggerated. It was natural that those indebted to the Jews should represent their gains as enormous; for this inflamed the existing prejudices against them, and afforded a miserable pretext for defrauding them of their just claims. There are a few rich Jews in most of the large cities of Europe; but the majority of that race have ever been, and still are, as poor as their neighbours.

Let us not, therefore, deceive ourselves by supposing that it is possible for any people to emerge from barbarism, or to become wealthy, prosperous, and civilized, without the security of property. Security is indispensable to the successful exertion of the powers of industry. Where it is wanting, it is idle to expect either riches or civilization.<sup>1</sup> "The establishment of property is, in fact," to borrow the statement of one of the ornaments of the English church, "the source from which all the arts of civilization proceed. Before this establishment takes place, the indolent suffer no inferiority, the active receive no gain; but from the date of the recognition of property to the individual, each man is rich, and comfortable, and prosperous, setting aside the common infirmities which flesh is heir to, according to his portion of effective industry or native genius. From this period he is continually impelled by his

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<sup>1</sup> "Ce n'est que là où les propriétés sont assurées, où l'emploi des capitaux est abandonné au choix de ceux qui les possèdent; ce n'est que là dis-je, que les particuliers seront encouragés à se soumettre aux privations les plus dures pour compenser par leurs épargnes les retards que la profusion du gouvernement peut apporter aux progrès de la richesse nationale. Si l'Angleterre, malgré ses guerres ruineuses, est parvenue à un haut degré d'opulence; si, malgré les contributions énormes dont le peuple y est chargé, son capital est pourtant accru dans le silence par l'économie des particuliers, il ne faut attribuer ces effets qu'à la liberté des personnes et à la sûreté des propriétés qui y régissent, plus que dans aucun autre pays de l'Europe, la Suisse exceptée."—STORCH, *Cours d'Economie Politique*, tom. i. p. 260.

desires from the pursuit of one object to another, and his activity is called forth in the prosecution of the several arts which render his situation more easy and agreeable.”<sup>1</sup>

It is clear from what has been previously stated, and from the nature of the thing, that nothing can become property unless it be susceptible of appropriation; and, on this ground, it has sometimes been objected to the game laws, that they make a property of that which, being incapable of appropriation, should belong to the community, or the captors. In support of this view of the matter, the rule of the Roman law has been appealed to, where it is laid down—*Fera igitur bestiae, et volucres, et pisces, et omnia animalia quae mari, caelo, et terra nascuntur, simulatque ab aliquo capta fuerint, jure gentium statim illius esse incipiunt; quod enim ante nullius est, id naturale ratione occupanti conceditur.*<sup>2</sup> But it is distinctly laid down in the article, whence we have borrowed this paragraph, that the proprietor of an estate has full power to prohibit any one from entering on it to kill wild animals. Without this proviso, there could not indeed have been, under the Roman law, such a thing as a property in land; and this is, in truth, all that is required to make game property. A partridge or hare is mine so long as it remains on my estate; but the moment it transfers itself to another estate it becomes the property of its owner. Poachers are punished not because they have killed wild animals, but partly and principally because in doing so they invade the right of property by killing it on lands belonging to other parties, on which they have no right to enter, and partly because they have not paid the tax demanded by government from all who kill game.

The interests of society sometimes require that a portion, or the whole, of the landed property of one or more individuals should be appropriated to some public purpose, as the formation

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<sup>1</sup> Semurn's "Records of the Creation," 4th ed. vol. ii. p. 51.

<sup>2</sup> *Instit.* lib. ii. tit. i. § 12.

of a road, canal, &c. But property should never be wantonly taken for such purposes, nor till the advantages to be obtained by its cession have been established before some competent tribunal; and when this has been done, full compensation should be made to those who are called upon to make a sacrifice for the promotion of the public interests.

Before dismissing this subject, we may observe, that Rousseau and the Abbé Mably have made an objection to the right of private property, which has been, in some measure, sanctioned by Beccaria and others.<sup>1</sup> They allow that its institution is advantageous for the possessors of property; but they contend, that it is disadvantageous for those who are poor and destitute. It condemns, they affirm, the greater portion of mankind to a state of misery, and provides for the exaltation of the few by the depression of the many. The sophistry of this reasoning is so apparent, as hardly to require being pointed out. The right of property has not made poverty, but it has powerfully contributed to make wealth. Previously to its establishment, the most civilized nations were sunk to the same level of wretchedness and misery as the savages of New Holland and Kamtchatska. All classes have been benefited by the change; and it is mere error and delusion to suppose that the rich have been benefited at the expense of the poor. The right of property gives no advantage to one over another. It deals impartially by all. It does not say, Labour and I shall reward you; but it says, "*Labour, and I shall take care that none be permitted to rob you of the produce of your exertions.*" The protection afforded to property by all civilized societies, though it has not made all men rich, has done more to increase their wealth than all their other institutions put together. The truth, however, is, that differences of fortune are as consonant to the nature of things, and are as really a part of the order of Pro-

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<sup>1</sup> Speaking of theft, Beccaria calls it, "*Il delitto di quella infelice parte di uomini, a cui il diritto di proprietà (terribile, e forse non necessario diritto,) non ha lasciato, che una nuda esistenza.*"—*Dei Delitti e delle Pene*, § 22.

vidence, as differences of sex, complexion, or strength. No two individuals will ever be equally fortunate, frugal, and industrious; and supposing an equality of fortunes were forcibly established, it could not be maintained for a week: some would be more inclined to spend than others; some would be more laborious and inventive; and some would have larger families. Hence the contradictory nature of all attempts to enforce an equality of property. By attacking that security which is a *sine quâ non* of all industry, the success of the levelers would be destructive alike of wealth and civilization. The establishment of a right of property enables exertion, invention and enterprise, forethought and economy, to reap their due reward. But it does this without inflicting the smallest imaginable injury upon anything else. There may be institutions which tend to increase those inequalities of fortune that are natural to society, but the right of property is not one of them. Its effects are altogether beneficial. It is a rampart raised by society against its common enemies—against rapine and violence, plunder and oppression. Without its protection, the rich would become poor, and the poor would be totally unable to become rich—all would sink to the same bottomless abyss of barbarism and poverty. “The security of property,” to use the just and forcible expressions of an able writer, “has overcome the natural aversion of man from labour, has given him the empire of the earth, has given him a fixed and permanent residence, has implanted in his breast the love of his country and of posterity. To enjoy immediately—to enjoy without labour, is the natural inclination of every man. This inclination must be restrained: for its obvious tendency is to arm all those who have nothing against those who have something. The law which restrains this inclination, and which secures to the humblest individual the quiet enjoyment of the fruits of his industry, is the most splendid achievement of legislative wisdom—the noblest triumph of which humanity has to boast.”<sup>1</sup>

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<sup>1</sup> Bentham, “*Traité de Législation*,” tom. ii. p. 37.

SECT. II.—DIVISION OF EMPLOYMENTS AMONG INDIVIDUALS,  
OR, THE PRINCIPLE OF CO-OPERATION.

The division and combination of employments can only be imperfectly established in rude societies and thinly-peopled countries. But in every state of society, in the rudest as well as the most improved, we may trace its operation and effects. The physical powers, the talents, and propensities with which men are endowed differ widely in different individuals, fitting some and disqualifying others for engaging in certain employments; and a regard to their own likings and conveniences naturally leads them to accommodate themselves to these differences, by establishing a system of barter and a division of employments. Every sort of capacity has then an opportunity for making the most favourable display. And it was speedily seen, that by combining their efforts, so as to bring about some desirable end, men might, with ease, accomplish tasks that could not otherwise be attempted. Even in the simplest businesses this co-operation is required; neither hunting nor fishing, any more than agriculture or manufactures, can be advantageously carried on by solitary individuals. Man is the creature of society; and is compelled, in every stage of his progress, to depend for help on his fellows. *Quò alio fortes sumus, quàm quòd mutuis juvamus officiis?* We can do little by ourselves, but a vast deal when united with others. Instead of trusting to our own efforts for a provision of the various articles required for our subsistence, comfort, and security, we instinctively associate with others, and find in this association the principal source of our superior power. Perceiving that they can obtain greater supplies of all that they deem useful or desirable by applying themselves to some one department of industry, individuals limit their attention to it only. As society advances, this division extends itself on all sides: one man becomes a tanner, or dresser of skins; another a shoemaker; a third a weaver; a fourth a house carpenter; a fifth a smith,

and so on ; one undertakes the defence of the society, and one the distribution of justice ; and each endeavours to cultivate and bring to perfection whatever talent or genius he may possess for the particular calling in which he is engaged : the well-being of all classes is, in consequence, greatly augmented. In countries where the division of labour is carried to a considerable extent, agriculturists do not spend their time in clumsy attempts to manufacture their own produce ; and manufacturers cease to interest themselves about the raising of corn and the fattening of cattle. The facility of exchanging is the vivifying principle of industry. Agriculturists adopt the best system of cultivation and raise the largest crops, that they may exchange such portion of the produce of their lands as exceeds their wants for other desirable commodities ; and manufacturers and merchants increase the quantity and variety, and improve the quality of their goods, that they may thereby obtain greater supplies of raw produce. A spirit of industry is thus universally diffused ; and the apathy and langour which characterize a rude state of society entirely disappear.

But the ability to exchange or barter one's own surplus produce for that of others, is not the only advantage of the separation of employments. Besides permitting each individual to confine himself to those departments which suit his taste and disposition, it adds very largely to his powers, and enables him to produce a much greater quantity of useful and desirable articles than he could do did he engage indiscriminately in different businesses. Adam Smith, who has treated this subject in a masterly manner, has classed the circumstances which conspire to increase the productiveness of industry, when labour is divided, under the following heads :—*First*, the increased skill and dexterity of the workmen ; *second*, the saving of time which is commonly lost in passing from one employment to another ; and, *third*, the tendency of the division of employments to facilitate the invention of machines and processes for saving labour. A few observations on each of these heads are subjoined.

1st. *With respect to the improvement of the skill and dexterity of the labourer*:—it is sufficiently plain that when a person's whole attention is devoted to one branch of business, when all the energies of his mind and powers of his body are made to converge, as it were, to a single point, he will attain to a proficiency in that particular branch to which those who engage in a variety of occupations cannot be expected to reach. A peculiar play of the muscles or *sleight of hand*, which can only be acquired by constant practice, is necessary to perform the simplest operation in the best and most expeditious manner. Smith has given a striking example, in the case of the nail manufacturer, of the great difference between training a workman to the precise occupation in which he is to be employed, and training him to a similar and closely allied occupation. "A common smith," says he, "who though accustomed to handle the hammer, has never been used to make nails, if, upon some particular occasion, he is obliged to attempt it, will scarce, I am assured, be able to make above two or three hundred nails in a day, and those, too, very bad ones. A smith who has been accustomed to make nails, but whose sole or principal business has not been that of a nailer, can seldom, with his utmost diligence, make more than eight hundred or a thousand nails in a day. But I have seen several boys under twenty years of age who had never exercised any other trade but that of making nails, and who, when they exerted themselves, could make, each of them, upwards of *two thousand three hundred nails in a day*,"<sup>1</sup> or nearly three times the number of the smith who had been accustomed to make them, but who was not entirely devoted to that particular business.

2d. The influence of the division of labour in preventing that *waste of time in moving from one employment to another*, which always takes place when workmen engage in different occupations, is even more obvious than its influence in im-

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<sup>1</sup> "Wealth of Nations," p. 4.



proving their skill and dexterity. When the same person carries on different employments, in different and perhaps distant places, and with different sets of tools, he must plainly lose a considerable portion of time in passing between them. If the employments in which he has successively to engage be carried on in the same workshop, the loss of time will be less, but even in that case it will be considerable. "A man," as Smith has justly observed, "commonly saunters a little in turning his hand from one sort of employment to another. When he first begins the new work, he is seldom very keen and hearty ; his mind, as they say, does not go along with it, and for some time he rather trifles than applies to good purpose. The habit of sauntering and of indolent careless application, which is naturally, or rather necessarily acquired by every workman who is obliged to change his work and his tools every half hour, and to apply his hand in twenty different ways almost every day of his life, renders him almost always slothful and lazy, and incapable of any vigorous application, even on the most pressing occasions. Independent, therefore, of his deficiency in point of dexterity, this cause alone must always reduce considerably the quantity of work which he is capable of performing." <sup>1</sup>

It may, perhaps, be worth while to remark in passing, that something similar to this effect in mechanical operations takes place with respect to the intellectual powers : when we pass abruptly from one speculation or study to another, some time always elapses before the attention is re-engaged, and the new train of ideas and facts brought fully under our view. Most persons must have experienced this ; and it appears to form an insuperable objection to a practice which has been sometimes recommended, of distributing the day into different portions, appropriated to the study of different branches of literature and science. Where mere accomplishment, or the attaining to a superficial acquaintance with a variety of sub-

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<sup>1</sup> "Wealth of Nations," p. 5.

jects, is the object, this plan is, perhaps, the best of any. But those who read or study in the view of making themselves masters of any art or science, will, if we may so speak, get through more intellectual work, and to much better purpose, in a given time, by preserving the train of thought unbroken, so as to bring one speculation or investigation to a close before commencing another.

3d. With regard to the tendency of the division of employments to *facilitate the invention of machines and processes for saving labour*, it may be assumed that those engaged in any branch of industry will be more likely to discover easier and readier methods of carrying it on, when their whole attention is devoted exclusively to it, than when it is diffused over a variety of objects. But it is a mistake to suppose, as has been sometimes done, that the genius of workmen and artificers is especially whetted and improved by the division of labour. As society advances, the study of particular branches of science and philosophy becomes the principal or sole occupation of the most ingenious men. Chemistry is disjoined from natural philosophy; the physical astronomer separates himself from the astronomical observer; the political economist from the politician; and each, meditating exclusively or principally on his peculiar department of science, attains to a degree of proficiency and expertness in it which the general scholar seldom or never reaches.

It would be invidious to refer to living, or even very recent instances, in proof of the error of those who endeavour to distinguish themselves by their attainments, not in one or two only, but in many departments of human knowledge. The reputation of such individuals is almost always ephemeral; for though they may be superficially acquainted with more things than most men, they seldom or never acquire that deep and thorough comprehension of any one art or science that is acquired by those who make it the principal or the exclusive object of their study. Great as is the fame of Leibnitz, perhaps the most universally informed and versatile genius of

modern times, there is reason to think that it would have been greater and more durable had his energies been more concentrated. "But," to borrow the language of Gibbon, "even *his* powers were dissipated by the multiplicity of his pursuits. He attempted more than he could finish; he designed more than he could execute; his imagination was too easily satisfied with a bold and rapid glance on the subject which he was impatient to leave; and Leibnitz may be compared to those heroes whose empire has been lost in the ambition of universal conquest."<sup>1</sup>

But, if these remarks may be justly applied even to Leibnitz, what can ordinary men expect who engage indiscriminately in every line of study? They may have a smattering of many things, but they can have little solid knowledge. If we would attain to eminence, we must husband our resources, and apply them so as to perfect ourselves as much as possible in some one pursuit, or a few only.

And hence, in labouring to promote our own ends by applying ourselves to the study or the practice of some particular art or science, we necessarily follow that course which is most advantageous for all. Like the different parts of a well-constructed engine, the inhabitants of a civilized country are all mutually dependent on, and connected with each other. Without any previous concert, and obeying only the powerful and steady impulse of self-interest, they universally conspire to the same great end; and contribute, each in his respective sphere, to furnish the greatest supply of necessities, conveniences, and enjoyments.

This dependence and combination is not found only or principally in the mechanical employments: it extends to the labours of the head as well as to those of the hands; and pervades and binds together all classes and degrees of society. "The great author of order hath so distributed the ranks and offices of men, in order to mutual benefit and comfort, that

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<sup>1</sup> Miscellaneous Works, iii. 363, 8vo. edition.

one man should plough, another thrash, another grind, another labour at the forge, another knit or weave, another sail, another trade, another supervise all these, labouring to keep them all in order and peace; that one should work with his hands and feet, another with his head and tongue; all conspiring to one common end, the welfare of the whole, and the supply of what is useful to each particular member; every man so reciprocally obliging and being obliged, the prince being obliged to the husbandman for his bread, to the weaver for his clothes, to the mason for his palace, to the smith for his sword; those being all obliged to him for his vigilant care in protecting them, for their security in pursuing the work, and enjoying the fruit of their industry.”<sup>1</sup>

The circumstance of its enabling manufacturers or others engaged in any complicated business, or department of industry, to employ work-people of very various degrees of skill and force, is one of the most advantageous results of the division of labour. In the cotton manufacture, for example, some processes that are indispensable may be quite as well performed by children and women as by the most expert and powerful workmen. It is clear, however, that but for the distribution of the labour required to bring about results among different sets of individuals possessing the degrees of skill and strength necessary in each particular part of the manufacture, none could be employed but those who possessed the skill and strength required in the most difficult and laborious processes; and consequently workmen at 40s. or 50s. a-week would have to engage in tasks that might be as well or better performed by girls at 5s. or 7s. a-week. Hence, in all great industrial departments, the more able, dexterous, and skilful labourers are employed only in the functions which require peculiar strength, dexterity, and skill; those which require these qualities in a less degree being carried on by inferior and cheaper labourers. The success of most industrial undertakings depends, indeed, in

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<sup>1</sup> Barrow's Second Sermon on Industry.

great measure, on the sagacity with which this distribution of employments is made, or with which the skill and power of the work-people are proportioned to the results to be produced.<sup>1</sup>

It is necessary to bear in mind, that the advantages derived from the division of labour, though they are enjoyed in some degree in every country and state of society, can only be realized in their full extent where there is a great power of exchanging, or an *extensive market*. There are many employments which cannot be separately carried on without the precincts of a large city; and, in all cases, the division becomes more perfect, according as the demand for the produce is extended. Smith states, that ten labourers, employed in different departments in a pin manufactory, produced 48,000 pins a-day, and since his time the number has been more than doubled; but it is evident, that if the demand were not sufficient to take off this number, ten men could not be constantly employed in the business; and the division of labour in it could not, of course, be carried so far. The same principle holds universally. A cotton mill could not be constructed in a small country having no intercourse with its neighbours. The demand and competition of Europe and America have been necessary to carry the manufactures of Manchester, Glasgow, and Birmingham, to their present state of improvement.

The various provisions made by society for its protection, and for securing the safety and rights of individuals, owe their origin to this principle. "Government itself is wholly founded on a sense of the advantages resulting from the division of employments. In the rudest state of society each man relies principally on himself for the protection both of his person and his property. For these purposes he must be always armed, and always watchful; what little property he has

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<sup>1</sup> For a further illustration of this principle, see *Babbage's Economy of Manufactures*, p. 172.

must be movable, so as never to be far distant from its owner. Defence or escape occupy almost all his thoughts, and almost all his time; and after all these sacrifices, they are very imperfectly effected. 'If ever you see an old man here,' said an inhabitant of the confines of Abyssinia to Bruce, 'he is a stranger, the natives all die young by the lance.'

"But the labour which every individual, who relies on himself for protection, must himself undergo, is more than sufficient to enable a few individuals to protect themselves, and also the whole of a numerous community. To this may be traced the origin of governments. The nucleus of every government must have been some person who offered protection in exchange for submission. On the governor, and those with whom he is associated, or whom he appoints, is devolved the care of defending the community from violence and fraud; and so far as internal violence is concerned, and that is the evil most dreaded in civilized society, it is wonderful how small a number of persons can provide for the security of multitudes. About 15,000 soldiers, and not 15,000 policemen, watchmen, and officers of justice, protect the persons and property of the eighteen millions of inhabitants of Great Britain. There is scarcely a trade that does not engross the labour of a greater number of persons than are employed to perform this the most important of all services."<sup>1</sup>

The influence of the division of labour in augmenting and perfecting the products of industry, was distinctly pointed out in antiquity;<sup>2</sup> and by Harris, Turgot, and other

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<sup>1</sup> Senior on Political Economy.

<sup>2</sup> Xenophon accounts as follows for the superior excellence of the dishes served up at the table of the Persian monarchs:—"For as other arts are wrought up in great cities to a greater degree of perfection, in the same manner are the meats that come from the king dressed in greater perfection. For in little cities the same people make both the frame of a couch, a door, a plough, and a table; and frequently the same person is a builder too, and very well satisfied he is, if he meet with customers enough to maintain him. It is impossible, therefore, for a man that makes a great many different things to do them all well. But in great

modern writers who preceded Adam Smith; but none of them did what he has done. None of them fully traced its operation, or showed that the power of engaging in different employments depends on the power of exchanging; and that, consequently, the advantages derived from the division of labour are dependent upon, and regulated by, the extent of the market. By establishing this principle Smith shed a new light on the science, and laid the foundation of many important practical conclusions. "*Présentée de cette manière*," says M. Storch, "*l'idée de la division du travail étoit absolument neuve; et l'effet qu'elle a fait sur les contemporains de Smith, prouve bien qu'elle l'étoit réellement pour eux. Telle qu'elle se trouve indiquée dans les passages que je viens de citer, elle n'a fait aucune impression. Développée par Smith, cette idée a d'abord saisi tous ses lecteurs; tous en ont senti la vérité et l'importance; et cela suffit pour lui en assurer l'honneur, lors même que son génie eut été guidé par les indications de ses devanciers.*"<sup>1</sup>

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cities, because there are multitudes that want every particular thing, one art alone is sufficient for the maintenance of every one. And frequently, not an entire one neither; but one man makes shoes for men, another for women. Sometimes it happens, that one gets a maintenance by sewing shoes together, another by cutting them out; one by cutting cloths only; and another, without doing any of these things, is maintained by fitting together the pieces so cut out. He, therefore, that deals in a business that lies within a little compass, must of necessity do it the best. The case is the same with respect to the business of a table; for he that has the same man to cover and adorn the frame of a couch, to set out the table, to knead the dough, to dress the several different meats, must necessarily, in my opinion, fare in each particular as it happens. But where it is business enough for one man to boil meat, for another to roast it; for one to boil fish, and for another to broil it; where it is business enough for one man to make bread, and that not of every sort neither, but that it is enough for him to furnish one sort good, each man, in my opinion, must, of necessity, work up the things that are thus made to a very great perfection. He, therefore, by this kind of management, greatly exceeded all other people in this sort of courtship, by presents of meat."—(*Cyropædia*, by Ashley, p. 378. This is a very remarkable passage, and shows that the division of labour was then well understood in Greece, and extensively practised.

<sup>1</sup> Tom. iv. p. 9.

SECT. III.—DEFINITION OF CAPITAL—MODE IN WHICH IT CONTRIBUTES TO THE FORMATION OF WEALTH—CIRCUMSTANCES MOST FAVOURABLE FOR ITS ACCUMULATION.

Capital comprises those portions of the produce of industry that may be directly employed either to support human beings or to assist in production.

It includes a vast variety of articles, embracing those required for the food and accommodation of the labouring classes; the lower animals that may be employed for useful purposes; machinery and tools of all sorts; houses, ships, warehouses, waterworks, &c., and the roads, railways, canals, docks, and so forth, that have been formed to facilitate conveyance, and increase the productiveness of industry. The capacity or incapacity of an article to assist in production is the best criterion by which to decide whether it is or is not capital. The nature of its employment, on which much stress has been laid by Adam Smith and others, depends entirely on the judgment or caprice of its owner, and affects neither its character nor its qualities. It is frequently, also, very difficult to distinguish between what are really productive and unproductive employments; so that a definition which depends on such a distinction being made must be of the class of those which explain *ignotum per ignotius*. But there is never, or but rarely, any difficulty in learning whether an article may be employed to expedite labour or maintain labourers; and that is all that is required for its proper classification. A great many articles, including pictures, prints, statues, vases, most sorts of gems, trinkets, &c., cannot be employed in either of the ways now referred to, and have, therefore, no claim to be called capital. But any article that may be so employed is entitled to that designation, however it may be disposed of. Gunpowder, for example, is capital, for it may be expended in the blasting of rocks, as well as in fireworks; and horses have no better claim to be called capital when they are employed in ploughing or harrowing, than when they are racing at Newmarket or Goodwood.



It is usual to distribute capital into two great divisions, one called *circulating*, and the other *fixed*; the former comprises those portions of capital that are most rapidly consumed—such as the food, clothes, and other articles required for the subsistence of man, the corn and herbage used as seed and in the feeding of horses, coal, &c.; while the lower animals, the houses, and the various instruments and machines employed in production, are classed under the head of fixed capital. But, though this distinction be convenient for some purposes, no clear line of demarcation can be drawn between the different varieties of capital, and all of them are indispensable to the successful prosecution of most branches of industry. Without circulating capital, or food and clothes, it would be impossible to carry on any sort of undertaking where the return was at all distant; and there are very few sorts of labour that can be carried on, at least with any advantage, without fixed capital, or tools and engines. But the foresight and inventive faculty of man, lead him, in the rudest periods, to provide a reserve of food, and to contrive instruments to assist him in his operations. The American hunters have clubs and slings and the same principle which prompts them to construct these rude implements never ceases to operate; it is always producing new improvements; and, in an advanced period, substitutes ships for canoes, muskets for slings, steam engines for clubs, and spinning-mills for distaffs.

Hence it is only by the employment of both descriptions of capital, that wealth can be largely produced, and universally diffused. An agriculturist might have an ample supply of oxen and horses, of carts and ploughs, and generally of all the animals and instruments used in his department of industry; but were he destitute of *circulating* capital, or of food and clothes, he would be unable to avail himself of their assistance, and instead of tilling the ground, would have to resort to some species of appropriative industry: and, on the other hand, supposing he were abundantly supplied with provisions, what could he do without *fixed* capital or tools? What could the most skilful husbandman perform without his

spade and his plough?—a weaver without his loom?—a carpenter without his saw, his axe, and his planes?

As an accumulation of capital must precede any very extensive division and combination of employments, so their further division and combination can only be perfected as capital is more and more accumulated. Accumulation and division act and re-act on each other. The greater the amount of their capital, the better, speaking generally, will the employers of labour distribute the work to be done among the work-people in their employment, who, consequently, have, as already explained, a greater chance of discovering machines and processes for abridging their various tasks. Hence the industry of every country is not only directly increased with the increase of the stock or capital which sets it in motion; but, by means of this increase, the division of labour is extended, new and more powerful implements and machines are invented, and the same amount of labour is made to produce a much greater supply of commodities.

Besides enabling labour to be divided, capital contributes to facilitate labour and produce wealth in the three following ways:—

*First.*—It enables work to be executed that could not be executed, or commodities to be produced that could not be produced, without it.

*Second.*—It saves labour in the production of almost every variety of commodities.

*Third.*—It enables work to be executed better, as well as more expeditiously.

With regard to the *first* of these advantages, or the circumstance of the employment of capital *enabling commodities to be produced that could not be produced without it*, we have seen that the production of such articles as require a considerable period for their completion, could not be attempted unless a stock of circulating capital, or of food and clothes sufficient for the maintenance of the labourer while employed on them, were previously provided. But the command of fixed

capital, or of tools and machines, is frequently as necessary in production as that of circulating capital. Stockings, for example, could not be knitted without wires; and, although the ground might be cultivated without a plough, it could not be cultivated without a spade or a hoe. If we run over the vast catalogue of the arts practised in a civilized country, it will be found that extremely few can be carried on by the mere employment of the fingers, or rude tools with which we are furnished by nature. It is almost always necessary to provide ourselves with the results of previous industry, and to strengthen our feeble hands by arming them, if we may so speak, "with the force of all the elements."

In the *second* place, besides supplying many descriptions of commodities that could not be produced without its co-operation, the employment of capital occasions a *saving of labour in the production of many others*: and, by lowering their cost, brings them within reach of a far greater number of consumers. We have been so long accustomed to the services of the most powerful machines, that it requires a considerable effort of abstraction to become fully aware of the advantages they confer on us. If, however, we compare the arts practised by highly civilized societies and those in a less advanced state, we must be convinced that we are indebted to the employment of machinery for a very large share of our superior comforts and enjoyments. Suppose, that, like the Peruvians, and many other people of the New as well as of the Old World, we were destitute of iron,<sup>1</sup> and unacquainted with the method of do-

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<sup>1</sup> Locke has the following striking observations on the use of iron:—"Of what consequence the discovery of one natural body, and its properties, may be to human life, the whole great continent of America is a convincing instance; whose ignorance in useful arts, and want of the greatest part of the conveniencies of life, in a country that abounded with all sorts of natural plenty, I think may be attributed to their ignorance of what was to be found in a very ordinary, despicable stone, I mean the mineral of *iron*. And whatever we think of our parts, or improvements, in this part of the world, where knowledge and plenty seem to vie with each other; yet, to any one that will seriously reflect upon it, I suppose it will appear past doubt, that, were the use of iron lost among us, we should in a

mesticating and employing oxen and horses, how prodigious a change for the worse would be made in our condition ! It was customary, in some countries, to make cloth by taking up thread after thread of the warp, and passing the woof between them by the unassisted agency of the hand ; so that years were consumed in the manufacture of a piece which, with the aid of the loom, may be produced in as many days.<sup>1</sup> Nothing, perhaps, has contributed so much to accelerate the progress and diffuse the blessings of civilization, as the establishment of a commercial intercourse between different and distant nations. But how could this be effected without the construction of vessels and the discovery of the art of navigation ? And if we compare the early navigators, creeping timidly along the shore in canoes, formed out of trees partly hollowed by fire, and partly by the aid of a stone hatchet, or the bone of some animal, with those who now boldly traverse the trackless ocean in noble ships laden with the produce of every climate, we shall have a faint idea of the advance of the arts, and of what we owe to machinery and science. Those who have distinguished themselves in this career, though they have rarely met with that gratitude and applause to which they had a just claim, have been the great benefactors of the human race. By pressing the powers of nature into our service, and subjecting them to our control, they have given man almost omnipotent power, and rendered him equal to the most gigantic undertakings. Without their assistance we should be poor indeed ! Such as we now find the naked and half-famished savage of New Holland, such would the Athenian, the Roman, and the Englishman have been, but for the invention of tools and machines, and the employment of natural agents in the great work of production.

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few ages be unavoidably reduced to the wants and ignorance of the ancient savage Americans, whose natural endowments and provisions came no way short of those of the most flourishing and polite nations ; so that he who first made use of that one contemptible mineral, may be truly styled the father of arts and author of plenty."—*Essay on the Understanding*, book iv. cap. 12.

<sup>1</sup> Ulloa, "Voyage de l'Amérique" tom. i. p. 336. Ed. Amst. 1752.

The *third* advantage derived from the employment of capital consists in its enabling work to be done better, as well as more expeditiously. Cotton, for example, may be spun by the hand ; but while the admirable machines invented by Hargreaves, Arkwright, and others, spin a hundred or a thousand times as much yarn as could be spun by means of a common spindle, they have also improved its quality, and given it a degree of fineness and of evenness, or equality, which was not previously attainable. A painter would require months, or it might be years, to paint with a brush the cottons, or printed cloths, used in the hanging of a single room ; and it would be very difficult, if not impossible, for the best artist to give that perfect identity to his figures, which is given to them by the machinery now in use for that purpose. Not to mention the other and more important advantages resulting from the invention of movable types and printing, the most perfect manuscript—one on which years of patient and irksome labour have been expended—is unable, in point of delicacy and correctness, to match a well printed work, executed in the hundredth part of the time, and at a hundredth part of the expense. The great foreign demand for English manufactured goods results no less from the superiority of their manufacture than from their greater cheapness ; and for both these advantages we are principally indebted to the excellence of our machinery.

There are other considerations which equally illustrate the extreme importance of the accumulation and employment of capital. Setting aside the variations of harvests and such like accidental occurrences, the produce of the land and labour of a nation cannot be increased except by an increase in the number of its labourers, or in their productive powers. But without an increase of capital, it is in most cases difficult to employ more workmen with advantage. When the articles applicable to the support of the labourers, and the tools and machines with which they are to work, are required for the maintenance and efficient employment of those already in existence, there can be little or no demand for others. Under

such circumstances the rate of wages cannot rise ; and if the number of inhabitants be increased, they will be worse provided for. Neither is it probable that the powers of the labourer should be materially augmented, unless capital has been previously increased. Without the better education and training of workmen, the greater subdivision of their employments, or the improvement of machinery, their productive energies cannot be materially augmented ; and in almost all these cases, additional capital is required. It is seldom, unless by its means, that workmen can be better trained, or that the undertaker of any work can either provide them with better machinery, or make a more proper distribution of labour among them. Should the work to be done consist of a number of parts, to keep a workman constantly employed in one only requires a much larger stock than when he is occasionally employed in different parts. " When," says Adam Smith, " we compare the state of a nation at two different periods, and find that the annual produce of its land and labour is evidently greater at the latter than at the former, that its lands are better cultivated, its manufactures more numerous and more flourishing, and its trade more extensive, we may be assured that its capital must have increased during the interval between these two periods, and that more must have been added to it, by the good conduct of some, than had been taken from it, either by the private misconduct of others, or by the public extravagance of government."<sup>1</sup> It is therefore apparent, that countries which add to their capital can never reach the stationary state. While they do this, they have an increasing demand for labour, and will be uniformly augmenting the mass of necessities and conveniences, and generally, also, the numbers of their people. But when no additions are made to capital, no more labour will be, or, at least, can be advantageously employed. And should the national capital diminish, the condition of the bulk of the people will deteriorate ; the wages of labour will be

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<sup>1</sup> "Wealth of Nations," p. 152.

reduced ; and pauperism, with its attendant train of vice, misery, and crime, will spread its ravages throughout society.

Having thus endeavoured to show what capital is, the importance of its employment, and the manner in which it contributes to assist production, we proceed to explain its origin, and the circumstances most favourable for its accumulation.

Had it been a law of nature that the produce obtained from industrial undertakings merely sufficed to replace what had been expended in carrying them on, society would have made no progress, and man would have continued nearly in the state in which he was originally placed. But the established order of things is widely different. It is so constituted that, in the vast majority of cases, more wealth or produce is obtained through the agency of a given quantity of labour, than is required to carry on that labour. This surplus, or excess of produce, has been denominated *profit*; and it is from it that capital is wholly derived. It is not enough that a man's immediate wants are supplied, he looks forward to the future. Even the savage who kills more game in a day than he can consume, does not throw the surplus away ; experience has taught him that he may be less fortunate on another occasion ; and he, therefore, either stores it up as a reserve against any future emergency, or barter it for something else. Experience, too, would speedily show, that without a stock of provisions no one could engage in any undertaking, however productive in the end, that required any considerable time before it made a return. No doubt, therefore, the principle which prompts to save and amass, which leads man to sacrifice an immediate gratification for the sake of increased security, or of greater enjoyment at some future period, manifested itself in the earliest ages. At first, indeed, its operation must have been comparatively feeble. But it gathered fresh strength and consistency, according as the many advantages of which it is productive gradually disclosed themselves. The dried fish,

canoes, and spears of the wretched inhabitants of Tierra del Fuego exhibit the first fruits of that powerful passion, to which we owe all the riches of the world.

Seeing, therefore, that capital is formed out of the excess of the produce realized by those who engage in industrial pursuits, over and above the produce necessarily expended in carrying them on, it plainly follows, that the means of amassing capital will be greatest where this excess is greatest; or, in other words, that they will be greatest where the rate of profit is highest. This is so obvious as hardly to require illustration. Husbandmen who produce a bushel of wheat in *two* days, may, it is evident, accumulate twice as fast as those who, through a deficiency of skill, or from their being obliged to cultivate a bad soil, have to labour *four* days to produce the same quantity; and it is the same with capitalists who invest stock so as to obtain a profit of ten *per cent.* compared with those whose investments do not yield more than five *per cent.*<sup>1</sup> It is true that high profits give the means only of amassing capital; and had men always lived up to their incomes, expending their entire amount upon their immediate wants and desires, there would have been no such thing as capital in the world. But experience shows, that while high profits afford greater means of saving, they, at the same time, give additional force to the parsimonious principle. If the sum that remains to a man, after his necessary expenses are deducted, be but trifling, he may, perhaps, choose rather to consume it, than to hoard it up in the expectation, that by the addition of farther savings it may, at some distant period, become the means of making a small addition to his income. But wherever profits are high, or where there is a great power of accumulation, we deny ourselves immediate gratifications, because we have a certain prospect that by doing so, we shall speedily attain to comparative affluence; and that our

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<sup>1</sup> This is understated. It is plain, inasmuch as all parties must live on their profits, that those who gain double may accumulate more than twice as fast as the others.



future independence will be better secured by our present forbearance. Give to any people the power of accumulating, and you may depend upon it they will not be disinclined to use it effectively. In the United States, previously to their disruption, the rate of profit was commonly twice as high as in Great Britain or Holland; and it was to its greater magnitude that their comparatively quick progress in wealth and population was wholly to be ascribed. The desire of adding to our means, and improving our condition, that is inherent in the human constitution, and is the fundamental principle,—the *causa causans*,—of every improvement, can never be eradicated. There may, no doubt, be circumstances under which it may have no room to manifest itself; but whenever an opportunity offers, it never fails to put forth all its untiring energies. “No measure of fortune, or degree of skill, is found to diminish the supposed necessities of human life; refinement and plenty foster new desires, while they furnish the means or practise the methods to gratify them.”<sup>1</sup>

Perhaps it will be said, in opposition to these statements, that the rate of profit is high in Eastern countries, and that they are, notwithstanding, either retrograding or advancing only by imperceptible degrees. It may be questioned, however, whether the rate of profit be really higher in them than in Europe. The rate of *interest* is no doubt higher; but that is a consequence of the hazard to which the principal is exposed from the prejudices against usury. All taking of interest is prohibited by the Korân; and this is in truth, the chief cause of its being so very high in the countries which respect its authority. “L’usure,” says Montesquieu, “augmente dans les pays Mahometans à proportion de la sévérité de la défense. Le prêteur s’indemnise du peril de la contravention.”<sup>2</sup> It is not meant, however, to affirm, that great productiveness of industry, or a high rate of profit, is necessarily, and in every

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<sup>1</sup> Ferguson’s “Essay on Civil Society,” p. 360.

<sup>2</sup> “Esprit des Loix,” liv. xxi. chap. 19.

instance, accompanied by a great degree of prosperity. Countries with every other capacity for the profitable employment of industry and stock, may have the misfortune to be subjected to governments that do not respect or uphold the right of property; and the insecurity thence resulting, may suffice to paralyze all the exertions of their inhabitants. But, it may, we believe, be laid down as a principle which hardly admits of exception, that if two or more countries, nearly in the same physical circumstances, have about equally tolerant and liberal governments, and give equal protection to property, their prosperity will be proportioned to the rate of profit in each. Where, *ceteris paribus*, profits are high, capital is rapidly augmented, and there is a comparatively rapid increase of wealth and population; and on the other hand, where profits are low, the means of employing additional labour are proportionally limited, and the progress of society rendered so much the slower.

It is not, therefore, by the absolute amount of its capital, but by its power of employing that capital with advantage—a power which, in all ordinary cases, is correctly measured by the common and average rate of profit—that the capacity of a country to increase in wealth and population is to be estimated. Before the laws regulating the rate of profit and the increase of capital were thoroughly investigated, the great wealth and commercial prosperity of Holland, where profits, from 1650 downwards, were comparatively low, were considered by Sir Josiah Child, and many later writers, as the natural results, and were consequently regarded by them as a convincing proof of the superior advantages of low profits and interest. But this, as will be afterwards seen, was to mistake the effect of heavy taxation for the cause of wealth! A country where profits are low, may, notwithstanding, abound in wealth, and be possessed of immense capital; but it is the height of error to suppose, that the lowness of profits facilitated its accumulation. The truth is, that the low rate of profit in Holland during the eighteenth

century was at once a cause and a symptom of her decline. Sir William Temple mentions, in his *Observations on the Netherlands*, written about 1670, that the trade of Holland had then passed its zenith. The vast capitals of the Dutch merchants were principally amassed previously to the wars in which the republic was successively engaged with Cromwell, Charles II., and Louis XIV., when the rate of profit was higher than at any subsequent period.

But without referring to the examples of America, Holland, or any other country, the smallest reflection on the motives to engage in any branch of industry is sufficient to show that the advantages derived from it are always supposed, *cæteris paribus*, to be directly as the rate of profit. Why does a man employ himself or his capital in this or that undertaking?—because he expects it will afford the largest profits. One branch of industry is said to be peculiarly advantageous, for the single and sufficient reason that it yields a comparatively large profit; and another is, with equal propriety, said to be peculiarly disadvantageous, because it yields a comparatively small profit. It is always to this standard, to the high or low rate of profit which they respectively yield, that every individual refers in comparing different undertakings; and it is hardly necessary to add, that what is true of individuals, must be true of states.

No certain conclusion respecting the prosperity of any country can be drawn from the magnitude of its commerce or revenue, or the state of its agriculture or manufactures. Every branch of industry is liable to be affected by secondary or accidental causes. They are always in a state of flux or reflux; and some of them are frequently seen to flourish when others are very much depressed. The AVERAGE RATE OF PROFIT would seem to be, on the whole, the best barometer—the best criterion of national prosperity. A rise of profits is, speaking generally, occasioned by industry having become *more* productive; and it shows that the power of the society to amass capital, and to add to its wealth and

population, has been increased, and its progress accelerated : a fall of profits, on the contrary, is occasioned by industry having become *less* productive, and shows that the power to amass capital has been diminished, and that the progress of the society has been clogged and impeded.<sup>1</sup> However much a particular, and it may be an important, branch of industry, is depressed, still, if the average rate of profit be high, we may be assured that the depression cannot continue, and that the condition of the country is really prosperous. On the other hand, though there were no distress in any particular branch—though agriculture, manufactures, and commerce were carried to a greater extent than they had ever been carried before—yet, if the rate of profit have become comparatively low, we may pretty confidently affirm, that the condition of such nation, how prosperous soever in appearance, is unsound at bottom ; that the plague of poverty is secretly creeping on the mass of her citizens ; that the foundations of her greatness have been shaken ; and that her decline may be anticipated, unless measures be devised for relieving the pressure on her resources, by adding to the productiveness of industry, and, consequently, to the rate of profit.

It has been wisely ordered, that the principle which prompts to save and amass should be as powerful as it is advantageous. "With regard to profusion," says Adam Smith, "the principle which prompts to expense is the passion for present enjoyment ; which, though sometimes violent and very difficult to be restrained, is in general only momentary and occasional. But the principle which prompts to save is the desire of bettering our condition ; a desire which, though generally calm and dispassionate, comes with us from the womb, and never leaves us till we go into the grave. In the

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<sup>1</sup> We are here only laying down the leading principles on the subject. In the chapter on the "Circumstances which determine the Rate of Profit," we shall endeavour to investigate the influence of fluctuations in the value of money, of loans to government, &c., on profits. The doctrine advanced in the text is meant only to apply in cases where these disturbing causes are not in operation.

whole interval which separates these two moments, there is scarce, perhaps, a single instant in which any man is so perfectly and completely satisfied with his situation as to be without any wish of alteration or improvement of any kind. An augmentation of fortune is the means by which the greater part of men propose and wish to better their condition. It is the means the most vulgar and the most obvious; and the most likely way of augmenting their fortune is to save and accumulate some part of what they acquire, either regularly and annually, or upon some extraordinary occasion. Though the principle of expense, therefore, prevails in almost all men upon some occasions, and in some men upon almost all occasions, yet in the greater part of men, taking the whole course of their life at an average, the principle of frugality seems not only to predominate, but to predominate very greatly."<sup>1</sup>

Bacon objects to that parsimony which is the source of accumulation, that "it withholdeth men from works of liberality and charity." (*Essays*, No. 34.) But unless a man be born to affluence, which is the lot of few, the exercise of parsimony is required to enable him to be really charitable. Those who spend as fast as they acquire, are almost always in difficulties; they live, as the phrase is, from hand to mouth, and are without the means, even if they had the inclination, to act liberally. But it is not necessary to the practice of a proper degree of parsimony that people should submit to painful privations, or that they should behave in a mean or niggardly manner. Parsimony is not to be confounded with the base passion of avarice. It does not regard accumulation as an end, but only as a means to an end; and it should correspond to, and be consistent with, a man's situation and prospects. And in truth it is everywhere found that the establishments of those parties, whether in the lower, middle, or upper classes, who are said to be saving or parsimonious, are

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<sup>1</sup> "Wealth of Nations," p. 151.

more distinguished by their good order and the avoidance of waste than by anything else. They do not deny themselves gratifications, but they keep the taste for them within due bounds, and do not allow their means to be made away with (as many do) they know not how. They are careful and economical upon principle, and add to their fortunes that they may be able to live better and be more hospitable and generous. Cicero says of Rabirius Postumus, "*In augenda re non avaritiæ prædam, sed instrumentum bonitati quærere videtur.*" (Pro Rabirio Postumo, cap. 2.)

But without insisting further on these considerations, it is found that the spirit of parsimony, and the efforts of the frugal and industrial classes to improve their condition, suffice in most instances to balance not only the profusion of individuals, but also the more wasteful profusion and extravagance of governments. This spirit has been happily compared by Smith to the unknown principle of animal life—the *vis medicatrix naturæ*—which frequently restores health and vigour to the constitution, in spite both of disease and of the injudicious prescriptions of the physician.

But though the principle of accumulation be powerful enough, when its vigorous action is not paralyzed by any fear of insecurity to make good the waste or loss of large amounts of capital, we must take care not to fall into the error of supposing, as very many have done, that its efficiency is in *all* cases promoted by a large public expenditure. To a certain extent, indeed, this is true. A moderate increase of taxation has the same effect on the habits and industry of a nation, that an increase of his family, or of his necessary and unavoidable expenses, has upon a private individual. Man is not influenced solely by hope; he is also powerfully operated upon by fear. Taxation brings the latter principle into the field. To the desire of rising in the world, inherent in the breast of every individual, an increase of taxation superadds the fear of being cast down to a lower station, of being deprived of conveniences and gratifications which habit has rendered all but

indispensable; and the combined influence of the two principles produces efforts that could not be produced by the unassisted agency of either. They stimulate individuals to endeavour, by increased industry and economy, to repair the breach taxation would otherwise make in their fortunes; and it not unfrequently happens that their efforts do more than this, and that, consequently, the national wealth is increased through the increase of taxation. But we must be on our guard against the abuse of this doctrine. To render an increase of taxation productive of greater exertion, economy, and invention, it should be slowly and gradually brought about; and it should never be carried to such a height as to incapacitate individuals from meeting the sacrifices it imposes by such an increase of industry and economy as it may be in their power to make without requiring any very violent change of their habits. The increase of taxation must not be such as to make it impracticable to overcome its influence, or to lead to the belief that it is impracticable. Difficulties that are seen to be surmountable sharpen the inventive powers, and are readily grappled with; but an apparently insurmountable difficulty, or such an excessive weight of taxation as it was deemed impossible to meet, would not stimulate but destroy exertion. Instead of producing new efforts of ingenuity and economy, it would produce only despair. Whenever taxation becomes so heavy that the produce it takes from individuals can no longer be replaced by fresh efforts, they uniformly cease to be made; the population becomes dispirited: industry is paralyzed; and the country rapidly declines.

A striking illustration of what has now been stated, may be derived from observing the influence of fair and low rents on the industry of farmers. It might seem, on a superficial view of the matter, that the circumstance of a farm being low-rented would not lessen the enterprise or industry of the tenant, seeing that every thing he could make it produce over and above the rent would belong to himself. Such, however, is not found to be the case; and it is difficult to say whether

the over or under-renting of land be most injurious. If a farm be too high-rented, that is, if no exertion of skill, or reasonable outlay on the part of the tenant, will enable him to pay his rent and obtain a fair return for his trouble, he gets dispirited. The farm is, in consequence, ill-managed; scourging crops are resorted to; and ultimately it is thrown on the landlord's hands, in an impoverished and deteriorated condition. But the disadvantages attending the under-renting of land are hardly less obvious. To make farmers leave those routine practices to which they are very strongly attached, and become really industrious and enterprising, they must not only have the power of rising in the world, but their rents must be such as to impress them with a conviction, that if they do not exert themselves their ruin will assuredly follow. Estates that are under-rented are, uniformly almost, farmed in an inferior style compared with those that are let at their fair value; and the tenants are not generally in good circumstances. "I have not," says Arthur Young, "seen an instance of rent being very low, and husbandry, at the same time, being good. Innumerable are the instances of farmers living miserably, and even breaking, on farms at very low rents, being succeeded by others, on the same land, at very high rents, who make fortunes. Throughout my journey I have universally observed, that such farms as were the most wretchedly managed were very much under-let."<sup>1</sup>

What an increase of rent is to the farmers, an increase of taxation is to the public. If it be carried beyond due bounds, or to such an extent that it cannot be fully balanced by increased efforts to produce and save, it is productive of national poverty and decline; but so long as it is confined within moderate limits, it acts as a powerful stimulus to industry and economy, and most commonly occasions the production of more wealth than it abstracts.

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<sup>1</sup> Young's "Tour in the North of England," vol. iv. p. 376. See also "Analysis of the Statistical Account of Scotland," part i. p. 258, &c., for proofs of the same principle.



That capital is formed out of profits, and that profits are the surplus obtained from industrial undertakings, after the stock expended in carrying them on has been fully replaced, are propositions which, though universally true, are, at least the latter, at variance with the common notions on the subject. Instead of supposing profits to originate in the manner now stated, they are almost uniformly supposed to depend on the sale of produce, and to be made at the expense of the purchaser. Thus, to take a familiar instance, the hat-maker who sells a hat for thirty shillings, which cost him twenty-five shillings of outlay, believes he has made the five shillings of profit at the expense of the buyer of the hat, and this is, also, the universal belief of others. In truth and reality, however, he has done no such thing. He produced, in a given time, a hat equivalent to, or worth thirty shillings, while the expense of its manufacture amounted to only twenty-five shillings. But then it is to be borne in mind that the various individuals who deal with the hat-maker are placed in the like situation; farmers, clothiers, bootmakers, &c. speaking generally, make the same profits in their respective businesses; that is, they are all producing quantities of corn, cloth, boots, &c., equivalent to thirty shillings, by an outlay of twenty-five shillings. It is, consequently, clear that in exchanging the precious metals for commodities, or in exchanging one sort of commodities for another, one party gains nothing at the expense of the other. Profit is, in all cases, the excess of the produce raised in given periods over that which has been consumed in those periods. The introduction of exchanges would not be advantageous, if they merely enabled one set of persons to prey upon some other set. This, however, is not their effect. They enable labour to be divided, and individuals to addict themselves to certain pursuits; and by thus separating and combining their efforts, they make, as already seen, very great additions to the capacities of production; but they do nothing more.

If the popular opinions with respect to the source of profits were well founded, it would inevitably follow, inasmuch as

they take for granted that they are universally made at the expense of the buyers, that no additions can be made to capital, and that the capital now in the world must be very soon annihilated. Were such a really correct view of the circumstances under which we are placed, our lot would be any thing but enviable. Happily, however, this is not our situation. The produce of labour judiciously directed and vigorously pursued is always greater than the produce consumed in carrying it on; and the surplus or profit being accumulated, becomes, in its turn, a new instrument of production.

There is really, therefore, no class of industrious individuals that live at the expense of the other classes. The retail dealer, for example, is in no respect more indebted to his customers than they are to him. It is not his, but their own interest they have in view, when they resort to his shop. Society is, in truth, as M. Destutt Tracy has sagaciously remarked, nothing but a series of exchanges;<sup>1</sup> but they are exchanges in which full equivalents are given for whatever is received. Profits are a consequence of the bounty of Nature; and do not in any degree depend on the superior acuteness of those who sell, or on the weakness and simplicity of those who buy. The advantages observed to result from the separation of employments has occasioned the division of society into particular classes, which interchange products and services; this intercourse, by its reducing the cost, increasing the number, and improving the quality of all sorts of articles and services, being universally advantageous. This, however, it should always be kept in mind, is the whole effect of the division of labour, and the introduction of exchanges. How far soever that division may be carried, it is still true that profits do not depend on it, or on exchanges, but on the commodities produced exceeding those that are consumed.

However extended the sense previously attached to the term capital may at first sight appear, we are inclined to

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<sup>1</sup> "Economie Politique," p. 78.

think that it should be interpreted still more comprehensively. Instead of understanding by capital all that portion of the results of industry which may be applied to support man and assist him in his work, there does not seem to be any good reason why man himself should not, and very many why he should, be considered as forming a part of the national capital. Man is as much the produce of the outlays on his subsistence, education, &c., as any of the instruments constructed by his agency; and it would seem, that in those inquiries which regard only his mechanical operations, and do not involve the consideration of his higher and nobler powers, he should be regarded in the same point of view. Every individual who has arrived at maturity, though he may not be instructed in any particular art or profession, may yet, with perfect propriety, be viewed, in relation to his natural powers, as a machine which it has cost twenty years of assiduous attention, and the expenditure of a considerable capital, to construct. And if a farther sum has been expended in qualifying him for the exercise of a business or profession requiring unusual skill, his value will be proportionally increased, and he will be entitled to a greater reward for his exertions, as a machine becomes more valuable when it acquires new powers by the expenditure of additional capital or labour on its improvement.

Adam Smith has fully admitted the justice of this principle, though he has not reasoned consistently from it. The acquired and useful talents of the inhabitants should, he states, be considered as making part of the national capital. "The acquisition of such talents," he justly observes, "during the education, study, or apprenticeship of the acquirer, always costs a real expense, which is a capital fixed and realized, as it were, in his person. Those talents, as they make a part of his fortune, so do they likewise of that of the society to which he belongs. The improved dexterity of a workman may be considered in the same light as a machine or instrument of trade, which facilitates and abridges labour, and

which, though it costs a certain expense, repays that expense with a profit."<sup>1</sup>

Instead, then, of being entirely overlooked, as is most frequently the case, the dexterity, skill, and intelligence of the mass of its inhabitants should be most particularly attended to in estimating the capital and productive capacities of a country. Much stress is uniformly and justly laid on the efficacy of the machines which man has constructed to co-operate in his undertakings ; but he is himself the most important of all machines, and every addition made to his skill and dexterity is an acquisition of the utmost consequence. The discrepancies that actually obtain in the physical organization of the various races of men, are seldom very considerable ; and yet how vast is the difference, in other points of view, between an Indian of Mexico and an Englishman or a Frenchman ! The former, ignorant and uninstructed, is poor and miserable, though placed in a country blessed with a soil of exhaustless fertility and a genial climate ; the latter, intelligent and educated, is wealthy, prosperous, and happy, though placed under comparatively unfavourable circumstances. Lord Bacon's aphorism, that *knowledge is power*, is true in a physical as well as in a moral sense. It gives its possessors an ascendancy over their less instructed neighbours, and makes immeasurable additions to their productive capacities. An ignorant and uneducated people, though possessed of all the materials and powers necessary for the production of wealth, are uniformly sunk in poverty and barbarism : and until their mental powers begin to expand, and they learn to exercise the empire of mind over matter, the avenues to improvement are shut against them, and they have neither the power nor the wish to emerge from their degraded condition.

It has been said, and perhaps truly, that it was the rapid growth of the cotton manufacture that bore us triumphantly

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<sup>1</sup> "Wealth of Nations," p. 122.

through the contest with revolutionary France, and gave us wealth and power sufficient to overcome the combined force of almost all Europe, though wielded by a chief of consummate talent. But what is the cotton manufacture? Is it not wholly the result of the discoveries and inventions of Hargreaves, Arkwright, Crompton, Cartwright, and a few others?<sup>1</sup> It was their sagacity that discovered and explored this mighty channel for the profitable employment of millions upon millions of capital, and of thousands upon thousands of workmen; so that the many advantages derived from it, are to be ascribed to them as to their original authors and inventors.

To those who are impressed with a conviction of the truth of the principles thus briefly stated, who are duly sensible of the importance of science to the advancement of nations, nothing can be more gratifying than the progress made of late years in diffusing instruction among the great mass of the community. The schools founded on the principles of Bell and Lancaster, have powerfully contributed to spread a knowledge of the elementary branches of instruction, while the Mechanics' Institutions formed and lectures given in the metropolis, and other great towns, afford the labouring part of the population an opportunity of perfecting themselves in their respective arts, by making them acquainted with the principles on which they depend, and from the better application of which every new improvement must be derived. It is impossible to form any accurate estimate of the influence of this general instruction over the future fortunes of the empire; but it can hardly fail to be alike great and beneficial. More discoveries will be made, according to the degree in which more individuals are placed in a situation to make them. We are every day becoming better acquainted with the properties of matter, with the laws to which it is subject, and with the manner in which portions of it act and re-act on each other. Every fresh discovery

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<sup>1</sup> For an account of the rise, progress, and present state of the cotton manufacture, see Commercial Dictionary, art. Cotton, and the authorities there referred to.

leads to others, and instead of narrowing enlarges the field for new discoveries, at the same time that it adds to the means by which they are made. No bounds can be set to this progress. And it is neither impossible, nor at all improbable, that the lustre which now attaches to the names of Arkwright, Watt, and Stephenson may be dimmed, though it can never be wholly effaced, by the more numerous, and, it may be, more important discoveries, that will hereafter be made by those who would have passed from the cradle to the tomb in the same obscure and beaten track that had been trodden by their unambitious ancestors, had not the education now so generally diffused, and the greater scope for inquiry and observation, served to elicit and ripen the seeds of genius implanted in them for the common advantage of mankind.

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## CHAPTER III.

*Definition and Growth of Credit—Contributes to facilitate Production by distributing Capital in the most advantageous manner—Circulation of Bills, &c.—Disadvantages attending the great facility with which Credit is given by Shopkeepers.*

HAVING seen, in the last chapter, the effects resulting from the accumulation and employment of Capital, our attention is next called to the subject of Credit. This is most commonly represented as a very effective agent in the production of wealth ; and though its influence has been, in this respect, a good deal exaggerated, it is, notwithstanding, of very considerable importance.

Credit is the term used to express the trust or confidence placed by one individual in another when he assigns him property in loan, or without stipulating for its immediate payment. The party who lends is said to give credit, and the party who borrows to obtain credit.

In the earlier stages of society credit is in great measure unknown. This arises partly from the circumstance of very little capital being then accumulated, and partly from government not having the means, or not being sufficiently careful to enforce that punctual attention to engagements so indispensable to the existence of confidence or credit. But as society advances, capital is gradually accumulated, and the observance of contracts is enforced by public authority. Credit then begins to grow up. On the one hand, individuals who have more capital than they can conveniently employ, or who are desirous of withdrawing from business, are disposed to lend, or transfer a part or the whole of their capital to others, on condition of their obtaining a stipulated premium or interest for its use, with what they con-

sider sufficient security for its repayment; and on the other hand, there are always individuals to be met with disposed to borrow, partly and principally that they may extend their businesses beyond the limits to which they can be carried by means of their own capital, or purchase commodities on speculation, and partly that they may defray debts already contracted. These different classes of individuals mutually accommodate each other. Those desirous of being relieved from the fatigues of business, find it very convenient to lend their capital to others; while those who are anxious to enlarge their businesses, obtain the means of prosecuting them to a greater extent.

It is in the effects resulting from this transference of capital from those who are willing to lend to those who are desirous to borrow, that we must seek for the advantages derivable from credit. All the operations supposed to be carried on by its agency, how extensive and complicated soever they may appear, originate in a change in the actual holders or employers of stock. Nothing, indeed, is more common than to hear it stated that this, that, and the other undertaking is carried on by means of credit; but this is an entire mistake. Wealth cannot be produced, nor can any sort of industrial undertaking be entered upon or completed, without the aid of labour and capital; and credit is neither the one nor the other. All that it can do, and all that it ever does, is to transfer capital from one individual to another, a transfer which it is most probable will make it be employed to greater advantage. A few remarks will render this apparent.

It is plain, that to whatever extent the power of the borrower of a quantity of produce, or of a sum of money, to extend his business, may be increased, that of the lender must be equally diminished. The same portion of capital cannot be employed by two individuals at the same time. If A transfer his capital to B, he necessarily, by so doing, deprives himself of a power or capacity of production which



B acquires. It may be presumed that this capital will be more productively employed by B than by A; for the fact of A having lent it, shows that he either had no means of employing it advantageously, or was disinclined to take the trouble; while the fact of B having borrowed it, shows that he conceives he can advantageously employ it, or that he can invest it so as to make it yield an interest to the lender and a profit for himself. It is obvious, however, that except in so far as credit may bring capital into the possession of those who may employ it most beneficially, it contributes nothing to the increase of wealth.

The most common method of making a loan is by selling commodities on credit, or on condition that they shall be paid at some future period. The price is increased proportionally to the length of credit given; and if any doubt be entertained with respect to the punctuality or solvency of the buyer, a farther sum is added to the price, to cover the risk that the seller or lender runs of not recovering the price, or of not recovering it at the stipulated period. This is the usual method of transacting business where capital is abundant and confidence general; and there can be no manner of doubt that the amount of property lent in Great Britain, Holland, and other commercial countries, in this way, is very much greater than all that is lent in every other way.

When produce is sold in the way now described, it is usual for the buyers to give bills to the sellers for the price, payable at the expiration of the credit; and it is in the effects growing out of the negotiation of these bills that much of that *magical* influence that has sometimes been ascribed to credit is believed to consist. Suppose, to illustrate this, that a paper maker, A, sells to a printer, B, a quantity of paper, and that he gets his bill for the sum, payable at twelve months after date: B could not have entered into the transaction had he been obliged to pay ready money; but A, notwithstanding he has occasion for the money, is enabled, by the facility of negotiating or discounting bills, to give the requisite credit, without disabling

himself from prosecuting his business. In a case like this, both parties are said to be supported by credit; and as cases of this sort are exceedingly common, it is contended that half the business of the country is really carried on by its means. All, however, that such statements really amount to is, that a large proportion of those engaged in industrial occupations do not employ their own capital merely, but also that of others. In the case in question, the printer employs the capital of the papermaker, and the latter employs that of the banker or broker who discounted the bill. This person had, most likely, the amount in spare cash lying beside him, which he might not well know what to make of; but the individual into whose hands it has now come, will immediately apply it to useful purposes, or to the purchase of the materials, or the payment of the wages of the workmen employed in his establishment. It is next to certain, therefore, that the transaction will be advantageous. But still it is essential to bear in mind that it will be so, not because credit is of itself a means of production, or because it can give birth to capital not already in existence; but because, through its agency, capital finds its way into those channels in which it has the best chance of being profitably employed.

The real advantage derived from the use of bills and bank-notes as money, consists, as will be afterwards seen, in the substitution of so cheap a medium of exchange as paper, in the place of one so expensive as gold, and in the facilities which they give to the transacting of commercial affairs. If a banker lend A a note for £100 or £1,000, he will be able to obtain an equivalent portion of the land or produce of the country in exchange for it; but that land or produce was already in existence. The issue of the note did not give it birth. It was previously in some one's possession; and it will depend wholly on the circumstance of A's employing it more or less advantageously than it was previously employed, whether the transaction will, in a public point of view, be profitable or not. On analyzing any case

of this kind, we shall invariably find that all that the highest degree of credit or confidence can do, is merely to change the distribution of capital—to transfer it from one class to another. Occasionally, too, these transfers are productive of injurious results, by bringing capital into the hands of spendthrifts: this, however, is not a very common effect; and no doubt they are, in the majority of instances, decidedly beneficial.

The following extract from the evidence of Mr. Ricardo before the Committee appointed by the House of Lords in 1819, to inquire into the expediency of the resumption of cash payments by the Bank of England, sets the principles we have been endeavouring to establish in a very clear point of view.

“Do you not know,” Mr. Ricardo was asked, “that when there is a great demand for manufactures, the very credit which that circumstance creates enables the manufacturer to make a more extended use of his capital in the production of manufactures?” To this Mr. Ricardo answered, “I have no notion of credit being at all effectual in the production of commodities; commodities can only be produced by labour, machinery, and raw materials; and if these are to be employed in one place, they must necessarily be withdrawn from another. Credit is the means, which is alternately transferred from one to another, to make use of capital actually existing; it does not create capital; it determines only by whom that capital shall be employed: the removal of capital from one employment to another may often be very advantageous, and it may also be very injurious.”

Mr. Ricardo was then asked, “May not a man get credit from a bank on the security of his capital which is profitably employed, whether vested in stock or land? and may he not, by means of that credit, purchase or create an additional quantity of machinery and raw materials, and pay an additional number of labourers, without dislodging capital from any existing employment in the country?” To this Mr. Ricardo answered, “Impossible! an individual can purchase machinery, &c. with credit; he can never create them. If he purchases,

it is always of some one else ; and, consequently, he displaces some other from the employment of capital.”<sup>1</sup>

It must, however, be observed that these considerations apply principally to the case of those who lend and borrow capital in specified sums and under peculiar conditions. But in addition to the capital lent in this way, a very large amount is lent under what may be called “shop credits,” or by selling goods to customers, to be paid for at their convenience ; and we have little doubt that the granting of such credits is, on the whole, most injurious. Rich people may dislike the trouble of paying ready money for what they buy, and it is of little consequence to them whether they do or do not. But it is quite otherwise with the middle and especially with the lower and labouring classes. The facility of obtaining goods on credit, or of which the payment is deferred to some future period, tempts even the most considerate persons to indulge in useless expense, and is inconsistent with and subversive of the spirit of economy. A man of moderate means who pays ready money for whatever he wants, seldom makes unnecessary purchases. He buys those things only which he cannot well do without ; and as he is never in debt, and is consequently independent of butchers, bakers, and so forth, he is able to supply himself with articles wherever they can be had best and cheapest. This is an immense advantage. Most people, and especially the poorer classes, when they get considerably indebted to a shop, really become its slaves, and dare not venture to find fault with the price or the quality of the goods they get from it. And hence it is that the circumstance of Co-operative Societies generally dealing for ready money only is one of their principal recommendations. It renders their members more industrious, orderly, and economical than they would otherwise be. We believe indeed that it would be good policy with a view to the diffusion of habits of fore-

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<sup>1</sup> “Lords’ Report,” p. 192.

thought and economy to take away all power to sue at law for debts under some thirty or fifty pounds. A regulation of this sort would be for the advantage of shopkeepers as well as of their customers. It would make the former more cautious to whom they gave credit, and save them from the frequent losses they incur by the inconsiderate way in which it is too often granted. But it is a mistake to allege that it would either destroy or take away all credit. It would do nothing of the sort, but it would purify and place it on a firm basis. An individual who had failed to make good his engagements, need not, except under very peculiar circumstances, make another application for goods on credit. And hence the acquisition of a character for punctuality, or the exact performance of whatever one undertakes, would be found to be of the greatest importance, and would be sought for accordingly. But the keeping of the poor out of temptation by the check it would give to the machinations of those who wish to enthrall them by getting them into their debt, would be its most advantageous effect, and would infinitely more than over balance whatever inconvenience might attend the introduction of the system. The multiplication of courts for the adjudication of debts merely tends to increase the evil. This is a case in which, if we would do any good, we must take the bull by the horns, and hinder the contraction of petty debts with legal liability.

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## CHAPTER IV.

*Circumstances which led to the Introduction and Use of Money—Qualities which a Commodity used as Money should possess—Coinage—Variations in the Value of Money—Introduction and Use of Paper Money and Bills of Exchange.*

WHEN the division of labour was first introduced, commodities were directly bartered for each other. Those, for example, who had a surplus of corn, and were in want of wine, endeavoured to find out those who were in the opposite circumstances, or who had a surplus of wine and wanted corn, and then exchanged the one for the other. It is obvious, however, that the power of exchanging, and, consequently, of dividing employments, must have been subjected to perpetual interruptions, so long as it was restricted to mere barter. A carries produce to market, and B is desirous to purchase it; but the produce belonging to B is not suitable for A. C, again, would like to buy B's produce, but B is already fully supplied with the equivalent C has to offer. In such cases, and they must be of constant occurrence wherever money is not introduced, no direct exchange could take place between the parties; and it might be very difficult to bring it about indirectly.

The inconvenience of such situations must have speedily attracted general attention. Efforts would, in consequence, be made to avoid them; and eventually it appeared that the best, or rather the only way in which this could be effected, was to exchange either the whole or a part of one's surplus produce for some commodity of known value, and which, being also in general demand, most persons would be inclined to accept as an equivalent for whatever they had to dispose of.

After a commodity of this sort had begun to be employed as a means of exchanging other commodities, individuals would be willing to purchase more of it than was required to pay for the articles they were desirous of immediately obtaining, knowing that should they, at a future period, want a further supply of these or other articles, they would be readily procured in exchange for this universally desirable commodity. Though at first circulating slowly and with difficulty, it would, as the advantages arising from its use were better appreciated, begin to pass freely from hand to hand. Its value, as compared with other things, would thus come to be generally known; and it would at last be used as the common equivalent for other things, and as a standard by which to measure their value.

Now this commodity, whatever it may be, is *money*.

An infinite variety of commodities have been used as money in different countries and periods. But none can be advantageously used as such, unless it possess several peculiar qualities. The slightest reflection on the purposes to which it is applied must suffice to show that, if not indispensable, it is at least exceedingly desirable, that the commodity selected to serve as money should (1.) be divisible into the smallest portions; (2.) that it should not deteriorate by being kept for an indefinite period; (3.) that it should, by possessing great value in small bulk, admit of being easily transported from place to place; (4.) that one piece of money of a certain weight, should always be equal, in magnitude and quality, to every other piece of money of the same weight; and (5.) that its value should be comparatively steady, or little subject to variation. Without the *first* of these qualities, or the capacity of being divided into portions of every different magnitude and value, money, it is evident, would be of almost no use, and could only be exchanged for the few commodities that might happen to be of the same value as its indivisible portions, or as whole multiples of them: without the *second*, or the capacity of being kept or hoarded without deteriorating, no one would choose to exchange commodities for money, except only when

he expected to be able speedily to re-exchange that money for something else: without the *third*, or facility of transportation, money could not be conveniently used in transactions between places at any considerable distance: without the *fourth*, or perfect sameness, it would be extremely difficult to appreciate the value of different pieces of money: and without the *fifth* quality, or comparative steadiness of value, money could not serve as a standard by which to measure the value of other commodities: and none would be disposed to exchange valuable products for an article that might shortly decline considerably in its power of purchasing.

The union of the different qualities of comparative steadiness of value, divisibility, durability, facility of transportation, and perfect sameness, in the precious metals, has doubtless made every civilized community employ them as money. The value of gold and silver, though not invariable, changes only by slow degrees: they are divisible into any number of parts, and have the singular property of being easily re-united, by means of fusion, without loss; they do not deteriorate by being kept; their firm and compact texture makes them difficult to wear; their cost of production, especially that of gold, is so considerable, that they possess great value in small bulk, and can, of course, be transported with comparative facility; and an ounce of pure gold or silver taken from the mines of Mexico or Australia, is precisely equal, in point of quality, to an ounce dug from the mines in any other part of the world. No wonder, therefore, when the principal qualities necessary to constitute money are possessed in so eminent a degree by the precious metals, that they have been used as such in civilized societies, from a very remote æra. "They became universal money," as Turgot has observed, "not in consequence of any arbitrary agreement among men, or of the intervention of any law, but by the nature and force of things."

When first used as money, the precious metals were in an unfashioned state, in bars or ingots. The parties having agreed



about the quantity of metal to be given for a commodity, that quantity was then weighed off. But this would plainly be a tedious and troublesome process. Undoubtedly, however, the difficulty of determining the degree of their purity with sufficient precision, must have formed, in early ages, the greatest obstacle to the use of gold and silver as money; and the discovery of means by which their weight and fineness might be readily and correctly ascertained, would be felt to be indispensable to their extensive use as media of exchange. Fortunately, these means were not long in being discovered. The fabrication of coins, or the practice of impressing pieces of the precious metals with a public stamp indicating their weight and purity, belongs to the remotest antiquity.<sup>1</sup> And it may safely be affirmed, that there have been few inventions of greater utility, or that have done more to promote improvement.

It is material, however, to observe, that the introduction and use of coins does not affect the principle on which exchanges were previously conducted. The coinage saves the trouble of weighing and assaying gold and silver, but it does nothing more. It declares the weight and purity of the metal in a coin; but the *value* of that metal or coin depends, in all cases, on the same principles that determine the value of other things; and would be as little affected by being recoinced with a new denomination, as the burden of a ship by a change of her name.

Inaccurate notions with respect to the influence of coinage seem to have given rise to the opinion, so long entertained, that coins were merely the *signs* of values. But they have really no more claim to this designation than bars of iron or copper, sacks of wheat, or any other commodity. They exchange for other things, because they are desirable articles, and are possessed of real intrinsic value. A draft, check, or

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<sup>1</sup> Goguet, "De l'Origine des Loix," &c. tom. i. p. 269.

bill, may not improperly, perhaps, be regarded as the sign of the money to be given for it. But that money is itself a commodity; it is not a sign, it is the thing signified.<sup>1</sup>

Money, however, is not merely the universal equivalent, or *marchandise bannale*, used by the society: it is also the *standard* used to compare the values of all sorts of products; and the stipulations in the great bulk of contracts and deeds, as to the delivery and disposal of property, have all reference to, and are commonly expressed in quantities of money. It is, therefore, of the utmost importance that its value should be as invariable as possible. Owing, however, to improvements in the arts, and the exhaustion of old and the discovery of new mines, the value of the precious metals is necessarily inconstant; though, if we except the effects produced in the sixteenth century by the discovery of the American mines, it does not appear to have varied so much at other times as might have been anticipated.<sup>2</sup> Great mischief has, however, been repeatedly occasioned by the changes that have been made in most countries in the weight, and sometimes also in the purity of coins; and since the impolicy of these changes has been recognised, similar, and still more extensive, disorders have sprung up from the improper use of substitutes for coins. It is, indeed, quite obvious, that no change can take place in the value of money, without proportionally affecting the pecuniary conditions in all contracts and agreements. Much, however, of the influence of a change depends on its direction. An increase in the value of money is, for reasons that will afterwards be stated, uniformly more prejudicial in a public point of view than its diminution: the latter, though injurious to individuals, may sometimes be productive of

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<sup>1</sup> The Count di Verri was one of the first who showed clearly what money is, and what it is not.—See “*Meditazioni sulla Economia Politica*,” § 2.

<sup>2</sup> It is supposed by many, though most probably without any good foundation, that we are now on the eve of a heavy fall in the value of gold and silver.—See *post*.

national advantage ; but such can never be the case with the former.<sup>1</sup>

But notwithstanding the precious metals are in many respects admirably fitted to serve as a medium of exchange, they have two very serious drawbacks—their cost, and the expense of carrying them from place to place. If the currency of Great Britain consisted of gold only, it would amount to at least eighty millions of sovereigns ; and the expense attending such a currency, including the wear and tear and loss of coins, could not be reckoned at less than 6 per cent., or £4,800,000 a-year. It is obvious, too, were there nothing but coins in circulation, that the conveyance of large sums from one place to another to discharge accounts, would be a laborious process, and that even small sums could not be conveyed to great distances without considerable difficulty : and hence it is that most civilized nations have endeavoured to fabricate a portion of their money of less costly materials, and have resorted to various devices for economizing the use of coin. Of the substitutes for the latter hitherto suggested, paper is by far the most generally used, and is in all respects the least objectionable. Instead of discharging their debts by a payment of the precious metals, individuals, on whose solvency the public may rely, pay them by giving a bill or draft for the sum, payable in coin at sight, or at so many days after date ; and as this bill or draft passes currently from hand to hand as cash, it performs all the functions of coin, while it saves its expense to the public. A sense of the advantages that might be derived from the circulation of such bills or drafts led to the institution of *banks* for their regular issue. A banker, on being applied to for a loan, does not make the advance in gold or silver, but in his own notes ; and while these serve equally well as cash to the borrower, the issuer derives the

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<sup>1</sup> See Chapter on Profits.

same rate of interest from them that he would have derived from an advance of cash; his profits consisting of the excess of interest derived from the notes he has issued, over the interest of the cash or unproductive stock he is obliged to keep in his coffers to meet the demands of the public for payment of his notes, and the expenses of his establishment. Besides this sort of banks, there are also banks of deposit, or banks for keeping the money of individuals. A merchant using a bank of this sort makes all his considerable payments by drafts upon his bankers and sends all the bills due to him to them to be presented, and noted if not duly paid. By this means he saves the expense of keeping money at home, while he, also, avoids the risk of receiving coins or notes that are not genuine, and of making mistakes with respect to the presentation of due bills; and in consequence of the saving that is thus effected, a much less quantity of money serves for the demand of the public.

But the great advantage of banks, in a commercial point of view, consists in the facility they afford for making payments at distant places, and for the negotiation of bills of exchange. Many of the banking companies, established in different districts, have a direct intercourse with each other; and they all have correspondents in London. Hence, an individual residing in any part of the country, who may wish to make a payment in any other part, however distant, may effect his object by applying to the bank nearest to him. Thus, suppose A of Penzance, has a payment to make to B of Inverness. To send the money by post would be hazardous; and if there were fractional parts of a pound in the sum, it would hardly be practicable to make use of the post. How then will A manage? He will pay the sum to a banker in Penzance, and his creditor in Inverness will receive it from a banker there. The transaction is very simple: the Penzance banker orders his correspondent in London to pay to the correspondent of the Inverness banker the sum in question on account of B; and the Inverness banker, being advised in course of post of

what has been done, pays B. A small commission, charged by the Penzance banker, and the postages, constitute the whole expense. There is no risk whatever ; and the affair is transacted in the most commodious and cheapest manner.

Bills of exchange are most commonly used in the settlement of transactions between merchants residing in different countries ; but they are also frequently used among merchants of the same country. They are merely orders addressed by a creditor to a debtor, directing the latter to pay his debt to some specified party in his vicinity. It is generally found, that the debts mutually due by cities or countries trading together, approach, for the most part, near an equality. There are at all times, for example, a considerable number of persons in London indebted to Hamburg ; but, speaking generally, there are about an equal number of persons in London to whom Hamburg is indebted ; and hence, when A of London has a payment to make to B of Hamburg, he does not remit an equivalent sum of money to the latter ; but goes into the market and buys a bill on Hamburg for an equal amount,—that is, he buys an order from C of London, addressed to his debtor D of Hamburg, directing him to pay the amount to A or his order. A having endorsed this bill or order, sends it to B, who receives payment from his neighbour D. The convenience of all parties is consulted by a transaction of this sort. The debts due by A to B, and by D to C, are extinguished without the intervention of any money. A of London pays C of do., and D of Hamburg pays B of do. The debtor in one place is substituted for the debtor in the other ; and a postage or two, and the stamp for the bill or order, are the only expenses.<sup>1</sup>

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<sup>1</sup> For an account of the measures necessary to ensure the ready conversion of paper into the precious metals, see Chapter on the interference of Government.

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## CHAPTER V.

*Division of Employments among different Countries, or Foreign Commerce.—Wholesale and Retail Dealers.—Influence of improved Means of Communication.—Mode in which Commerce contributes to increase Wealth.—Restrictions on Commerce, for the Promotion of Domestic Industry and National Security.—Influence of these Restrictions.—Moderate Duties on Imports not inconsistent with the Freedom of Trade.—Duties on Exports.*

THE division of labour is not confined to particular societies, but is of universal application; and may be extended so that the inhabitants of entire provinces, and even nations, may employ themselves to the greatest advantage in certain branches of industry, while they overlook or neglect others for which they have no particular aptitude. The commerce between different districts of the same countries, and between different countries, is founded on this *territorial division of labour*, as it has been appropriately termed by Colonel Torrens. The different soils, climates, and capacities of production, possessed by the different provinces of an extensive country, fit them for being applied in preference to peculiar varieties of industry. A district which abounds in coal, has an easy access to the ocean, and a considerable command of internal navigation, is the natural seat of manufactures. Wheat and other varieties of grain are the proper products of rich arable soils; and cattle, after being reared in mountainous districts, are most advantageously fattened in meadows and low grounds. It is as little for the general advantage of the inhabitants of different districts, as it would be for that of individuals, to engage indiscriminately in every possible employment. Who can doubt that vastly more manufactured goods, corn, cattle, and fish are produced by the people of Lancashire confining themselves principally to manufactures, those of Kent to agriculture, those of Argyle to the raising of cattle, and those of the Shetland

Isles to the catching of fish, than if they respectively endeavoured to supply themselves with these or similar productions, without the intervention of an exchange?

"With the benefits of commerce," says an eloquent writer, "or a ready exchange of commodities, every individual is enabled to avail himself to the utmost of the peculiar advantage of his place; to work on the peculiar materials with which nature has furnished him; to humour his genius or disposition, and betake himself to the task in which he is peculiarly qualified to succeed. The inhabitant of the mountain may betake himself to the culture of his woods and the manufacture of his timber; the owner of pasture lands may betake himself to the care of his herds; the owner of the clay pit to the manufacture of his pottery; and the husbandman to the culture of his fields or the rearing of his cattle; and any one commodity, however it may form but a small part in the whole accommodations of human life, may, under the facilities of commerce, find a market in which it may be exchanged for what will procure any other part or the whole; so that the owner of the clay-pit, or the industrious potter, without producing any one article immediately fit to supply his own necessities, may obtain the possession of all that he wants. And commerce, in which it appears that commodities are merely exchanged, and nothing produced, is nevertheless in its effects very productive because it ministers an encouragement and facility to every artist in multiplying the productions of his own art; thus adding greatly to the mass of wealth in the world, in being the occasion that much is produced."<sup>1</sup>

Commerce, whether it be carried on between the inhabitants of different countries and districts, or between those of the same district, is best conducted by a distinct class of individuals denominated merchants, from that *commutatio mercium* which forms their business. This class is, for the most

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<sup>1</sup> Ferguson's "Principles of Moral and Political Science," vol. 2, p. 424.

part, subdivided into the separate classes of *wholesale dealers* and *retailers*. The business of the first principally consists in the conveyance of commodities from places where they are cheap to where they are dear. Speaking generally, they buy at the first hand, or from the producers; but instead of selling directly to the consumers, they most commonly sell to the retailers. The latter keep assortments of the goods that are wanted in the places where they reside, serving them out in such quantities, and at such times, as best suits the convenience of their customers, or of the public. This subdivision is exceedingly beneficial for all parties. It would be difficult for a wholesale merchant to retail the goods he has collected in distant markets; and supposing he were to attempt it, he would have to establish agencies in different parts of the country; so that, besides requiring an additional capital, he would be unable to give that undivided attention to any single department of his business, so indispensable to secure its being conducted with due economy and in the best way. Hence the groundless nature of the objections that have sometimes been made to the intervention of retailers between the wholesale dealers or producers and the consumers. It is essential that goods should be retailed. It would be of little use to bring a cargo of tea to London from China, of tobacco from Virginia, of salt from Liverpool, of beef from Cork, or of coal from the Tyne, without, also, dividing and selling it in such portions as may be suited to the wants of the citizens. And it admits of demonstration that this necessary business will be done best and cheapest by a class distinct from the importers or wholesale dealers.

It is often asserted that the retail dealers make enormous profits, and charge exorbitant prices. But a little reflection must satisfy every reasonable person that neither of these statements can be correct. The retailers have no monopoly of the market. Every one who chooses may open a retail shop; and when such is the case, it would be ludicrous to suppose



that where competition is so very keen, and thousands are watching for methods of employing capital with the smallest additional advantage, a large class of traders, enjoying no peculiar privilege and whose business is not difficult to learn, should be generally in the habit of realizing a comparatively large profit. It is true, indeed, that particular tradesmen, who have by means of superior skill, or what, perhaps, is more common, through accident or superior address, obtained a reputation in the fashionable world, often realize immense profits. Such persons are in some measure emancipated from the influence of that competition which beats down the prices and profits of their neighbours to a common level. There is a *je ne sais quoi* about their shops, which has a powerful attraction for certain classes, and makes them buy the articles in which they deal, even when they might buy them elsewhere better and cheaper. But shopkeepers and customers of this description are but few in number; and the extra profits which the former make are too inconsiderable, when considered as a whole, sensibly to affect the average rate of profit realized by the retail class.

Besides the peculiar description of persons now alluded to, the retailers established in country towns and villages often seem to realize very large profits. But the magnitude of their gains is more apparent than real. Being obliged to attend to their shops, they should sell their goods for such a sum as may yield them, in addition to the wages or remuneration to which they are entitled for their attendance, the customary profits of stock at the time. When a large capital is employed in the business of retailing, a small addition to the price of the goods sold is sufficient to afford wages; but where the business transacted is but small, the addition made to their price on account of wages must be proportionally large; and thus it is that groceries and such like articles are for the most part cheaper in cities than in the country. The discrepancy is not occasioned by the country grocer making large profits, but by his being obliged, in trying to get a return for

his trouble in attending his shop, to increase considerably the price of the articles in which he deals.

"Apothecaries' profit," says Adam Smith, "is become a by-word, denoting something uncommonly extravagant. This great apparent profit, however, is frequently no more than the reasonable wages of labour. The skill of an apothecary is a much nicer and more delicate matter than that of any artificer whatever; and the trust which is reposed in him is of much greater importance. He is the physician of the poor in all cases, and of the rich where the distress or danger is not very great. His reward, therefore, ought to be suitable to his skill and his trust, and it arises generally from the price at which he sells his drugs. But the whole drugs which the best employed apothecary, in a large market-town, will sell in a year, may not, perhaps, cost him above thirty or forty pounds. Though he should sell them, therefore, for three or four hundred, or at a thousand per cent. profit, this may frequently be no more than the reasonable wages of his labour, charged in the only way in which he can charge them, upon the price of his drugs; the greater part of the apparent profit is real wages disguised in the garb of profit." ("Wealth of Nations," p. 51.)

It is plain, from these statements, that the formation of a separate mercantile class adds very materially to the facilities and advantages of commerce. Agents and warehouses being established all over the country for the purchase and sale of commodities, agriculturists and manufacturers know beforehand where they may always find a market for what they have to sell, and procure, at the current prices of the day, what they wish to buy. Hence they are able to devote their whole time and energies to their respective businesses; continuity is given to their operations; and the powers of production are augmented to an extent that could hardly have been conceived possible previously to the rise of the mercantile class.

Improved and easy methods of communication powerfully

assist in facilitating commerce. A diminution of the expense of conveyance has the same direct influence over prices as a diminution of the expense of production, while its indirect influence is still more powerful. The great workshops (for so we may truly call Manchester, Leeds, Birmingham, Sheffield, Glasgow, Paisley, Dundee, &c.) with which Great Britain is studded, could not exist without improved roads and canals. But these, by enabling the inhabitants of cities and towns to obtain the bulky products of the soil and the mines almost as cheaply as if they lived in the country, give them the means of carrying on their employments on a large scale, of subdividing, combining, and perfecting their various operations; and of conveying their products to the remotest quarters at an extremely small advance of price. Roads and canals are thus productive of a double benefit,—cheapening, at one and the same time, raw produce to the towns, and manufactures to the country. They, also, give a common interest to every part of a widely extended empire; and by promoting the intercourse of the citizens, and exciting a spirit of emulation, impart new life and vigour to society. Nothing, indeed, contributes so much to national advancement and the progress of civilization as the formation of good roads. Where these are wanting, industry is uniformly found to be in the most backward state imaginable, and the arts—save the rudest and most indispensable—are all but unknown. It is now more than four centuries since the Turks took Constantinople (1453), and nothing more is required to enable a true conclusion to be drawn in regard to their barbarism, and incapacity of improvement, than the fact that they have not constructed during that lengthened period, half a dozen miles of road.<sup>1</sup>

Foreign trade, or the territorial division of labour between different and independent countries, contributes to increase

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<sup>1</sup> A railway is now being made from Smyrna to Aidin; but it was planned and is constructed by foreigners and foreign capital.

their wealth in the same way that internal trade contributes to increase the wealth of the different districts of the same kingdom. There being a far greater variety in the productive powers of separate, and especially distant, countries than there is in those of the provinces of any single country how extensive soever, it would seem that a free intercourse with the former must be proportionally more advantageous. There are, indeed, myriads of products, some of which are of the greatest utility, that exist only, or can be raised only, in particular countries. Were it not for foreign commerce, we should be wholly destitute of gold bullion, tea, coffee, cotton, silk, spices, and many other equally useful and valuable commodities; at the same time that we should have to pay a greatly increased price for a much larger number of other and hardly less important articles. Providence, by giving different soils, climates, and natural products to different countries, has evidently intended that they should be dependent upon and serviceable to each other.

“Hic segetes, illic veniunt felicius uvæ :  
 Arborei foetus alibi, atque injussa virescunt  
 Gramina. Nonne vides, croceos ut Tmolos odores,  
 India mittit ebur, molles sua tura Sabaei ?  
 At Chalybes nudi ferrum, virosoque Pontos  
 Castorea, Eliadum palmas Epiros equarum ?  
 Continuo has leges, aeternaque foedera certis  
 Imposuit Natura locis.”—*Virgil. Georg. lib. I. lin. 54, &c.*

Hence, were no artificial obstacles thrown in the way of their intercourse, every people would naturally engage in those employments in which they have a superiority, exchanging a part of their own produce for the productions they could more advantageously obtain from others. Under a free commercial system, labour would be distributed as best suits the genius and capacities of different nations; and the whole world would be brought under the influence of a principle at once the most powerful and the most salutary. And though, owing to the prevalence of short-sighted and selfish views, the benefits resulting from foreign trade have been

much diminished, still it would be no easy matter to exaggerate the value and importance of those of which it has been productive. It has made every people acquainted with an immense variety of products of the greatest utility, of which they would otherwise have been ignorant; and while it has given them a host of new tastes and new appetites, it has, at the same time, given them the means, and excited the desire of gratifying them. Under its beneficent influence, nations are indebted to each other, sometimes to those that are most remote, for a large share of their necessities and most esteemed luxuries. The home-producers being everywhere brought into competition with those of other countries, become aware of their many deficiencies; and as the arts and sciences as well as the products of others are brought home to the doors of every people, the most efficient stimulus is given to industry and invention; and the mass of wealth, or of necessary and useful products, is increased in a ratio that could not otherwise have even been imagined.

The tendency of a commerce embracing different nations, is to weaken and efface distinctions; to compensate the deficiencies of one quarter by the surplus of another; and to raise those that are least favourably situated or least civilized, nearer to the level of those that have the greatest natural and acquired advantages; and by doing this, and making every people to a great extent dependent on others, it forms a powerful principle of union, and binds together the universal society of nations by the powerful ties of mutual interest and reciprocal obligation.

It cannot, indeed, be denied, that mistaken views of commerce, like those so frequently entertained of religion, have been the cause of many wars and of much bloodshed. But the folly of the monopoly system, and the ruinous nature of the contests to which it gave rise, have been made obvious. It has been shown, over and over again, that nothing can be more irrational and absurd, than that dread of the progress of others in wealth and civilization that was once so prevalent;

that what is for the advantage of one state is for the advantage of all ; and that the true glory and real interest of every people will be more certainly advanced by endeavouring to outstrip their neighbours in the career of science and civilization, than by engaging in schemes of conquest and aggression.

The direct influence of foreign trade in giving increased efficacy to labour, and augmenting national wealth, may be easily illustrated. The superiority of British wool, for example, our command of coal, of skilful workmen, improved machinery, and of all the instruments and means of manufacturing industry, enable us to produce cloth at a much cheaper rate than the Portuguese ; while, the soil and climate of Portugal being peculiarly favourable for the cultivation and growth of the vine, she can produce wine incomparably cheaper than it could be produced here. Hence it is obvious, on the one hand, that by confining ourselves to the manufacture of cloth, and exchanging it with the Portuguese for wine, we shall obtain a far larger supply of that desirable beverage than if we attempted to cultivate the vine at home ; and, on the other hand, the Portuguese, by exchanging wine for English cloth, will obtain a much greater quantity of the latter, at a much less price than they would do, were they, in contradiction of the wise arrangements of nature, and the obvious dictates of common sense, to withdraw a portion of their capital and industry from the culture of the vine, in which they have so great an advantage, to employ it in the manufacture of cloth, in which the advantage is wholly on the side of others.

This brief statement is enough to expose the sophism of the Economists, who contended, that as full equivalents are always given for whatever is brought from abroad, foreign commerce can add nothing to national wealth. How, they asked, can the wealth of a country be increased by giving equal values for equal values ? They admitted that commerce might make a better distribution of the wealth of the world ;

but as it merely substituted one sort of wealth for another they denied it could make any additions to its amount. At first sight, this sophistical and delusive statement appears sufficiently conclusive; but a few words will suffice to demonstrate its fallacy. Those who suppose that commerce cannot be a means of increasing the wealth of both parties engaged in it, and that if one of them gains anything it must be at the expense of the other, entirely misconceive its nature and objects. It may cost as much to produce the cloth with which the English purchase the wine of Portugal, as it does to produce the latter; and it may even cost more. But then it must be observed, that, in making the exchange, the value of the wine is estimated by its cost in Portugal, which has peculiar facilities for its production, and not by what it would cost to produce it in England were the trade put an end to; while, in like manner, the value of the cloth is estimated by its cost in England, and not by what it would cost were it produced in Portugal. The advantage of the intercourse consists in its enabling each country to obtain commodities, which it could either not produce at all, or if at all, then only at a vast expense, for what it costs to produce them elsewhere under the most favourable circumstances, and at the least cost. In no respect, therefore, can the gain of the one be said to be a loss to the other. Their intercourse is an evident source of mutual advantage. Through its means each is supplied with desirable produce by a less sacrifice than would otherwise be required to obtain it; so that besides being better distributed, the wealth of both parties is largely augmented, by their availing themselves of each other's peculiar capacities and powers.

The influence of foreign commerce in stimulating industry by multiplying its rewards, should not be overlooked. Were our command of wealth limited to that produced in a particular district or province, we should be less industrious, because we should have fewer motives to prompt our industry. A man might, with comparatively little difficulty, procure

sufficient supplies of corn, cloth, and beer ; and if the greatest exertions of skill and economy merely procured him additional supplies of these articles, they would soon cease to be made. When, however, a commercial intercourse is established with foreign and remote nations, conveniences and accommodations of all sorts are prodigiously multiplied. In addition to the products of its immediate vicinity, every considerable market is then abundantly supplied with those of all the countries and climates of the world. And there is no fortune so great that its owner can be without a motive to increase it still more, seeing the immeasurable variety of desirable objects it may be employed to obtain. "*Le travail de la faim,*" as Raynal has well observed, "*est toujours borné comme elle ; mais le travail de l'ambition croît avec ce vice (vertu ?) même.*"

We shall not stop to inquire, as many have done, whether the home or foreign trade be most advantageous. It is obvious, indeed, that this is a question which admits of no satisfactory solution. Without some species of home trade it would not be possible to divide and combine employments and emerge from barbarism ; and without foreign trade and the innumerable products, arts, and improvements by which it is accompanied, the progress made by society would be comparatively trifling. The former might, perhaps, have raised us to the condition of our ancestors in the days of Richard III. ; but we are mainly indebted to the latter for the almost incredible advances we have since made, as well as for those we are yet destined to make.

It would be alike superfluous and inconsistent with the objects and limits of this work to enter on a detailed investigation of the policy of restrictions on commerce. Though in many respects similar, they have, notwithstanding, peculiar differences. It is needless, however, to do more than allude to those that were intended to promote the influx and hinder the efflux of the precious metals. These are universally admitted to have been founded on erroneous principles, and to



have had little or no practical influence. They have now, indeed, either fallen into desuetude or been wholly repealed. Hence, the following remarks will be confined to the policy and operation of,—

1. Restrictions intended to promote and protect the wealth and industry of particular countries :

2. Of those whose objects are mainly political, or which are intended to provide for the security of those by whom they are adopted, or to serve as engines of defence or aggression : and

3. Of those imposed for the sake of revenue.

Of these the first class, or the restrictions that have the promotion and protection of industry and opulence for their object, are, perhaps, the most important, and they are the most germane to the matters treated of in this work.

1. If either the whole or any considerable portion of an article in extensive demand be imported, the prevention of its importation will undoubtedly give an immediate advantage to the home producers of the article. It can hardly, however, be necessary to say, that the legislature should have nothing to do with the interests of any one class, unless in the view of rendering them conducive to those of the society. The circumstance of a restriction being advantageous to a greater or smaller number of individuals, is no proof of its expediency. To establish this, it must be shown that it is advantageous, or at least not injurious, to the public,—that it does not sacrifice the interests of the community to those of a favoured few. No system of commercial policy deserves to be preferred to another, unless it be better fitted to advance the well-being of the nation. This is the single and decisive test by which they are to be tried. If trade, when restricted, will promote this well-being better than when it is free and unfettered, it ought to be restricted ; but if otherwise, not. Neither freedom nor prohibition is in itself good or bad. The influence which each

exercises over the public is the only thing to be attended to. The supply of its wants is the real end and purpose of all industrial undertakings; and the interests of those engaged in them should occupy the attention of government only when it is believed that they may be made, through its interference, more subservient to their legitimate object.

We have already seen how dependent workmen are on the capital which is to feed and maintain them. But no regulation or prohibition can directly add anything to capital. It most frequently, indeed, diverts a portion of it into channels into which it would not otherwise have flowed. This, however, is its only effect; and the question for consideration is—Whether the artificial direction which is thus given to a portion of the national capital, renders it more or less productive than it would have been, had it been left at liberty to seek out channels of employment for itself?

In discussing this question it may be observed, at the outset, that every individual is constantly endeavouring to find out the best method of employing himself and his capital. It is his own advantage, no doubt, which he has in view; but a society being merely a collection of individuals, it is plain that each, in steadily pursuing his own aggrandizement, is following the line of conduct most for the general advantage. Hence, were no particular branches of industry encouraged more than others, those would be preferred which naturally afford the greatest facilities for acquiring wealth. Self-interest is the most powerful spur that can be applied to excite the invention, and to sharpen the ingenuity of man; it gives wisdom to fools and industry to sluggards; and no proposition is more true, than that each man can, in his local situation, judge better what is advantageous and useful for himself than any one else. "The statesman," says Adam Smith, "who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person,

but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.”<sup>1</sup>

Since the completion of the great reforms begun by Sir Robert Peel, our conduct as a trading nation has been mainly regulated by the principles that regulate the conduct of individuals in private life; and it is the maxim of every prudent master of a family, not to attempt to make at home what it would cost more to make than to buy. The tailor, as Smith has remarked, does not attempt to make his own shoes, but buys them of a shoemaker; the latter does not attempt to make his own clothes, but employs a tailor; and the farmer makes neither the one nor the other, but obtains them in exchange for corn and cattle. In advanced societies, every man confines himself to a particular business or calling, exchanging the whole or a part of his peculiar products or services for such parts of the products or services of others as he may have occasion for, and they may choose to part with. And it has not yet been shown that that conduct which is universally admitted to be wise and proper in individuals, would be unwise or absurd in the case of a state,—that is, in the case of the individuals inhabiting a particular tract of country!

The repeal of restrictions does not make foreigners supply any portion of the commodities which may be as cheaply produced at home as abroad. Home producers have great advantages on their side. The price of their commodities is not so much enhanced by the expense of conveyance; and they are intimately acquainted with the language, laws, fashions, and credit of those with whom they deal. A foreigner has none of these circumstances in his favour; and, consequently, comes into the home market under disadvantages with which nothing but the greater cheapness of his goods

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<sup>1</sup> “Wealth of Nations,” p. 200.

can enable him to contend. But if a Frenchman, or an American, can supply us with an article cheaper than we can raise it, why should we not buy it of him? Why not extend that principle to foreigners that is found to be so advantageous in dealing with our immediate neighbours? Now that our ports are open for the reception of all the commodities of all the commercial nations of the world, none are imported unless the importers conclude it to be for their advantage; that is, unless they bought the articles from foreigners at a less price than they could buy them for from their own countrymen.

When a restriction is laid on the importation of any description of commodities, their price rises, and the home producers of these or similar articles get an immediate advantage; but what they gain in this way is commonly of very limited importance. For, as additional capital is drawn to the business, prices are speedily reduced to the level that barely affords the ordinary rate of profit. This level may be identical with that at which prices previously stood, or it may be higher. If the former should happen to be the case, little, though something, will have been lost, but nothing will have been gained by the restriction. Capital will have been transferred from one employment to another; and while a greater quantity of the products previously imported will be produced at home, there will be a corresponding diminution of the products sent to foreigners in payment of the imports. But, in the vast majority of cases, prices are not the same after a prohibition has been enacted, but are permanently raised; for, if an article may be as cheaply produced at home as abroad, its prohibition would be unnecessary, and would not be thought of. Suppose that the importation of an article for which we paid a million sterling is prohibited, and that it costs a million and a half to raise it at home: the prohibition will, it is plain, have the same effect on the consumers of the article, as if, supposing the trade to have continued free, a peculiar tax of £500,000

a-year had been laid on them. But had such a tax been imposed, its produce would have come into the hands of government, and have formed part of the national income; whereas the increased cost of the article being, under the circumstances supposed, occasioned by an increased difficulty of production, is of no advantage to any one.

It consequently results, even in those rare cases in which it has no tendency to raise prices, that a restrictive regulation is hurtful, by changing the natural distribution of capital, and lessening the foreign demand for industrial produce to the same extent that it increases the home demand. But in that incomparably more numerous class of cases in which restrictions occasion a rise in the price of the articles which they affect, they are still more injurious. Besides varying the natural distribution of capital, and circumscribing foreign trade, they then impose a burden on the consumers for no purpose of general or public utility; they tempt individuals to withdraw from really advantageous businesses, to engage in those that cannot be prosecuted without national loss, and which must be abandoned the moment the prohibition ceases to be enforced; and are thus, in the end, productive of serious injury, even to those whose interests they were intended to promote, as well as to the public.

It has been said, though perhaps without due consideration, that, but for restrictions on importation, several manufactures that furnish employment to a considerable population, would probably never have had any existence amongst us. But, supposing this statement to be admitted, it would not form any valid objection to the principles now laid down. *Non omnia recte possumus*. Communities, as well as single families, should respect the division of labour. It is for the advantage of every people to engage, in preference, in those branches of industry in which they are superior to others; for it is by this means only that they can fully avail themselves of their peculiar facilities of production, and employ themselves most beneficially.

It is sometimes contended that, granting the inexpediency of allowing a restrictive policy to get any footing, yet, after it has been established, the return to a free system is always a work of difficulty, and may be injurious to the workpeople by occasioning a decline in the demand for labour. And, in some respects, these statements may be true. But such of the inconveniences referred to as do occur are temporary only, whereas the advantages resulting from the substitution of a free for a restricted commercial system are of a lasting description and benefit all ranks and orders of the community in all time to come. It is further to be observed that no change from a restricted to a free system of trade ever occasions any falling off in the aggregate demand for labour. It may reduce the demand for the hands engaged in certain employments; but, if so, it proportionally increases the demand for them in others. Suppose that, under a restrictive system, an article is wholly produced at home, and that that system being suppressed the article is wholly imported; in such case it is alleged that the hands engaged in its manufacture will be thrown out of employment, and either have to resort to the workhouse or offer to serve at a reduced rate of wages in other businesses. But this is an entire fallacy. There is in such case no diminution of the demand for labour. We get nothing gratis from the foreigner. When increased quantities of articles are imported, equally increased quantities of native produce must be exported to pay for them. The workpeople employed in the production of articles which were prohibited, but which may now be freely imported, might be obliged, when the change took place, to transfer themselves to other employments. That transfer was, however, all the injury these parties would suffer. The total demand for labour is not affected by these changes. If one channel be shut up through their influence, equivalent new ones are sure to be opened, or the old ones to be proportionally enlarged; and most varieties of industrial undertakings have so many things in common, that individuals familiar with one have seldom much difficulty in accommodating themselves to others.

Hence, though a nation may, by repealing prohibitions and excessive duties, vary to some extent the species of labour in demand, it will at the same time increase its productiveness without lessening the demand for it, or its remuneration. All commerce, whether carried on between individuals of the same or of different countries, is founded on a fair principle of reciprocity. Buying and selling are in it what action and reaction are in physics, equal and contrary. Those who will not buy from others, render it impossible for others to buy from them. Every sale infers an equal purchase, and every purchase an equal sale. Hence, to prohibit buying is exactly the same thing in effect as to prohibit selling. No merchant ever exports except in the view of importing products of greater value. But he cannot do this, if foreign commodities be excluded. In whatever degree, therefore, an unfettered trade may lead us to receive supplies from other countries, in the same degree it will render them our customers, promote our manufactures, and extend our trade. To suppose that commerce may be too free, is to suppose that the channels into which labour is turned may be too productive, that the objects of demand may be too much multiplied, and their price too much reduced ;—it is like supposing that agriculture may be too much improved, and the crops rendered too luxuriant !

It is hardly necessary to add that all changes in the commercial policy of nations should be cautiously introduced. Those who are employed, or have capital employed, in businesses protected by restrictive regulations, should, in the event of its being resolved to repeal the latter, have ample time and every facility for withdrawing from the businesses referred to, or for preparing to withstand the unfettered competition of the foreigner. To this much they are entitled, but this is all they can justly claim. The fact of a departure having been made, on one or more occasions, from the sound principle of the freedom of industry, can never be alleged as a sufficient reason for obstinately persevering in a course of policy which has been ascertained to be inimical to the public

interests, or for refusing to embrace the earliest opportunity of reverting to a better system. To act on such a principle would be to perpetuate the worst errors and absurdities, and would be a proceeding inconsistent with all the ends and objects of government.

Happily it is no longer necessary to argue these questions on speculative grounds, or as if there could be any doubt of the result. Experience has impressed its seal on the principles expounded by Adam Smith and acted upon by Sir Robert Peel. The latter knew that exportation would increase in the same proportion as importation; and without troubling himself about the duties laid by foreigners on British produce, he effected the repeal of many prohibitions excluding foreign products from our ports, and a reduction of the oppressive duties that were laid on others. These measures have had a more powerful influence in stimulating our industrial powers and increasing our trade, than any one, however sanguine and farsighted, could have anticipated. The new system has brought all the faculties of the mind, and powers of the body, into full activity. And while the improvements of a century have been crowded into the short space of a dozen or twenty years, we continue, with unimpaired energy, to make new inventions and discoveries. We subjoin, in proof of what has now been stated,

An account of the declared value of the exports of the produce of the United Kingdom since 1842:—

Years.	Declared Value.	Years.	Declared Value.
1842	- £47,381,023	1853	- £98,933,781
1843	- 52,279,709	1854	- 97,184,726
1844	- 58,584,292	1855	- 95,688,085
1845	- 60,111,082	1856	- 115,890,857
1846	- 57,786,876	1857	- 122,155,237
1847	- 58,842,377	1858	- 116,608,756
1848	- 52,849,445	1859	- 130,411,529
1849	- 63,596,025	1860	- 135,891,227
1850	- 71,359,184	1861	- 125,102,814
1851	- 74,488,722	1862	- 123,992,264
1852	- 78,076,854	1863	- 146,489,768



The principles now established demonstrate the groundless nature of the complaints so frequently made of the prevalence of a taste for foreign commodities. Nothing is got from abroad except as an equivalent for something else ; and the individual who uses only Polish wheat, Saxon cloth, and French silks and wine, gives, by occasioning the exportation of an equivalent amount of British produce, precisely the same encouragement to industry here that he would give were he to consume nothing not directly produced amongst us. The Portuguese do not send us a single bottle of port without our sending to them, or to those to whom they are indebted, its worth in cottons, hardware, or some sort of produce ; so that whether we use the wine or its equivalent, is, except as a matter of taste, of no consequence whatever.

This statement goes far to settle the disputed question in regard to the influence of absentee expenditure. If an English gentleman, living at home, and using none but foreign articles, gives the same encouragement to industry that he would do were he to use none but British articles, he must, it is obvious, do the same should he go abroad. Whatever he may get from the foreigner when at Paris or Brussels, must be paid for, directly or indirectly, in British articles, quite in the same way as when he is resident in London. And it is not easy to imagine any grounds for pronouncing his expenditure in the latter more beneficial to this country than in the former.<sup>1</sup>

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<sup>1</sup> We do not mean, by anything now stated, nor did we ever mean, by anything we have stated on other occasions, to maintain that absenteeism may not be, in some respects, injurious. It would be easy, indeed, to show that England and Scotland have been largely benefited by the residence of the great landed proprietors on their estates. None can doubt that they have been highly instrumental in introducing the manners, and in diffusing a taste for the conveniencies and enjoyments of a more refined society ; and that the improved communications between different places, the expensive and commodious farm-buildings, and the plantations with which the country is sheltered and ornamented, are to be, in a great degree, ascribed to their residence. Considering, however, the circumstances under which most Irish landlords acquired their estates, the difference between their religious tenets and those of their tenants, the peculiar tenures under which the latter hold their lands, and the political condition of the country, it may be doubted whether their residence would have been of any considerable

2. Restrictions on the commercial intercourse with other countries have not, however, always originated in mistaken notions with respect to the superior importance of the precious metals, or in a desire to advance the interests of the home producers. A considerable number owe their existence to more patriotic though hardly less mistaken views—to the wish to be independent of foreign supplies, to avenge hostile prohibitions by retaliatory measures, and to provide for the public security.

There is something very seductive in the idea of independence; and it is not surprising that a system of policy which promises to place a country in this enviable situation, should enjoy considerable popularity. But national independence rests on other foundations than the miserable machinery of custom-house regulations. The independence of individuals does not depend on their being able directly to supply their wants by the produce of their labour; but it depends indifferently on their ability to do this or to furnish equivalents for the various articles required for their use and accommodation; and we have already seen that those who apply themselves to the callings or occupations for which they have any peculiar fitness, enjoy a greater command over necessities and conveniences, through the intervention of an exchange, that is, they are more opulent, and, consequently, more independent than they would be did they directly produce the articles in question. The same is the case with nations. We import tea from China, cotton from America, coffee from Ceylon, timber from the north of Europe, and claret from France; but the fact of our doing this shows that we send commodities to those countries on which they set a higher value. We are not, therefore, in any respect, more dependent on them than

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advantage. But, whatever conclusion may be come to upon this point, cannot affect what has been stated in the text. The question at issue refers merely to the *spending* of revenue, and has nothing to do with the improvement of estates; and notwithstanding all the clamour that has been raised on the subject, we have yet to learn that absenteeism is, in this respect, in any degree injurious.

they are on us ; and if we understand by independence the power to supply our wants without being under any obligation to any other people, we are completely independent. The trade with foreigners, like that with our next neighbours, is bottomed on a principle of mutual convenience : we give and receive equivalents, supply reciprocal wants, and confer reciprocal benefits.

To wish to be wholly unconnected with foreigners, and at the same time to continue as rich and prosperous as ever, is to wish what is contradictory and inconsistent with the nature of things. It is equivalent to wishing that we had the soil and climate of China to produce tea, those of France to produce wine, and those of America to produce cotton. These, and thousands of equally useful and desirable products, can only be obtained through an intercourse with foreigners. We may, no doubt, become independent of this intercourse ; but if we do, we must also submit to be independent of the wealth and power to which it has raised us. The individual who prefers swimming across the river is of course independent of the bridges, in the same way that the nation which should prefer poverty and barbarism to wealth and refinement, would be independent of foreign commerce. But this is the independence of the savage. To be independent in the enlarged, and, if we may so speak, civilized sense of the term, that is, to have the greatest command of necessities and conveniencies, a nation must avail itself of the productive energies of every other people, and deal with them all on fair and equitable principles.

But it must, at the same time, be admitted that nations do not always, nor, perhaps, most commonly, act on the principles most conducive to their real and lasting interests. Temporary and accidental circumstances exercise a powerful influence over their affairs, and they are apt to be swayed by envious and hostile feelings. The superior wealth and power of this or that people being, not unfrequently, ascribed to other than their true causes, tempt their rivals to adopt an erroneous

policy. Those, too, who may have experienced the injury arising from the prohibitory enactments of some other power endeavour, in the irritation of the moment, to retaliate by similar prohibitions directed against her commerce. They seldom take time to reflect upon the probable influence of these measures upon themselves, but enact them in the belief that, however injurious to their own interests, they will, at any rate, inflict a much more serious injury on those against whom they are directed.

The commerce with France was, for a lengthened period, all but completely sacrificed to this vindictive spirit. Louis XIV. having espoused the cause of the exiled family of Stuart, the British government and people took fire at the insult, and, in the irritation of the moment, had recourse to every species of hostility. Without reflecting that the blow would recoil upon ourselves, we declared the trade with France "a nuisance;" prohibiting, at the same time, the importation of most descriptions of produce from that country, and imposing high discriminating duties on her wines. The provisions in the Methuen treaty gave permanence to these offensive enactments, which the French were not slow to retaliate. Custom-house regulations were used by both parties as warlike engines: a prohibition on the one side being immediately met by a counter prohibition on the other, until the commerce between the two countries—a commerce which, had it not been violently interfered with, would have afforded a profitable field for the employment of millions upon millions of capital, and of thousands upon thousands of work-people—was all but wholly suppressed.

Mr. Pitt endeavoured, by means of the commercial treaty negotiated with France in 1786, to introduce a more rational system into the trade between the two countries, and to make them mutually beneficial to each other. His efforts were, however, defeated by the Revolutionary war, which, unfortunately, broke out soon after, and revived and embittered the old hostile feelings and prejudices inherited by

both parties. But after the peace of 1815, the animosities and prejudices that grew out of the revolutionary contest having gradually abated, attention was again directed to the injurious operation of the restrictions on the trade between the two countries. The abolition of the discriminating duty on French wine in 1831, was a most important step in the progress to a better state of things; and was followed by a repeal of the prohibition against importing silks, and by a reduction of the duty on brandy and other articles. The beneficial influence of these measures, and the growing popularity of free trade principles, eventually led to the treaty of 1860. This treaty may indeed be said to have gone to the opposite extreme, for it stipulated for the entire exemption of many important French products from our Customs duties, even when these were entirely unobjectionable. But, however erroneous in a financial point of view, this conduct of ours, combined with the reduction of the duties on many British articles imported into France, has given a powerful stimulus to the trade between the two countries.

We would not, however, be understood as meaning, by anything now stated, to lay it down absolutely that retaliatory measures are always injurious to those who have recourse to them. This is their ordinary effect; but their policy depends wholly on circumstances. If there be apparently good grounds for thinking that a prohibition will so distress those against whom it is levelled, as to make them withdraw or materially modify the prohibition or high duty it is intended to avenge, it may be prudent to enact it; for, the recovery of an extensive branch of foreign trade, or its relief from vexatious restraints, may more than countervail the inconvenience which every nation must in the meantime entail upon herself, when she seeks to procure the abolition of a prohibition or restriction by a retaliatory proceeding. But unless there be reasonable grounds for concluding that the repeal or modification of the original prohibition will be brought about by the retalia-

tion, it would be impolitic to embark in any such hostile course. If a prohibition acted only upon others, it would be different; but as we neither sell nor buy, except to promote our own ends, when we prohibit or fetter our intercourse with others, we necessarily injure ourselves, it may be to a greater extent than we injure them. To enact or maintain a prohibition when there is no prospect of its occasioning the repeal or modification of that enacted by the foreigner, is really, therefore, to inflict an injury on ourselves without securing any corresponding advantage. The government of a foreign country does an injury to its subjects by obstinately excluding some of our peculiar products; but is that any reason why our government should do the like?—that it should exclude produce which may be brought from that country cheaper than from anywhere else? To act in this way, is not to retaliate on the foreigner, but on ourselves! It is erecting the blind and ferocious impulses of revenge into maxims of state policy. It is no part of our business to inquire respecting the markets resorted to by others, but to find out and resort to those where we may be supplied at the lowest price with the articles we wish to obtain. We rarely hear of foreigners refusing to sell; and as there can be no selling without an equal buying, by steadily acting on a liberal system ourselves, we shall not only reap an immediate advantage, but will, most probably, lead others, through the influence of our example, to abandon their restrictions.

With respect to what may be called political restrictions, or those imposed for the sake of national security, or the annoyance of some hostile power, we may observe, without undervaluing their occasional importance, that their influence has been much exaggerated. If a single nation had a monopoly of any article necessary to her own defence and well-being, or to the defence or well-being of others, she would be able, by prohibiting its exportation, to provide for her own security, and, at the same time, to inflict a serious injury on

her enemies. But there are not many such articles. With the exception of coal, it is doubtful whether we be masters of a single product, the prohibition of the export of which would not be more injurious to ourselves than to any one else. And of the various commodities which we import, there is not one, with perhaps the exception of tea, which, supposing its exportation were prohibited from one country might not be obtained from others, either in the same quarter or elsewhere ; and it is doubtful, from the late introduction and successful cultivation of the tea plant in Assam, Cachar, and other eastern countries, whether the inconvenience resulting from the suspension of the tea trade with China, supposing such a thing to happen, would be either so great or so long continued as might be supposed.

It has sometimes been contended by those opposed to political restrictions, that the dangers apprehended from foreigners refusing to sell are quite imaginary, that no prohibition affecting the sale of any important article could be maintained, and that, even supposing it were maintained, the injury thence resulting would seldom be very material. And we are disposed, speaking generally, to concur in this reasoning. But in national affairs it will not do to trust to what may generally happen. We should be secured against improbabilities as well as probabilities. Supposing the independence of the Southern States of America to be established, cotton would be their principal article of export ; and it is not very probable, even though we happened to be engaged in a contest with them, that they would seek to injure us by prohibiting the export of cotton. But though an improbable, this is far from being an impossible proceeding ; and, despite the sacrifice it would impose on them, it might be their easiest means of annoying us.

That "no nation will ever refuse to sell," was formerly thought a sufficient answer to those who dwelt on the impolicy and danger of depending for supplies of any necessary article on one or a few markets. But, admitting the inclination to sell, our present experience shows that a nation may not be

able to act on that inclination. The Southern States of America are, no doubt, most anxious to supply us with cotton, rice, and other articles. But the blockade of their ports by northern cruisers hinders this from being done, and makes England, France, and other manufacturing countries, sufferers by the contest in which the South is engaged.

Hence it is plain that in commercial policy, as in most other things, there are no absolute principles, and that they must in every case be subordinated to the *salus populi*. And we shall afterwards show that, consistently with this great end, it may sometimes be expedient to restrain the too great or rapid development of branches of industry, the success of which mainly depends on our dealing with a peculiar people or territory. But, in the vast majority of cases, a policy of this sort would be idle and impertinent. The products of art and industry are, with few exceptions, too widely diffused to be materially affected by the monopoly or hostility of any single state. Though one country should not deal with us, there is in general no cause for alarm; another will be less scrupulous, and will be glad to have the opportunity of supplying us with what we want. There are, however, extraordinary as well as ordinary cases; and these, though comparatively few, are not to be neglected. So long, indeed, as wealth and security go together, interference is to be earnestly deprecated. But if they should ever be separated, and it should be obvious that wealth is being increased while security is being diminished, the legislature should interfere to redress the balance.

3. The foregoing remarks and reasonings apply to the case of duties and restrictions on importation in the view of promoting industry and security at home. But since the spread of more enlarged ideas on these subjects, duties are now commonly imposed on imports, in the view of raising a revenue without any reference to protection. And when such duties are imposed on proper articles, and are



confined within moderate limits, they are among the most unexceptionable that can be devised. It would, however, lead us too far from the subjects properly belonging to this work, were we to enter at any length into the various questions connected with the assessment and levy of customs duties. These are matters appropriate to works which treat of taxation, but are out of place in works of this sort. Here it may suffice to observe that taxes laid on imports for the sake of revenue should not be imposed on the raw material of any considerable manufacture, nor generally on articles of which some considerable portion is produced at home; and that they should not be carried to such a height as to give any great encouragement to smuggling. But when these conditions are kept in view, it is doubtful whether there be any less objectionable duties.

It, however, is frequently said that customs duties, though advantageous in some respects, are inconsistent with, and opposed to the grand principle of free trade, and should therefore be unconditionally rejected. But a cuckoo-cry of this sort deserves little attention. When equal and moderate duties are laid on commodities without respect to the countries whence, or the channels through which they come to us, the trade in them is quite as free as it would be were the duties repealed. No one doubts that the trade in corn is, at this moment, perfectly free; and can it be doubted that it would be equally free were the duty of 1s. a quarter with which it is now charged, raised to 3s., 5s., or 7s. a quarter? Such increase might lessen importation, but that would be all. Freedom consists in the absence of whatever is partial, oppressive, or unjust. Trade is quite as free when there are duties on imports and exports, as when there are none, provided these duties be moderate, press equally on all articles and all parties, and involve no preferences. The fair and free competition of horses in a race is not affected by their being all made to carry the same weight. And everybody knows that there is the same keen and close competition in the trades subjected

to excise duties that there is in those that are duty free; and that a moderate increase in the cost of an article, whether occasioned by a tax or anything else, uniformly serves to stimulate the exertions of its producers. This objection is, therefore, quite untenable, and was hardly, perhaps, worth notice. When not put forward as mere claptrap, it can only originate in an entire misconception of what is meant by the freedom of trade.

In addition to the efforts that have been so frequently made to bolster up native industry by restricting the importation of articles that might come into competition with those raised at home, it has been attempted to effect the same object by prohibiting the export of the raw material of favoured manufactures. This, however, is a still more violent interference with the freedom of industry; while, if an advantage be conferred on one branch of native industry by a policy of this sort, a corresponding injury must be inflicted on some other branch. We formerly endeavoured to promote the woollen manufacture by prohibiting the exportation of wool; this being, in truth, an attempt to benefit an inferior business, at the expense and injury of agriculture, the most important branch of national industry. And yet this contradictory policy was persevered in for a long series of years, the "runners" or clandestine exporters of wool being subjected even to capital penalties! But it is needless to dwell on such suicidal conduct. It no longer meets with any apologists.

Duties on exports have, however, been sometimes imposed, like those on imports, for the sake of revenue. But though they may occasionally be adopted with advantage, this is but seldom the case.

It may, indeed, appear, on a hasty glance at the subject, as if their general introduction would be highly advantageous; for, being imposed on commodities when exported, and making a part of their price, it is plain they must fall wholly on the foreigners by whom they may be bought; so that, if it were possible for a country to raise a sufficient revenue by taxing

exports, such revenue would be wholly derived from others, and it would itself be in the happy predicament of enjoying an entire immunity from taxation. This, however, is a happiness which is not destined to be realized by such means. Were one state to attempt to raise a revenue by taxing exports, others would do the same ; and as the imports are uniformly equal to or exceed the exports, what was gained on the one hand by a policy of this sort would as certainly be lost on the other.

When, however, a country has any exclusive or special advantages in the production of one or more descriptions of commodities, duties on their exportation would seem, if cautiously imposed, to be among the best that can be imagined. They must not be carried to such a height as to countervail the peculiar advantages enjoyed in their production, or to diminish materially the demand for them in foreign countries. Supposing, however, that these conditions are kept in view, they seem to be in most respects unobjectionable.

It may be said, perhaps, that there are either none or but very few articles of the kind now referred to. But they are a good deal more numerous than is usually supposed. And in proof of this we may specify the teas of China ; the opium of Hindostan ; the guano of Peru ; the finer wines of France ; the sulphur and olive oil of Naples and Sicily ; and the coal and iron, and, perhaps, also some of the manufactured goods, of England.

On all these moderate duties have been or might be imposed on their being exported. But without further insisting on matters which are in some respects foreign to our subject, we beg to refer the reader, for a full discussion of the various questions connected therewith, to the "Treatise on Taxation," by the author of this work.<sup>1</sup>

Reasonings similar to those now laid before the reader, to show the benefits of commercial freedom, and the impolicy

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<sup>1</sup> Third Edition, pp. 201-209.

of attempting to promote industry at home by laying restraints on importation, have been repeatedly advanced. The advantages resulting from the freedom of commerce were exhibited, in a very striking point of view, by Sir Dudley North<sup>1</sup>, above one hundred and seventy years ago; and Richardson,<sup>2</sup> Hume, and others, subsequently illustrated and enforced the same doctrines, and showed the mischievous influence of the prohibitive system. But its complete overthrow was reserved for Adam Smith. He examined and refuted the leading arguments in its favour in the most masterly manner, and with an amplitude of illustration that left little to be desired. Such, however, and so powerful, were the prejudices on the side of restrictions, and such the obstacles to the progress of more enlarged and liberal opinions, that, notwithstanding the "Wealth of Nations" has been in general circulation since 1776, it was not till after 1820 that statesmen and merchants practically assented to its doctrines, and began to act upon them. But a new æra has at length arisen—

"Magnus ab integro sæculorum nascitur ordo."

The principles of free trade are no longer viewed as barren and unprofitable speculations—as the visions of theorists dreaming in their closets of public happiness never to be realized. They have been sanctioned by the people and parliament of England. Sir Robert Peel was in practice what Adam Smith was

<sup>1</sup> "Discourses on Trade, principally directed to the cases of Interest, Coinage, Clipping, and Increase of Money." 4to., London, 1691.

In this extraordinary tract the soundest principles in regard to money, commerce, &c. are laid down and expounded in a brief, clear, and convincing manner. But having given offence to some powerful parties, an effort was made to effect its suppression, and for a lengthened period it was supposed to be entirely lost. Happily, however, this was not the case. A copy having cast up at the sale of the library of the Rev. Rogers Ruding, author of the work on the "Coinage," a few impressions were taken from it, and it has since been included in a collection of early English tracts on commerce, reprinted in 1856 for the Political Economy Club. ("Literature of Political Economy," p. 42.)

<sup>2</sup> "Essay on the Causes of the Decline of the Foreign Trade, &c." 4to., 1744. This work has been frequently, but incorrectly, ascribed to Sir Matthew Decker.

in theory. The former vindicated in the senate, and embodied in acts of parliament, those great principles which the latter established in his study. To the glory of being the first to promulgate and demonstrate the wisdom and beneficent influence of commercial freedom, we are also entitled to the high praise of being the first by whom it was carried into effect, and made a part of the national policy. If any remains of the protective system are still to be found in the statute-book, they will, no doubt, be speedily weeded out; at the same time that our example is liberalizing the commercial legislation of the greater number of other countries. The time is not far distant,

“ When, free as seas or wind,  
Unbounded Thames shall flow for all mankind;  
Whole nations enter with each swelling tide,  
And seas but join the regions they divide.”<sup>1</sup>

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<sup>1</sup> Pope, “ Windsor Forest,” line 397.

## CHAPTER VI.

*Different Employments of Capital and Labour—Agriculture, Manufactures, and Commerce, equally advantageous—The investment of Capital in different Businesses determined by the Rate of Profit which they respectively yield—Manufactures not productive of increased Mortality, nor unfavourable to the Intelligence of the Workpeople—Dangers incident to the excessive growth of Manufactures—Influence of Commerce on Public Spirit.*

IN treating of capital, it was shown, that its augmentation is equivalent to an augmentation of the means of supporting and employing labour, and its diminution to a diminution of these means, that is, to a diminution of the comforts and enjoyments, and perhaps also of the necessaries, of the labouring classes; and it was also shown, that the increase or diminution of profits is the great cause of the increase or diminution of capital. Now, this being the case, it seems difficult to resist coming to the conclusion, that those employments which yield the greatest profit, or in which industry is most productive, are at the same time most advantageous. But Adam Smith, Malthus, and others have objected to this standard. They admit, that when capitals yield equal profits, the employments in which they are engaged are equally beneficial for those who carry them on. They contend, however, that if one of these capitals be employed in agriculture, it will be productive of greater public advantage. But this opinion rests on no good foundation, and it may easily be shown that the *average rate of profit* which different businesses yield, is, under all circumstances, the best test by which to judge of their comparative advantageousness.

A capital may be employed in four different ways; viz., *first*, in the production of raw produce; *second* in manufacturing and preparing that produce for use and consumption;

*third*, in transporting raw and manufactured products from the places where they are produced to the great centres of demand ; and, *fourth*, in dividing such products into parcels, suited to the convenience of those who want them, and bringing them, as it were, within their grasp. The capital of those who undertake the improvement or cultivation of lands, mines, or fisheries, is employed in the first of these ways ; that of master-manufacturers in the second ; that of wholesale merchants in the third ; and that of retailers in the fourth. It is difficult to conceive in what way a capital can be employed which may not be classed under one or other of these heads.

The importance of the raw produce of the soil, including therein the produce of mines and fisheries, is too obvious to require illustration. It comprises the elements or material of our food and clothes, and of whatever, in fact, administers physically to our necessities, our comforts, and our enjoyments. Hence the industry which appropriates the products of the earth, as they are offered to us by nature, preceded every other. But the most useful of these are, in their natural state, seldom found except in very limited quantities ; and it is by agriculture only, or by the application of labour, capital and skill, to the cultivation of the ground, that large supplies of that produce, which forms the principal part of the food of man, is obtained. It is not quite certain that any variety of grain, as wheat, barley, rye, or oats, has ever been discovered growing spontaneously ; and though this must originally have been the case, the extreme scarcity of such spontaneous productions, and the labour required to raise them in considerable quantities, prove that we are almost exclusively indebted for them to agriculture. The transition from the pastoral to the agricultural mode of life is decidedly the most important step in the progress of society. Whenever, indeed, we compare the quantities of food, and of other articles obtained from a given surface of a well-cultivated country, with those obtained from the like surface of an equally fertile country occupied by

hunters or shepherds, the powers of agricultural industry in increasing useful productions appear so extraordinary, that we cease to feel surprise at the preference so early and generally given to agriculture over manufactures and commerce; and are disposed to subscribe, without hesitation, to the panegyric of Cicero, when he says, "*Omnium autem rerum ex quibus aliquid acquiritur, nihil est agriculturâ melius, nihil uberius, nihil dulcius, nihil homine libero dignius.*"

But are there any just grounds for this preference? Are manufactures and commerce really less advantageous than agriculture? Without the latter we should be comparatively destitute of the materials of which food and clothes are made; but were we unacquainted with the arts by which these materials, when procured, are converted into food and clothes, the largest supply of them would be of little or no service. The miller who grinds the corn, and the baker who bakes it, are as necessary to the production of bread, as the husbandman who tills the ground. It is the business of the agriculturist to raise flax and wool; but did not the spinner and weaver give them utility, and fit them for being made into a comfortable dress, they would be nearly, if not entirely worthless. But for the miner who digs the mineral from the bowels of the earth, we should not be supplied either with the precious or the useful metals, nor with the matter out of which many of our most important implements and splendid articles of furniture are made: those, however, who compare the ore when dug from the mine with the finished articles, will, most likely, be convinced that the services of the purifiers and refiners of the ore, and of the artisans who have converted the metal to useful purposes, have been as indispensable as those of the miners.

Not only, however, are manufactures requisite to render raw products of any considerable value; but it is farther evident, that without their assistance these products could not be obtained in any considerable quantity. The mechanic who fabricates the plough contributes as efficaciously to the pro-



duction of corn as the husbandman who guides it. But the plough-wright, the mill-wright, the smith, and all the artisans by whom tools and machines are prepared for the husbandman, are really manufacturers, and differ in no respect from those employed to give utility to wool and cotton, except that they work on harder materials. Tools and machines are the result of the labour and ingenuity of the tool and engine manufacturer; and without their aid, it is impossible that any sort of labour should ever become considerably productive.

There is not at bottom any real distinction between agricultural and manufacturing industry. It is, as already seen, a vulgar error to suppose that the operations of husbandry add anything to the stock of matter in existence. Man merely gives to matter that particular form which fits it for his use. But it was contended by Quesnay and the *Economists*, and their opinions have in this instance been espoused by Adam Smith, that the husbandman is powerfully assisted in adapting matter to useful purposes by the vegetative powers of nature, whereas the manufacturer has to perform everything himself, without any such co-operation. —“No equal quantity of productive labour or capital employed in manufactures,” says Smith, “can ever occasion so great a reproduction as if it were employed in agriculture. *In them nature does NOTHING man does ALL*; and the reproduction must always be proportioned to the strength of the agents that occasion it. The capital employed in agriculture, therefore, not only puts into motion a greater quantity of productive labour than any equal capital employed in manufactures, but in proportion, too, to the quantity of productive labour which it employs, it adds a much greater value to the annual produce of the land and labour of the country, to the real wealth and revenue of its inhabitants. Of all the ways in which a capital can be employed it is by far the most advantageous to the society.”<sup>1</sup>

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<sup>1</sup> “Wealth of Nations,” p. 162.

This is perhaps the most objectionable passage in the "Wealth of Nations;" and it is astonishing that so cool and wary a reasoner as Smith should have maintained a doctrine so manifestly erroneous. Nature, no doubt, powerfully assists the efforts of man in agriculture. The husbandman prepares the ground for the seed and deposits it therein; but nature unfolds the germ, feeds and ripens the growing plant, and brings it to maturity. But are we less indebted to her all-powerful aid in other departments of industry? The powers of water and of wind which move our machinery, support our ships and impel them over the deep, the pressure of the atmosphere and the elasticity of steam, which enable us to work the most stupendous engines, are they not spontaneous gifts of nature? Machinery is advantageous only because by its agency we press some of the powers of nature into our service, and make them perform the whole or a large part of what we must otherwise have entirely performed ourselves. In navigation, is it possible to doubt that the powers of nature—the buoyancy of the water, the impulse of the wind, and the polarity of the magnet, contribute quite as much as the labour of the sailor to waft ships from one hemisphere to another? In bleaching and fermentation, the whole processes are carried on by natural agents. And it is to the influence of heat in softening and melting metals, preparing food, and warming houses, that we owe many of our most powerful and convenient instruments, and that these northern climates have been made to afford a comfortable habitation. So far, indeed, is it from being true that nature does much for man in agriculture, and nothing in manufactures, that the fact is more nearly the reverse. There are no limits to the bounty of nature in manufactures; but there are limits, and those not very remote, to her bounty in agriculture. The greatest amount of capital might be expended in the construction of steam-engines, or any other sort of machines; and after they had been multiplied indefinitely, the last would be as powerful and efficient in producing commodities and

saving labour as the first. Such, however, is not the case with the soil. Lands of the first quality are speedily exhausted ; and, notwithstanding the powerful influence of improvements, it is found to be impossible to apply capital indefinitely even to the best soils, without, in the long run, obtaining from them a diminished return. The rent of the landlord is not, as Adam Smith conceived it to be, the recompence of the work of nature remaining, after all that part of the product is deducted which can be regarded as the recompence of the work of man. It is merely the excess of the return obtained from the best soils in cultivation, over that which is obtained from the worst : it is a consequence not of the increase, but of the gradual diminution of the productive powers of the land to which recourse must be had in the progress of society. (See chapter on Rent.)

If, however, the giving of utility to matter be, as it really is, the object of every variety of industry, those who are employed in carrying commodities from where they are produced to where they are to be consumed, and in dividing them into portions suited to the wants of the consumers, are obviously as productive as those employed in agriculture or manufactures. The miner gives value to matter—to coal for example—by bringing it from the bowels of the earth to its surface ; and the merchant or carrier who transports this coal from the mine whence it has been dug to the city, or place, where it is to be burned, gives it a further and perhaps a more considerable value. We do not owe our fires exclusively to the miner, or exclusively to the coal-merchant. They are the result of the conjoined operations of both, as well as of the various parties who furnished them with the tools and implements used in their respective employments.

It is probably unnecessary to do more than refer to what has been previously stated with respect to the utility of retail dealers. But the following extract from the "Wealth of Nations" sets it in a somewhat different point of view :—

“ If there was no such trade as a butcher, every man would be obliged to purchase a whole ox or a whole sheep at a time. This would generally be inconvenient to the rich, and much more so to the poor. If a poor workman was obliged to purchase a month's or six months' provisions at a time, a great part of the stock which he employs as a capital in the instruments of his trade, or in the furniture of his shop, and which yields him a revenue, he would be forced to place in that part of his stock which is reserved for immediate consumption, and which yields him no revenue. Nothing can be more convenient for such a person than to be able to purchase his subsistence from day to day, or even from hour to hour, as he wants it. He is thereby enabled to employ almost his whole stock as a capital. He is thus enabled to furnish work to a greater value; and the profit which he makes by it in this way much more than compensates the additional price which the profit of the retailer imposes upon the goods. The prejudices of some political writers against shopkeepers and tradesmen are altogether without foundation. So far is it from being necessary either to tax them, or to restrict their numbers, that they can never be multiplied so as to hurt the public interests, though they may so as to hurt one another. The quantity of grocery goods, for example, which can be sold in a particular town, is limited by the demand of that town and its neighbourhood. The capital, therefore, which can be employed in the grocery trade, cannot exceed what is sufficient to purchase that quantity. If this capital is divided between two different grocers, their competition will tend to make both of them sell cheaper than if it were in the hands of one only; and if it were divided among twenty, their competition would be just so much the greater, and the chance of their combining together in order to raise the price just so much the less. Their competition might, perhaps, ruin some of themselves; but to take care of this is the business of the parties concerned, and it may safely be trusted to their discretion. It can never hurt either the consumer or the producer;

on the contrary, it must tend to make the retailers both sell cheaper and buy dearer, than if the whole trade was monopolized by one or two persons. Some of them, perhaps, may occasionally decoy a weak customer to buy what he has no occasion for. This evil is, however, of too little importance to deserve the public attention, nor would it necessarily be prevented by restricting their number."<sup>1</sup>

It appears, therefore, that all the great varieties of industrial occupations, that is, the raising of raw produce, the fashioning of that produce into useful and desirable articles, the carrying of the raw and manufactured products from place to place, and their distribution in portions suitable to the public demand, are equally advantageous; the industry employed in any one of these departments contributing equally with that employed in the others, to increase the mass of necessities, conveniences, and luxuries. Without supplies of raw produce, there could be no manufactures; and without manufactures and commercial industry, the greater part of these supplies would be entirely worthless. Manufacturers and merchants are to the body politic what the digestive powers are to the human body. We could not exist without food; but the largest supplies of food cannot lengthen our days, should the machinery by which it is adapted to our use, and incorporated with our body, become vitiated and deranged. Nothing, therefore, can be more silly and childish than the estimates, so frequently put forth, of the comparative advantageousness of agricultural, manufacturing, and commercial industry. They are inseparably connected, and depend upon, and grow out of each other. Agriculturists raise raw produce for manufacturers and merchants, while the latter manufacture and import necessary, convenient, and ornamental articles for the use of the former. Whatever, consequently, contributes to promote or depress the industry and enterprize of one class, must have a beneficial or injurious influence over the others.

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<sup>1</sup> "Wealth of Nations," p. 160.

"Land and trade," to borrow the just and forcible expressions of Sir Josiah Child, "are TWINS, and have always, and ever will, *wax and wane together*. It cannot be ill with trade but land will fall, nor ill with land but trade will feel it."<sup>1</sup> Hence the absurdity of attempting to exalt one species of industry, by giving it factitious advantages, at the expense of the rest. Every preference given to agriculturists over manufacturers and merchants, or to the latter over the former, is sure to occasion mischievous consequences. When individuals are left to be guided by their sense of what is best for themselves in the employment of their stock and industry, their interests are identified with those of the public; and those who are most successful in increasing their own wealth, necessarily, also, contribute most effectually to increase the wealth of the state to which they belong.

The dependence of the different branches of industry on each other, and the necessity of their co-operation to the progress of civilization, have been well illustrated in one of the early numbers of the "Edinburgh Review." "It may safely be concluded, that all those occupations which tend to supply the necessary wants, or to multiply the comforts and pleasures of human life, are equally productive in the strict sense of the word, and tend to augment the mass of human riches; meaning, by riches, all those things which are necessary, or convenient, or delightful to man. The progress of society has been productive of a complete separation of employments originally united. At first, every man provided, as well as he could, for his necessities as well as his pleasures, and for *all* his wants, as well as *all* his enjoyments. By degrees a division of these cares was introduced; the subsistence of the community became the province of one class, its comforts of another, and its gratifications of a third. The different operations subservient to the attainment of each of these objects were then intrusted to different hands; and the universal establishment

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<sup>1</sup> "New Discourse of Trade." Glasg. ed. p. 15.

of barter connected the whole of these divisions and subdivisions together—enabled one man to manufacture for all, without danger of starving by not ploughing or hunting, and another to plough or hunt for all, without the risk of wanting tools or clothes by not manufacturing. It has thus become as impossible to say exactly who feeds, clothes, or entertains the community, as it would be to say which of the many workmen employed in the manufacture of pins is the actual pin-maker, or which of the farm servants produces the crop. All the branches of useful industry work together to the common end, as all the parts of each branch co-operate to its particular object. If you say that the farmer feeds the community, and produces all the raw materials which the other classes work upon, we answer, that unless those other classes worked up the raw materials and supplied the farmer's necessities, he would be forced to allot part of his labour to his employment, whilst he forced others to assist in raising raw produce. In such a complicated system it is clear that all labour has the same effect, and equally increases the whole mass of wealth. Nor can any attempt be more vain than theirs who would define the particular parts of the machine that produce the motion, which is necessarily the result of the whole powers combined, and depends on each particular one of the mutually connected members.”<sup>1</sup>

Besides underrating the importance of manufactures in promoting the increase of national wealth, it has been said that they are most unfavourable to the health of the people. But this statement, though in accordance with popular prejudice, does not appear to have any good foundation. That some peculiar processes, in a few branches of manufacture, are unhealthy, is no doubt true; but that such is not the general character of manufacturing industry is evinced by the fact, that the period during which manufactures have made the

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<sup>1</sup> Vol. iv. p. 362.

most astonishing progress, has been marked by an extraordinary diminution of the rate of mortality. The number of burials, estimated by averages of five years, did not differ considerably during the entire period from 1780 to 1815, though the population increased about 3,300,000 in the interval.<sup>1</sup> Neither was this increase occasioned by any increase in the number of births as compared with the bearing women, but by the increased number of children that were reared, and passed through the different stages of life. "About 100 years back," says Mr. Griffith Davies, "if any dependence can be placed on the registers, the number of annual births did not exceed the number of annual burials, so that the population could not then have been on the increase. The increase since that period must, therefore, be attributed to an increased fruitfulness of the female sex, to immigration, to a diminution in the rate of mortality, or to two or more of these causes combined. But it does not appear that the first of these causes has had any sensible operation, and the second can have had none, otherwise the number of burials must have increased in comparison with the number of births, which is contrary to the fact: the increase of population must, therefore, be entirely attributed to a diminution in the rate of mortality."<sup>2</sup> The improvement began about the middle of last century, and has, doubtless, been owing partly to the greater prevalence of habits of cleanliness and sobriety amongst the poor, and to meliorations of their diet, dress, and houses; partly to the improvement of the climate, resulting from the drainage of bogs and marshes; and partly, and since 1800 chiefly, perhaps, to discoveries in medical science, and the extirpation of the small-pox. But to whatever causes this increased healthiness may be ascribed, there is conclusive evidence to show that they have not been countervailed by the extension of manufactures. Had such been the case, the improvement would have been greater in the country than in the towns, whereas it has,

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<sup>1</sup> "Preliminary Discourse to Census of 1831," p. 35.

<sup>2</sup> "Report of 1827 on Friendly Societies," p. 38.



speaking generally, been decidedly less. The mortality in London, during the first half of last century is supposed to have been as high as 5 per cent. ; while notwithstanding its extraordinary increase, it only amounted in 1860 to 2·25, and in 1861 to 2·3 per cent. The rate of mortality in Manchester in 1770, as deduced from the careful observations made by Dr. Percival, was 1 in 28 ; whereas, notwithstanding the prodigious increase of manufacturing establishments that has taken place in the interval, the mortality does not exceed, at this moment, 1 in 34. According to Dr. Enfield, the population of Liverpool, in 1773, was found, by actual enumeration to be 32,450 ; and dividing this number by 1,191, the annual burials at that period, we have the proportion of deaths to the whole population as 1 to 27 $\frac{1}{4}$ . But though still high, the rate of mortality has been greatly reduced in the interval ; and in Glasgow, Birmingham, and other great towns, there has been a corresponding improvement.

It must, however, be admitted, that the mortality in Lancashire very considerably exceeds its ratio in most counties of England, and that generally the mortality is greatest in the manufacturing counties. This excess cannot, however, be fairly ascribed to the nature of their principal employments, unless in so far as they may be injurious from their having to be principally carried on in-doors. Most probably it is mainly ascribable to other circumstances ; such, for example, as the influx of Irish and other labourers, many of whom are in a state of all but utter destitution, and the bad and overcrowded state of the lodgings occupied by the poor. Until recently, indeed, great carelessness was evinced in devising and enforcing police and statutory regulations with regard to the construction of the inferior buildings in large towns, and the mortality in them was in consequence comparatively great. In Manchester and Liverpool, for example, a large portion of the work-people resided in under-ground cellars, which were at once damp, dark, and ill ventilated ; and, in all the great manufacturing towns, the lodging-houses were crammed with

occupants; and entire streets of cottages were built without any provision being made for their drainage or for furnishing them with adequate supplies of water. But the public attention having been called to these abuses, a great deal has been done within the last few years for their amendment. Comparatively few of the cellars in Liverpool and Manchester are now occupied by families. Great efforts have been made in most large towns to furnish adequate supplies of fresh water at low rates to the poorer classes. The drainage also of such towns has been rendered much more efficient, and while the streets and houses formerly occupied by the poor have been greatly improved, new streets and new houses on a superior plan have been constructed for their accommodation. Much, no doubt, still remains to be done; but the advantages of the improvements already made, and the attention that is now everywhere given to the subject, will ensure the continuance and diffusion of the new and amended system. The health of the workpeople must, also, be improved by the greater cleanliness and better ventilation that are now enforced in factories.

Hence, notwithstanding the great increase of population, and more especially of the manufacturing towns, during the last thirty years, the average rate of mortality in England has undergone but little variation, and may now (1863) be taken at about 1 in 45 of the existing population.

But, notwithstanding these statements be more than sufficient to show the groundless nature of the allegations respecting the general unhealthiness of manufacturing employments, it is not to be denied that some very serious abuses formerly existed in many factories. Owing to the lightness of the labour in various departments of the cotton, woollen, silk, and linen trades, but especially the first, children have been largely employed in them; and there can unhappily be no doubt that they were frequently employed at too early an age, and were sometimes tasked beyond what their strength could fairly bear. It was, however, objected to any interference in such matters, that the parents of the children

knew best what was for their advantage, and that it would be inexpedient to interfere with the arrangements they had sanctioned. But though parental affection may, speaking generally, be trusted to for the kindly treatment of children, it is not always, nor under all circumstances, to be depended on. In this particular case, the parents, whose wages were frequently very low, were sometimes tempted or driven by necessity, to eke out their scanty means by employing their children in subordinate departments; and after the practice had once begun, it was alike easy to extend it, and difficult (notwithstanding the interference of the legislature on one or two occasions) to guard against its abuse. It has, indeed, been shown, over and over again, that many of the statements embodied in the Report of the Committee of the House of Commons, of 1832, in regard to the mischievous consequences resulting from the employment of children in factories, were either false or very much exaggerated; but still enough was established, in that Report, and in the Report of the Commission subsequently appointed to inquire into the same subject, to show that very great inattention to cleanliness, and some revolting abuses, prevailed in various factories, especially those of the smaller class. To obviate these, and other abuses, an Act was passed (3 & 4 William IV. cap. 103.) which, among other regulations, prohibited the employment of children under nine years of age in factories; and besides limiting the hours of labour of young persons between nine and eighteen years of age, forbade their being employed by night. This Act also authorized the appointment of Inspectors, under whose superintendence its provisions have been carried into effect; and though, perhaps, it may not, in some respects, have gone far enough, its operation has been, on the whole, highly beneficial.

It was attempted to ingraft on the above act some sort of provision for the education of the children employed in factories; but it is admitted that its provisions, in this respect, have not been very successful. It were, however, much to be

wished that this important matter should not be neglected. Most girls brought up in factories are singularly ill-fitted for becoming mistresses of families; being, for the most part, extremely ignorant of most matters connected with domestic economy. This defect might be partially, at least, obviated by giving them instruction in the arts fitted to make them useful housewives. The acquisition of some such knowledge, though hitherto strangely neglected, would be of the greatest importance to themselves and their families.

Besides, supposing that the health of the population is injured by the extension of manufactures, it has been supposed that the extreme subdivision of labour in manufacturing establishments, and the undivided attention which those employed in them must give to the operations in which they are engaged, have a pernicious influence over the mental faculties. The genius of the master is said to be cultivated, while that of the workman is condemned to perpetual neglect. "Many mechanical arts," says Ferguson, "require no capacity; they succeed best under a total suppression of sentiment and reason; and ignorance is the mother of industry as well as of superstition. Reflection and fancy are subject to err; but a habit of moving the hand or the foot is independent of either. Manufactures, accordingly, prosper most where the head is least consulted, and where the workshop may, without any great effort of imagination, be considered as an engine, the parts of which are men."<sup>1</sup> Similar statements have been made by others. Even Adam Smith, who has given so interesting an exposition of the benefits derived from the division and combination of employments, has, in this instance, concurred with the popular opinion, and has not hesitated to affirm, that constant application to a particular occupation in a large manufactory, "necessarily renders the workman as *stupid and ignorant as it is possible to make a human being.*"

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<sup>1</sup> "Essay on Civil Society," p. 303.

Nothing, however, can be more marvellously incorrect than these representations. Instead of the work-people in manufacturing establishments being less intelligent and acute than those employed in agriculture, the fact is distinctly the reverse. The spinners, weavers, smiths, and other mechanics of Glasgow, Manchester, and Birmingham, are cleverer and better informed than the agricultural labourers of any part of the empire. And this is really what a less prejudiced consideration of the subject would have led us to anticipate. The various occupations in which the husbandman successively engages, their liability to be affected by so variable a power as the weather, and the perpetual change in the appearance of the objects which daily meet his eyes, and with which he is conversant, occupy his attention, and render him a stranger to that ennui and desire for adventitious excitement which must ever be felt by those who are constantly engaged in burnishing the point of a pin, or in performing the same endless routine of precisely similar operations. This want of excitement cannot, however, be so cheaply or effectually gratified in any way as it may be by cultivating or stimulating the mental powers. Most workmen have no time for dissipation; and though they had, the wages of labour are too low, and the propensity to save too powerful, to allow of their generally seeking to divert themselves by indulging in riot and excess. The majority are in this way compelled, as it were, to resort for recreation to mental excitement; for the enjoyment of which their situation affords every facility. Agricultural labourers, spread over a wide extent of country, are without the means of assembling, except on rare occasions, either for amusement or instruction; but, by working together, the people employed in factories have constant opportunities of discussing all topics of interest and importance. They are thus unconsciously trained to habits of thinking and reflection; their intellects are sharpened by the collision of conflicting opinions; and a small contribution from each enables them to establish lectureships and libraries, and to

obtain supplies of newspapers and periodical publications. But whatever doubts may exist respecting the cause, whether it be ascribed to the better elementary instruction of the lower classes in towns and villages, or to the circumstances under which they are placed in after life, there can be none of the fact, that the intelligence of manufacturing workmen has increased according as their numbers have increased, and as their employments have been more and more subdivided. There is not, we apprehend, any real ground for supposing that they were ever less intelligent than the agriculturists; though, whatever may have been the case formerly, none will now venture to affirm that they are inferior to them in intellectual acquirements, or that they are mere machines without sentiment or reason.

But assuming, what, indeed, can no longer be denied, the superior intelligence of the manufacturing population, we are not thence to conclude that it will be in general orderly, and disposed to respect and support the right of property and the established institutions of the country. The acquisition of information is valuable for the direct gratification it brings along with it, and for the assistance it affords to those who are improving, or seeking to improve, their condition; but it is by no means clear that it is at all fitted to reconcile the labouring classes to their lot. A stupid or an ignorant individual most commonly regards the privations incident to his situation as the effect of circumstances beyond human control, and submits to them as to the dispensations of Providence, without reflection or murmur; but he who is instructed, who is acquainted with the constitution of society, and with the privileges and advantages enjoyed by other classes, may not be so apathetic, nor, probably, so resigned to his fate. We are not, we confess, of the number of those who can contemplate the condition and prospects of the labourers in our great manufacturing towns without grave apprehensions. Owing to the greater scale on which employments are now mostly

carried on, workmen have less chance than formerly of advancing themselves or their families to any higher situation, or of exchanging the character of labourers for that of masters. But, under these circumstances, can any thing be more natural, than that instructed workmen, who are thus condemned as it were to perpetual helotism, to continued poverty and hard labour, should become discontented? It would, in fact, be extraordinary were such not the case. It is all very well for those who are at ease in their possessions, or who can by industry and exertion raise themselves to an improved situation, to profess their attachment to the existing order of things, and their determination to support it at all hazards. But, if called upon, such persons would, perhaps, be not a little puzzled to show that a poor collier, cotton-spinner, or handloom weaver, has any very papable interest in its support; or that he would be seriously injured by its overthrow. Something, no doubt, may be done to strengthen the existing institutions of the country, by improving the education of the poor, and showing them in how great a degree their condition must always depend upon themselves, and how closely their interests are identified with those of their employers, and with the preservation of tranquillity and good order. But, after all, it would not be safe to lay much stress on education. A man must have a lively and grateful sense of the advantages he derives, or may derive, from established institutions before any species of training will make him anxious for their preservation. But a poor manufacturing workman, who contrasts his abject and hopeless condition, and that of his family and class, with the boundless wealth, luxury, and varied enjoyments of other portions of the community, will be very apt to conclude that there is something radically wrong in a system productive of such results, and may be disposed to lend a willing ear to those dangerous counsellors, who tell him that he is the victim of vicious political and social arrangements, and that he must look to a change in them for an improvement of his situation. We incline to think that there

is at all times a good deal of deep-seated discontent among the manufacturing population. But when trade is good, prices moderate, and the country prosperous, this discontent, like latent heat, rarely manifests itself. It is otherwise, however, in periods of public distress or calamity ; under such circumstances it makes itself both heard and felt ; and all sorts of projects for the reform or rather overthrow of the constitution are then sure to be put forward.

It should be kept in mind that a population dependent, in so great a degree as that of Great Britain, on the wages of manufacturing labour, is especially liable to have its interests deeply compromised, not merely by the occurrence of scarcities and pecuniary derangements at home, but also by whatever may affect the sale of its products in those foreign countries to which they are largely exported. It is not to be denied that a large population so situated is in a perilous position. So long as the population dependent on manufacturing industry is not very large as compared with the rest of the population, the occurrence of the vicissitudes alluded to is of comparatively little importance. But when manufacturing work-people become so very numerous as in Great Britain, and increase with such extraordinary rapidity, as they have done here during the last fifty years, the occurrence of any circumstance that tends to reduce the wages of labour, to raise the prices of provisions, or to throw any considerable number of persons out of employment, becomes an evil of the greatest magnitude, and is not only productive of much immediate distress to those directly affected by it, but is very likely seriously to endanger the public tranquillity. Demagogues, and the workshop agitators so frequently met with in the manufacturing districts, never fail to take advantage of the excitement produced by the occurrence of distress, to instil their poisonous nostrums into the public mind ; to vilify the institutions of the country ; and to represent the privations of the work-people which, in the vast majority of cases, spring from accidental and uncontrollable causes, as the necessary



consequence of a defective system of domestic economy, having regard alone to the interests of the higher classes.

It would be useless to refer to particular instances in confirmation of what is now stated. These, unhappily, are too numerous and too recent not to have forced themselves on the attention of every one. And yet, critical as is the condition of society from the vast increase of manufacturing labourers, it would really seem as if we had done little more than enter on this new and hazardous career. At present, notwithstanding the vicissitudes and revulsions that occasionally recur, and the check given to the cotton trade, manufacturing employments are extending on all sides, and it may be estimated, that an addition of above 230,000 individuals is annually made to the population of Great Britain.

In such a novel and unprecedented state of things the rules and inferences drawn from the contemplation of society in antiquity, or in more modern times, are wholly inapplicable; and we are left with little or no light from experience to speculate on the probable course and results of this new state of society. We doubt whether the prospect be very flattering, either as regards the tranquillity of the country, or the well-being of the bulk of the people. There may, however, be principles at work, which have not yet developed themselves, capable of educating good out of seeming evil, and of neutralising those circumstances which threaten to be prolific of mischief. We may be permitted to hope, that a system which at its outset was productive of so great an increase of wealth, prosperity, and enjoyment, may not end in national ruin and disgrace.

Perhaps it may, in the end, be found that it was unwise to allow the manufacturing system to gain so great an ascendancy as it has done in this country, and that measures should have been early adopted to check and moderate its growth. At present, however, nothing of this sort can be thought of. Whether for good or for evil, we are now too far advanced to think of retreating. We have no resource but to give it full scope, taking care, however, to do all that is possible by judi-

cious legislation to avert and modify revulsions. In this respect the measures introduced by Sir Robert Peel, for giving full freedom to our intercourse with foreigners and improving our monetary system have been of the greatest importance. And if, in addition to these wise and salutary measures, tranquillity be maintained at home and abroad, objectionable imposts modified or abolished, and public charity be so administered as to relieve the distresses without insulting the feelings or lessening the industry of the labouring classes, all, perhaps, will be done to give stability to industry and good order of which legislation is capable. But that these things will be done, or that, if done, they will be adequate to meet the exigencies of the case, is more than any man of sense would choose to affirm. They, however, are things which government may endeavour to accomplish; and provided it succeed in its efforts, the event may be, or rather must be, left to time and Providence.

In estimating the influence of manufactures over the prosperity and happiness of nations, it would seem that they are, if at all, injurious or hazardous only in their excess, or when a very large proportion of the population has been, through their agency, rendered dependent on foreign demand and on the caprices and mutations of fashion. Down to a certain point, the progress of manufactures is productive, if not of unalloyed advantage, at all events of a great preponderance thereof. It is to their progress and that of commerce that we owe the growth of cities; and mankind are mainly indebted to the latter, not only for the rapid advances they have made in civilization, but also for the diffusion of just notions of government and of liberal principles. Men seldom entertain a just sense of their own importance, or acquire a knowledge of their rights, or are able to defend them with courage and success, till they have been congregated into cities. An agricultural population, thinly distributed over an extensive country, and without any point of reunion, rarely opposes any very vigo-

rous resistance to the most arbitrary and oppressive measures. But such is not the case with the inhabitants of towns ; they are actuated by the same spirit, and derive courage from their numbers and union ; the bold animate the timid ; the resolute confirm the wavering ; the redress of an injury done to one citizen becomes the business of all ; they take their measures in common, and prosecute them with a vigour and resolution, that generally makes the boldest minister pause in an unpopular career. The most superficial, as well as the most profound reader of history must acknowledge the truth of this statement ; the establishment of extensive manufactures and commerce having everywhere been consentaneous with the rise of public freedom, and with the introduction of an improved system of government.<sup>1</sup>

If we be right in the previous statements, it will appear that the beneficial influence of manufactures depends, in great measure, on their being subordinate, in point of extent, to agriculture and other more stable businesses ; and there is reason to fear that their influence is of a much less salutary description, when they constitute the paramount interest. We have noticed the tendency, so apparent in the progress of manufactures, to the increase of great establishments, where a few individuals superintend great numbers of work-people. But we doubt whether any country, how wealthy soever, should be looked upon as being in a healthy and really sound state, where the leading interest consists of a small number of great capitalists, and of vast numbers of work-people in their employment, but unconnected with them by any ties of gratitude, sympathy, or affection. This estrangement is occasioned by the great scale on which labour is now carried on in most businesses ; and by the consequent impossibility of the masters becoming acquainted, even if they desired it, with the great bulk of their work-people. Generally, indeed, they do not so

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<sup>1</sup> For some farther illustrations of this last-mentioned topic, see Miller's "Historical View of the English Government," vol. iv. pp. 102-137.

much as know their names; they look only to their conduct when in the mill or factory; and are wholly ignorant of their mode of life when out of it, and of the condition of their families. The kindlier feelings have no share in an intercourse of this description; speaking generally, every thing is regulated on both sides by the narrowest and most selfish views and considerations; a man and a machine being treated with about the same sympathy and regard. A population of this sort can hardly fail to be extremely prone to discontent. Work-people who have little or nothing to lose, and who care little for, or, it may be, hate those who have, are easily misled, and will be exceedingly apt, in periods of distress, to adopt violent resolutions, destructive of the interests of others, and probably, also, of their own. If these results have not been so strongly manifested in this country as might have been anticipated, the result is mainly owing to the operation of the poor laws. They have provided a resource for the work-people in periods of distress; and have hindered them from feeling anything like the full influence of the privations, and consequently of the temptations to outrage to which they would otherwise have been exposed.

We have not made these statements because we entertain any doubts of the advantages resulting from the progressive improvement of the arts. What we have stated has reference only to the excessive growth of manufactures in particular countries, and not to improvements of any kind. The facilities for the production of cottons, woollens, and hardware, for example, cannot assuredly be too much increased; but it does not, therefore, follow that the cotton, woollen, and hardware manufactures of England may not be disproportionally extended, or rather that they may not be so increased as to place a large proportion of our people, and with them the best interests of the country, in a very hazardous situation; in the same way that the safety of the largest and best built ship may be endangered by crowding too much sail. Supposing, however, that this were admitted, it might be asked,

would you then propose, when a business is rapidly increasing, and when that very circumstance shows that it is, at the time, the best suited to the country, that its progress should be checked by artificial means? Practically, it is abundantly certain that all questions of this sort, supposing them to be put, will, for a lengthened period, be decided in the negative. But looking at it in a scientific point of view, everything, it is plain, would depend on our being able to form a correct estimate of the character of the business referred to, and of the contingent circumstances connected therewith. Certainly, however, our experience is at present far too limited to enable anyone to cast the horoscope of any great department of industry; and, notwithstanding its vast importance, the solution of this class of questions must be left to the economists of some future age.

That hostility to commercial pursuits so generally entertained by the philosophers of antiquity, and which has been inherited by many of their successors in modern times, seems to have originated principally in the idea that commerce is unfavourable to the patriotic virtues, and that those who are familiar with foreign countries cease to entertain any very peculiar regard for their own. That there is some foundation for this statement is true; but it is not true that commerce tends to weaken that love of country which is founded upon just grounds. It merely moderates that excessive preference of ourselves to every other people, which is a sure proof of ignorance and barbarism: and in this respect it differs nothing from the acquaintance with foreigners obtained through the medium of books. The traveller who visits a foreign country, and the individual who reads an account of it, naturally compares its institutions with those of his own country. There is, however, no reason for supposing that this will make him unjustly depreciate the latter, though it may satisfy him that they are not quite so super-excellent as he previously imagined: and if it should appear, on a careful

comparison, that any of our laws or practices are not so well suited as those of some foreign states to promote the public interests, what can be more desirable than to have the means of rectifying and amending them, not upon speculative or doubtful grounds, but according to the experience of other nations? A Turk, or a Spaniard, may be as patriotic as an Englishman; but the patriotism of the former is a blind indiscriminating passion, which prompts him to admire and support the very abuses that depress and degrade himself and his country; whereas the patriotism of the latter is comparatively sober and rational. He prefers his country, not merely because of its being the place of his birth, and of the many ennobling recollections connected with its history, but because, in addition to these circumstances, he finds, upon contrasting it with others, that though not faultless, its institutions are comparatively excellent.

The idea that the patriotism of those engaged in commercial pursuits is less ardent than that of agriculturists, never could have been entertained by any one acquainted with history, unless he were, at the same time, blinded by prejudice. Were the Athenians or Corinthians less patriotic than the Spartans or Thebans? Alexander the Great had more difficulty in conquering Tyre than in subduing the whole Persian empire; and Carthage had nearly arrested the Romans in their progress to universal dominion. But it is needless to go back to antiquity for examples to prove the beneficial influence of commerce on the patriotic virtues. The Hollanders and the English have been less distinguished among the nations of Europe for their vast commerce and wealth, than for the extraordinary sacrifices and exertions they have made for the sake of private freedom and national independence.

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## CHAPTER VII.

*Improvements in Machinery similar in their Effects to Improvements in the Skill and Dexterity of the Labourer—Do not occasion a Glut of Commodities—Sometimes force Workmen to change their Employments—Have no Tendency to lessen, but most commonly increase the Demand for Labour—Causes of Gluts—Not occasioned by a deficiency of Money, but by sudden changes in its Quantity and Value—Circumstances which occasion Miscalculations on the Part of the Producers.*

VARIOUS bad consequences have been supposed to result from the extension and improvement of machinery. But, at the outset, a presumption arises that they must be in great measure fallacious, seeing that they would equally follow from an improvement of the skill and industry of the labourer. If the construction of a machine fitted to produce two pairs of stockings as cheaply as one pair was previously produced, be in any respect injurious, the injury would, obviously, be equal were the same thing accomplished by increased dexterity and skill on the part of the knitters. There is really no difference in the cases. And supposing the demand for stockings were already supplied, M. Sismondi could not, consistently with his principles,<sup>1</sup> have hesitated about condemning such an improvement as a very great evil—as a means of throwing *half* the people engaged in the stocking manufacture out of employment. The questions respecting the improvement of machinery, and of the skill and industry of the labourer, are at bottom identical. The principles which govern our decision in the one case, must govern it in the other. If it be advantageous that the proficiency of the labourer should be indefinitely extended—that he should be able to furnish

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<sup>1</sup> "Nouveaux Principes," tom. ii. p. 318.

greater quantities of produce with the same, or a less amount of work, it surely must be advantageous that he should avail himself of such aids as may be most effectual in bringing about that result.

The better to appreciate the effect of increased skill and dexterity on the part of the labourer, or of an improvement in tools and machines, let us suppose that the powers of production are universally augmented, and that workmen in all sorts of employments can, with the same exertion, furnish twice the former quantity of produce. It is evident that this increased facility of production would, if exerted, double the wealth and enjoyments of everybody. The shoemaker who had previously manufactured *one* pair of shoes a-day, would now be able to manufacture *two* pairs; and as an equal improvement is supposed to have taken place in all employments, he would obtain twice as much of every other thing in exchange for shoes. In a country thus circumstanced, every workman would have a great quantity of produce to dispose of beyond what he had occasion for; and as every one else would be in the same situation, each would be able to exchange his own goods for a great quantity, or, what comes to the same thing, for the price of a great quantity of those of others. The condition of such a society would be vastly improved. All the necessaries, luxuries, and conveniencies of life, would be comparatively cheap and abundant.

It may, however, be asked, would the *demand* be sufficient to take off this increased quantity of commodities? Would their extraordinary multiplication not cause such a glut of the market, as to force their sale at a lower price than would suffice to repay even the diminished cost of their production? But to render an increase in the powers of production advantageous, it is not necessary that they should always be fully exerted. Were the labourer's command over necessaries and comforts suddenly doubled, his consumption as well as his savings would doubtless be very greatly increased; but it is not likely that he would continue to exert his full powers.



He would then be able, without endangering his means of subsistence, to give a greater portion of his time to relaxation and amusement. It is only where the powers of industry are feeble or very much loaded, where supplies of food have to be drawn from soils of inferior fertility, or where population is in excess, that workmen are compelled to make every possible exertion. High wages are advantageous only because of the increased comforts they bring along with them ; and of these, an addition to the time which may be devoted to amusement is not one of the least. Wherever wages are high, and little subject to fluctuation, labourers are active, intelligent, and industrious. But they rarely prosecute their employments with the same intensity as those who are obliged, by the pressure of necessity, to strain every nerve to the utmost. They are able to enjoy intervals of ease and relaxation ; and they would be censurable if they did not enjoy them.

Suppose, however, that the productive powers of industry are doubled ; nay, suppose they are increased in any greater proportion, and that they are exerted to the utmost, it would not occasion any lasting glut of the market. Individuals who were most industrious might, no doubt, produce commodities which those who were less industrious—who preferred indolence to exertion—might not have the means of purchasing, or for which they might not be able to furnish an equivalent. But the glut arising from such a contingency must speedily disappear. In exerting his industrial powers, a man intends either to consume their produce himself, or to exchange it, or portions of it, for the commodities or services of others. Suppose, now, that he directly consumes every thing he produces : it is obvious that, in such case, there can be no glut or excess ; for, to suppose that commodities, intended for direct consumption by the producers, may be in excess, is equivalent to supposing that you may have production without a motive, an effect without a cause ! When, however, individuals, instead of directly consuming the produce of their industry, offer it in exchange to others, there may

be a glut. Should A, for example, produce articles which are not wanted, instead of those that are, he will not be able to sell them, or to exchange them for those he wished to obtain, so that there will be a glut or excess of his commodities. In such case A has miscalculated; he should have produced such articles only as would have been taken off his hands by others, or have applied himself to the production of those which he really wanted. Had he done this there would have been neither glut nor excess. Errors of this sort are, however, speedily rectified; for if A find that he cannot attain his object by prosecuting his present employment, he will not fail to abandon it, producing, in time to come, such articles only as he may find a merchant for, or as he means to consume. It is clear, therefore, that a *universally* increased facility of production cannot give rise to a permanent overloading of the market. Suppose that the capital and labour engaged in different employments, are adjusted according to the effectual demand, and that they all yield the same nett profit: if the productive powers of labour were universally increased, the commodities produced would all preserve the same relation to each other. Double or treble the quantity of one commodity would be given for double or treble the quantity of every other commodity. There would be a general augmentation of the wealth of the society, but there would be no excess of commodities in the market; the increased equivalents on the one side being balanced by a corresponding increase on the other. But if, while one class of producers were industrious, another chose to be idle, there would be a temporary excess. It is clear, however, that this excess would be occasioned by the deficient production of the idle class. It would not be a consequence of production being too much, but of its being too little increased. Increase it more—make the idle class equally productive with the others, and then it will be able to furnish them with equivalents for their products and the surplus will immediately disappear. It was in vain that Malthus attempted to defeat this reasoning by supposing the existence

of an *indisposition to consume* ! There is no such indisposition in any country in the world ; not even in Mexico, to which he referred.<sup>1</sup> The indisposition there is not to consume, but to produce. In Mexico, as elsewhere, no one can command the products or services of others unless he furnish them with equivalents ; and the Mexican would rather be without the articles or services he might procure by means of labour than undertake that labour. Malthus mistook this indisposition to produce for an indisposition to consume ; and, in consequence, was led to deny that effective demand depends upon production.

Malthus has justly stated, that the demand for a commodity depends "on the *will* combined with the *power* to purchase it ;" that is, on the power to furnish an equivalent for it. But who ever heard of a want of *will* to purchase ? If it alone could procure necessities and luxuries, every beggar would be as rich as Cræsus, and the market would constantly be understocked. The *power* to purchase is the real desideratum. It is the inability to furnish equivalents for the products necessary to supply our wants, that "makes calamity of so long life." The more, then, that this inability is diminished, or, which is the same thing, the more industrious individuals become, and the more the facility of production is increased, the more will the condition of society be improved.

It is not to increased facilities of production, but to new political combinations, changes in the quantity and value of money, restraints on the freedom of trade, and so forth, that the difficulty, sometimes experienced, of disposing of commodities in foreign markets, is, in most cases, to be ascribed. But it may be confidently expected that the frequency and violence of revulsions will in future be diminished. We have not, it is true, any right or power to interfere in such matters with other countries. But our example will, probably, have a good deal of influence ; and, at all events, the many improve-

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<sup>1</sup> "Principles of Political Economy," p. 382.

ments in our commercial legislation made during and since the administration of Sir Robert Peel, more especially the increased stability given to our monetary system by the measures of 1844, and the introduction of a free trade in corn, cannot fail to give additional security to industrial undertakings, and to deepen and enlarge the channels of commerce.

Still, however, it has been urged, that, under a free commercial system, we may not only manufacture too much of one, but of all commodities demanded by foreigners. But this is a rather extravagant supposition, though there would be no good ground for doubting, even were such the case, that an increase of the powers of production could be otherwise than advantageous. If foreigners are unable or unwilling to furnish equivalents for the products we send abroad, we must relinquish their production, and produce, in their stead, those we intended to import, or substitutes for them. Now, the real question comes to be—if a question can be raised on such a subject—Whether it is advantageous that we should have the means of producing these commodities cheaply, or not? Foreign trade is beneficial, because a country may, by exporting the produce of the industrial departments in which it has an advantage, import the produce of those in which the advantage is on the side of others. But, to ensure this benefit, it is not necessary that the whole capital of the country should be vested in those particular departments. England furnishes better and cheaper cottons than any other country; but it is not, therefore, contended that she should produce nothing else. Were she able to furnish the same supply of cottons as at present with half the capital and labour, would not her means of producing all other commodities be prodigiously augmented?

But it is contended, that these means would not be put in requisition; and that it is impossible so great a saving of labour could take place in a branch of industry employing a million of people, with any rational prospect of such an increase in the demand for labour in other employments, as would take up the hands that would be thrown idle. As this

is an objection which has been reproduced in a thousand different shapes, and on which much stress has been laid, it may be proper to examine it somewhat in detail.

In the *first* place, it may be observed, that an improvement which reduced the price of cottons, or of any other article, a half, that is, which enabled half the capital and labour engaged in their manufacture to furnish the same quantity of goods that is now furnished, would not throw the other half wholly out of employment. The demand for cottons, instead of remaining stationary, would, under such circumstances, be very greatly increased. Those who subsist by their labour, and whose command over necessities and luxuries is always comparatively limited, form an immense majority of the population of every country. And any considerable reduction in the price of an article in general use, has been uniformly found to extend the demand for it in a still greater proportion. Cheap goods never fail of making their way through every barrier, *per medios ire satellites amant*. In the words of Sir Josiah Child, "They that can give the best price for a commodity, shall never fail to have it by one means or other, notwithstanding the opposition of any laws, or interposition of any power by sea or land; of such force, subtlety, and violence, is the general course of trade."<sup>1</sup>

But, in the *second* place, it is easy to show that the advantages attending the introduction of machinery do not, as many suppose, depend on the circumstance of the market extending proportionally to the reduction in the price of commodities. They are very great when no such extension can take place. Suppose the price of cottons were reduced a half; if the demand for them were not at the same time extended, half the individuals engaged in their manufacture would, no doubt, be thrown out of that employment; but it is demonstrable that there would, under such circumstances, be a

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<sup>1</sup> "Discourse about Trade," p. 129. Ed. 1690.

corresponding increase in the demand for the products of other employments. The wealth of the buyers of cottons would not be impaired by their production being facilitated and their price reduced. They would still have the same capitals, and the same revenue. The only difference would be, that they would now purchase with one sovereign, as large a supply of cottons as they previously purchased with two, and that the surplus sovereign would be applied to the purchase of other things. That it would be so applied is certain; for, though we may have enough of one commodity, we can never have what we reckon enough of *all* sorts of commodities. There are no limits to the passion for accumulation:

Nec Cræsi fortuna unquam nec Persica regna  
Sufficient animo—

The revenue set free by the fall in cottons would not be permitted to lie idle in our pockets. It would be applied to purchase, either directly by the parties themselves, or indirectly by those to whom they might lend it, an additional quantity of something else. The total effective demand for labour, or the produce of labour, would not, therefore, be in the least degree impaired. Employment would be found for the capital and workmen disengaged from the cotton manufacture in the production of the articles for which an equivalent increase of demand had taken place; so that, after the lapse of such a period as would permit of their transfer to new businesses, labour would be in as great demand as before, at the same time that every individual would get twice the former quantity of cottons for the same quantity of labour, or of any other commodity whose cost had remained constant.

It has, however, been contended,<sup>1</sup> that when machinery is employed to perform work that was previously performed by work-people, the price of the produce is seldom or never diminished to such an extent as to render the reduction of price equivalent to the wages of the labourers thrown out of

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<sup>1</sup> Sismondi "Nouveaux Principes," tom. ii. p. 325.

employment. The invention of machinery, says Sismondi, by which cottons could be supplied five per cent. below their present prices, would occasion the dismissal of every cotton spinner and weaver in England ; while the increased demand for other commodities, occasioned by this trifling saving, would barely afford employment for five per cent., or *one-twentieth* part of the disengaged hands ; so that were an improvement of this kind to take place, the vast majority of these persons must either be starved outright or provided for in the work-house. But, in making this statement, Sismondi neglected one most important element—he did not tell how his machines were produced. If, as he tacitly assumed, they cost nothing ; if, like atmospheric air, they were the free gift of Providence, and required no labour to procure them—then, instead of prices falling five per cent., they would fall to *nothing* ; and every farthing formerly applied to purchase cottons would be set at liberty, and made available for the purchase of other things. But if, by stating that the introduction of new machinery reduced the price of cottons five per cent., Sismondi meant, as he must have done, that £20,000 vested in an improved machine will produce the same supply of cottons as £21,000 employed in the payment of wages, or in the machinery now in use, it is plain that twenty out of every twenty-one parts of the capital and labour formerly employed in the production of cottons will henceforth be employed in the production of machinery, and that the other part will be employed in producing the commodities for which, owing to the fall of five per cent. in the price of cottons, a proportionally greater demand will be experienced. In this case, therefore, it is plain that, instead of twenty out of every twenty-one labourers engaged in the cotton manufacture being thrown out of employment, there would not be a single individual in that situation. But as this reasoning proceeds on the supposition that the machines would last only *one* year, it might be contended, that supposing them to be fitted to last *ten* or *twenty* years, there would be a deficiency of employment. The truth,

however, is, that the reverse holds ; and that, instead of being diminished, the demand for labour would be increased, according to the greater durability of the machines. Suppose profits are ten per cent. : when a capital of £20,000 is vested in a machine fitted to last *one* year, the goods produced by it must sell for £22,000, viz. £2,000 as profits, and £20,000 to replace the machine itself. But were the machine fitted to last *ten* years, then the goods produced by it, instead of selling for £22,000 would only sell for £3,254, viz., £2,000 as profits, and £1,254 to accumulate as an annuity for ten years, to replace the original capital of £20,000. Hence it appears that by introducing a machine constructed with an equal capital which should last *ten* years instead of *one* year, the price of the commodities produced by it would be sunk to about *one-seventh* part of their former price. Hence the consumers of cottons would, by means of their equally increased demand for other articles, afford, in future, employment for *six-sevenths* of the disengaged labourers. Nor is this the only effect that would be produced. The proprietor of the machine would have, exclusive of the ordinary profit on his capital, at the end of the first year, an additional stock of £1,254, or one-sixteenth part of the value of his machine, which he must necessarily expend in some way or other in the payment of wages ; at the end of the second year, this additional revenue or stock would be increased to about one-eighth part of the value of the machine ; and in the latter years of its existence, it is plain that, instead of having declined, the demand for labour would have very nearly *doubled*.

It is further to be observed that in these statements we have not taken into account the influence of improved machinery in extending among new classes of purchasers the demand for its products and for labour. We have seen that, independent of any such extension, it is highly advantageous. But when the price of any article suited for general use is reduced, either by the employment of more perfect machinery or otherwise, not only is the demand of the former consumers of the article increased, but it is brought within the command



of other and more numerous orders of consumers. And hence the extraordinary increase in the demand for articles fitted for general use of which the price has been much reduced. The cotton manufacture affords a striking illustration of this statement. Such and so extraordinary has been the progress of machinery and improvement in that department of industry, that cotton goods are said to be at present produced for less than a twentieth part of what they cost at the accession of George III. And yet the demand for them and the number of persons employed in their manufacture have increased in a still greater proportion; and this in a less or greater degree is uniformly the case. All new inventions or discoveries by which the production of necessaries and conveniencies is facilitated, add to the numbers as well as to the comforts of those by whom they are used.

But while every improvement in machinery increases the aggregate demand for labour, it may sometimes, though rarely, be immediately injurious to the labourers in particular departments, and oblige a greater or smaller number of them to change their employments. In the majority of businesses, this is not, perhaps, so great a hardship as might at first be supposed; for, as already seen, they have, for the most part, so many things in common, that a workman who has attained to any considerable proficiency in one, has seldom much difficulty in employing himself in another. There are no doubt a few cases in which a change of employments may be productive of serious hardship. The case of the hand-loom weavers is, unluckily, one of this description. The facility with which the art of weaving is learned, the lightness of the work, and the freedom from *surveillance* of those engaged in it, make it, notwithstanding the lowness of wages, be followed by a large class of persons, many of whom are of weakly constitutions, and ill-fitted, from the nature of their employment, for engaging in anything else. But the probability is, that the spread of power-looms will, in the end, effect the all but total destruction of the weaving business; and there can

be no question that society in general, including the weavers, will be materially benefited by the change. In the meantime, however, the latter have strong claims on the public sympathy; and every practicable means should be tried that may seem most likely to abridge and facilitate the painful state of transition in which they have been involved, by introducing their children to other businesses, and by assisting their emigration, or otherwise.

But, how severe soever, cases of this sort cannot be of permanent duration. In the instance under consideration, the means of those who buy the products of the power-looms are not affected by the change; and whatever, therefore, they may save through the reduction of their price will be laid out on other things, the production of which will, in the end, fully absorb the unemployed hand-loom weavers, at the same time that the demand for the cheaper products, which are brought within the command of new classes of purchasers, will be proportionally increased; and this, as already seen, will open a new field for the employment of additional hands in the construction of machinery, and in the subordinate departments connected with the manufacture. It is not, in fact, possible that the improvement of machinery should be in the end otherwise then beneficial to all classes.<sup>1</sup>

It must be admitted that individuals who are obliged to move their capital from one business to another, necessarily lose the profits derived from such portions of it as cannot be transferred. But the introduction of improved machinery is not to be prevented because the machinery previously in use may be superseded, and in part destroyed. Individuals may lose; but society always derives an accession of wealth from the adoption of every device for saving labour. We have seen, that neither the power nor the will to purchase commodities is affected by the introduction of improved machines; and as

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<sup>1</sup> See Note A, at the end of the Volume.

the employment of workmen depends on the amount of circulating capital which may, in all cases, be withdrawn without loss, it is not diminished by their introduction. Wages, therefore, continue as high as before, while the fall of prices effected by the reduced cost of production, makes them exchange for a greater share of necessities and comforts, and occasions a more rapid accumulation. Hence it appears, however much it may be at variance with popular opinion, that improvements in machinery are generally more advantageous to the labourers, regarded as a class, than to the capitalists. In particular cases they may reduce the profits of the latter, and destroy a portion of their capital; but they never diminish the average wages of labour, while they lower the value of commodities, and improve the condition of the working classes.

It is further to be observed that the extensive construction and employment of machinery, which is at once a cause and a consequence of the extension and improvement of manufactures, can hardly fail to be of great advantage to the labouring classes in other respects than those already alluded to. It introduces them to a higher species of employment. In manufacturing machines they become acquainted with natural powers, and learn in how great a degree the action or influence of one portion of matter may be augmented, or modified by that of another. The minds of those who are familiar with such phenomena are expanded. Their curiosity is awakened, and instead of confining themselves to the application of rules laid down by others, they endeavour to simplify and improve existing processes, and to contrive and invent others that may better answer their ends. In this way the position of the work-people in highly manufacturing countries is progressively elevated. Their higher faculties are cultivated and improved, and the labour of the head is made to lighten that of the hands and make it more powerful.

History shows that such is the case. As society improves the more onerous and slavish employments of rude ages come

to be in great part performed by machinery or by the lower animals. The grinding of corn by hand mills, which used to be so very oppressive, has for a lengthened period been everywhere performed by mills worked by water or wind; the laborious and irksome employment of thrashing out corn is now in many parts of England all but unknown, the machines employed for the purpose executing the work better and far more expeditiously; wool, flax, and cotton instead of being spun by the hand, are now spun for a tenth-part of the cost, in factories constructed for the purpose; weavers have been superseded by power looms; and it is next to certain that the cutting down of the crops and the ploughing of land will all, or mostly all, be shortly executed by steam or other engines. In these respects, therefore, the introduction and extension of machinery appears to be productive of a double advantage. By teaching the labourers to avail themselves of the powers and resources of nature, it improves their intellectual capacities at the same time that it raises their position. It makes them a sort of quasi-engineers instead of drudges; for it partially engages them in scientific occupations, at the same time that it relieves them of much severe work and of some of the most disagreeable duties necessary to the existence of society.

Allowing for the temporary inconveniences resulting in rare cases from changes of employments, the previous statements have shown that the greatest improvements of machinery, and the utmost facility of production is sure to prove advantageous for all classes. "*Augmenter la reproduction annuelle, la porter aussi loin qu'elle peut aller, en débarrassant de toutes entraves, et en animant l'activité des hommes, voilà le grand but que doit se proposer le gouvernement.*"<sup>1</sup> An excess of a particular commodity, or of a few commodities, may be occasionally produced; but it is not possible that they should be all in excess. Setting apart for the moment the influence of

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<sup>1</sup> Dignan, "Essai sur l'Economie Politique," p. 134.

sudden changes in the value of money, and of political regulations, if the market be encumbered and a difficulty be experienced in effecting sales, we may be satisfied that the fault is not in producing too much, but in producing articles which do not suit the tastes of the buyers, or which we cannot ourselves consume. If we attend to these two grand requisites, and produce such things only as may be taken off by those to whom they are offered, or such as may be directly available for our own use, we may increase the power of production ten or twenty times, and be as free of all excess as if we diminished it in the same proportion. A glut never originates in an increase of production; but is, in every case, a consequence of the misapplication of the ability to produce, that is, of the producers not properly adapting their means to their ends. Let this error be rectified, and the glut will disappear. In no case can an increase of productive power, provided it be properly exerted, be attended with inconvenience. We might as well pretend that we should be inconvenienced by an increased fertility of soil, or an increased salubrity of climate. Such commodities as are carried to market, are produced only that they may be exchanged for others; and the fact of their being in excess, shows that there is a corresponding deficiency in the supply of those they were intended to buy, or to be exchanged for. A universal glut of all sorts of commodities is impossible: every excess in one class is sure to be counter-vailed by an equal deficiency in some other class. "To suppose that there may be a production of commodities without a demand, provided these commodities be of the right species, is as absurd as to suppose that the revenues of the several individuals composing the society may be too great for their consumption."<sup>1</sup>

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<sup>1</sup> "Sketch of the Advance and Decline of Nations," p. 82. Say was the first who showed, in a full and satisfactory manner, that effective demand depends upon production (see his chapter *de Débouchés*); and that gluts are the result of the misapplication, and not of the increase, of productive power. But the same principle had been noticed by many previous writers; by Dean Tucker, in his

Before dismissing this subject, it may be observed, that gluts are not unfrequently ascribed to a deficiency of money. But though the quantity of money in circulation determines the *price* of commodities, or their value estimated in money, it does not exercise the smallest influence over the quantity of other commodities for which any one in particular will exchange. It is, however, the acquisition of those others, and not of money, that is the end which every man has in view who carries any thing to market. The money that individuals receive for what they sell, is immediately laid out by themselves, or by those to whom they lend it, on purchases: and if it should happen that the produce which one has to dispose of is redundant, while that which he wishes to procure is deficient, he will experience loss and inconvenience. But these, it is obvious, are circumstances that are wholly independent of the value of money. And whether it bear a permanently high or low value, is in as far as the occurrence of gluts is concerned, of no importance.

It may further be observed, that though no complaint be more common, than that of a scarcity of money, there is hardly one so uniformly ill-founded. Like other valuable products in universal demand, money will always be scarce to those who cannot afford to buy it, and who are destitute of credit. But when any one who has really valuable produce is unable to get it disposed of, he will, in the vast majority of instances, find the cause in something else than a scarcity of money,—in changes of fashion, in its having been thrown in too great quantities upon the market, or in some political consideration; none of which circumstances would be affected by an increase of currency. However rich, individuals purchase no more of an article than is required to supply their wants; and if more be produced, the surplus must either lie on the hands of the producers, or be sold at a reduced price.

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“Queries on the Naturalization Bill,” p. 13, published in 1752; by Mengotti, in his “Dissertazione sul Colbertismo,” p. 31, published in 1792; and still more distinctly in the tract above quoted, published in 1795.

It is, therefore, to no purpose to ascribe gluts and revulsions of the market to a permanent deficiency of money. A whist-player might as well ascribe his losses to a deficiency of counters. The miscalculation of producers is, in the absence of fluctuations in the value of money, their real cause; if they produce such articles as others are able and willing to buy, or as they can themselves make use of, there will be no glut; and if they do not, there will be a glut, though a Potosi were discovered in every county.

At the same time it is most true that sudden and extensive changes in the value of the money of any great commercial country, or in the credit of its merchants, always exercise a powerful influence, and frequently, indeed, occasion great derangement in the channels of mercantile intercourse. An increase in the quantity of money occasions, by lowering its value, an increase in the prices of commodities, at the same time that it affords additional facilities for obtaining credit, and for indulging in speculation. But a contraction and consequent rise in the value of money, being usually accompanied by a sudden collapse of credit, has an opposite and commonly a much more decided influence, and leads sometimes to very extensive revulsions. Such changes cannot, indeed, take place without entailing the most serious losses on all who have on hand considerable stocks of produce; they are also very apt to involve those who have been carrying on their business by the aid of borrowed money in serious difficulties; and if the rise in the value of money be considerable, the influence of the shock given to industry, and the disturbance in commercial channels, may be such as materially to abridge the power of the society to make their accustomed purchases; and may thus occasion a glut of the market, not only in the country which is the seat of the revulsion, but also in those countries whence she has been accustomed to draw any considerable portion of her supplies.

Nothing would be easier, were it needed, than to quote instances from the history of most commercial countries, illus-

trative of what has now been stated. Here they have been especially numerous and on a grand scale. Not to go farther back than 1825, it is enough to refer to the revulsion of that year, and to those of 1847 and 1857. But it would be useless to dwell on the history of events that are so well known to all who take an interest in these matters; and it may suffice to observe that the measures for the regulation of the currency adopted in 1844 have had a powerful influence in reducing the number and violence of revulsions occasioned by sudden changes in the quantity and value of money.<sup>1</sup>

But, apart from fluctuations in the value of money, it is clear, from the previous statements, that the miscalculation of producers, or the misapplication of productive power, is the great cause of gluts; and such being the case, we may shortly inquire into the circumstances which most commonly occasion this miscalculation or misapplication. In a practical point of view this is an inquiry of much importance.

Miscalculations seem generally to originate in some previous change in the usual proportion between the supply and demand of commodities. Every exertion of industry involves a certain degree of speculation. The individual who buys raw cotton or raw silk, in the intention of manufacturing it into articles of dress or furniture, supposes that the articles, when manufactured, will sell for a price sufficient to indemnify him for his expenses, and to leave the customary profit on his capital. There is, however, a good deal of risk in an adventure of this sort: were the fashion to change while the articles are in preparation, it might be impossible to get them disposed of, except at a considerable loss; and were new facilities given in the interim to the commerce with countries whence similar articles might be procured, or any discovery made which diminished the cost of their production, their price would fall, and the

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<sup>1</sup> See Note on Money in the edition of the "Wealth of Nations" by the Author of this work.



speculation be unprofitable. But how singular soever, it will be found that miscalculations and gluts are more frequently produced by an increase than by a decline in the demand for produce. Suppose that, owing to the opening of new markets, to a change of fashion, or to any other cause, the demand for hardware is suddenly increased: the consequences of such increased demand would be, that its price would immediately rise, and that the manufacturers, and those having stocks on hand, would realize comparatively high profits. But, unless monopolies prevent or counteract the influence of competition, the rate of profits cannot continue for any considerable period to be higher or lower in one employment than in others. As soon, therefore, as this rise in the price of hardware had taken place, additional capital would be employed in its production. Those engaged in the trade would endeavour to extend their business by borrowing fresh capital; while some of those engaged in other businesses would withdraw from them, and enter into it. Unluckily, however, it is next to certain that this transfer of capital would not stop at the point when it would suffice to produce the additional supply of hardware at the old prices, but that it would be carried so much farther as to produce a glut, and a consequent revulsion. A variety of causes conspire to produce this effect: the advantages which any class of producers derive from an increased demand for their peculiar produce, are uniformly exaggerated, as well by that portion of themselves who are anxious, in order to improve their credit, to magnify their gains, as by those engaged in other employments. The adventurous and sanguine, who are particularly disposed to take *omne ignotum pro magnifico*, crowd into a business which they readily believe presents a short and safe road to wealth and consideration; at the same time that many of that generally numerous class who have their capitals lent to others, and are waiting until a favourable opportunity occurs for vesting them in some industrial undertaking, are tempted to follow the same course. It occurs to few that the same

causes which impel one or two to enter into a department that is yielding comparatively high profits, are most probably impelling thousands. Confident in his own good fortune, the adventurer leaves a business to which he had been bred, and with which he was well acquainted, to enter as a competitor on a new and untried arena; while those already engaged in the advantageous business stretch their credit to the utmost, to acquire the means of extending their concerns, and of increasing the supply of the commodity in unusual demand. The result that every unprejudiced observer would anticipate, almost invariably takes place. A disproportionate quantity of capital being attracted to the lucrative business, a glut of the market, and a ruinous depression of prices, unavoidably follow.

Those who investigate the history of industry, in this or any other country, will find, that a period of *pécunia* prosperity in any one branch is the almost uniform harbinger of mischief. If we turn, for example, to the history of agriculture, the alternation between periods of high prices and great agricultural prosperity, and of low prices and great agricultural distress, is so striking, that it cannot fail to arrest the attention of every one. The high prices of 1800 and 1801 gave an extraordinary stimulus to agricultural industry. Nearly *double* the number of acts of parliament were passed in 1802 for the enclosure and drainage of land that had been passed in any previous year; and a considerable extent of old land was at the same time subjected to the plough. This extension of cultivation, co-operating with the improvements that were then entered upon and completed, and with favourable harvests, increased the supply of corn so much, that, in 1804, prices sunk considerably below their previous level; and an act was then passed, in consequence of the representations made by the agriculturists of their distressed condition, granting them additional protection against foreign competition. The high prices of 1810, 1811, 1812, and 1813, had a precisely similar result. They attracted so much additional capital to the land, and occasioned such an

extension of tillage, that we grew, in 1812 and 1813, an adequate supply of corn for our consumption. And, under such circumstances, the unusually abundant harvest of 1814 must inevitably have reduced the price of corn, though the ports had been entirely shut against importation.

It is right, however, to add that such alternations in the price of agricultural produce, and in the condition of the agriculturists, can no longer take place. Since the abolition of the corn laws in 1849, a deficient harvest is prevented from having its former influence over prices by the increased imports that are immediately poured into our markets, at the same time that our average prices being nearer the general level, their fall in years of abundance is not so great.—(See *post.*)

But, without insisting on peculiar circumstances, like those now alluded to, it may be laid down generally that the greater and more signal the peculiar prosperity of any one department, the greater invariably is the subsequent recoil. Such an increased demand for any commodity as served to raise its price 10 per cent. above the common level, would certainly make it be produced in excess, and occasion a revulsion; but were the price to rise to some 30, 40, or 50 per cent. above that level, the temptation to employ additional capital in its production would be so great, that the revulsion would take place sooner, and be incomparably more severe.

Revolutions of the sort now described will necessarily occur, to a greater or less extent, under all systems of public economy, and perhaps, there is not a single branch of industry that has not afforded proofs, more or less striking, of their operation. There is nothing probably that will tend so much to lessen their frequency and violence as the determination on the part of government to withhold all relief, except in extreme cases, from those who have the misfortune to be involved in them. It must, indeed, be acknowledged that this seems, at first sight, a harsh doctrine; but, on examination, it will be found to be the only safe and really practicable line of conduct that can be

followed. Some most objectionable restrictions and prohibitions have originated in government stepping out of its proper province and interfering to relieve those who had got themselves entangled in difficulties ; and much of the industry of this and other countries was consequently placed on an insecure foundation. The natural responsibility under which every man should act, was weakened in the case of large classes of producers, who became less considerate because of their trusting to the support usually afforded by government in the event of their speculations giving way. Were it possible, indeed, to grant such assistance without injury to the rest of the community, none would object to its being granted ; but as this cannot be done, it would appear, not only that sound policy, but also that real humanity, dictates the propriety of its being systematically withheld.

The establishment of a free commercial system is the next best thing that can be done to prevent improvident speculations. Under such a system, nations engage only in those branches of industry in which they have an advantage, or in which they expect to be able to maintain, at all events, a competition with others. The silk trade in this country was formerly fenced round with prohibitions. The monopoly of the home market that was thus secured to the manufacturers, went far to paralyse their energies, at the same time that its limited extent led to frequent and violent revulsions. The inconveniences of this state of things at length became obvious. The prohibition against the importation of silks was abolished in 1825 ; and the duties having been reduced and finally repealed (1860), an entirely new state of things has been the result. The silk manufacture has been vastly improved and extended ; it maintains a successful competition with that of France and other countries, and revulsions are comparatively unknown ; for if, on the one hand, there should, through a change of fashion, or any other cause, be a sudden increase of demand, the competition of the foreign manufacturers, by preventing prices attaining any extravagant

height, prevents both the inordinate extension of the manufacture and its subsequent recoil ; and if, on the other hand, the demand for silks in this country should happen to decline, the various foreign markets to which our manufacturers may resort, gives them the means of disposing of their surplus goods at a much less reduction of price than would take place were they confined to the home market.

This reasoning is consistent with the most comprehensive experience. Restrictions and prohibitions are uniformly productive of uncertainty and fluctuation. Every artificial stimulus, whatever may be its momentary effect on the department of industry to which it is applied, is immediately disadvantageous to others, and ultimately injurious even to that which it was intended to promote. No arbitrary regulation, no act of the legislature, can add anything to the capital of the country ; it can only force it into artificial channels. And, after a sufficient supply has flowed into them, a *reaction* commences. There can be no foreign vent for their surplus produce ; so that, whenever changes of fashion occasion a falling off in the demand, the warehouses are filled with commodities which, in a state of freedom, would not be produced. The ignorant and the interested ascribe such gluts to the employment of machinery, or to the want of sufficient protection against foreign competition. The truth is, however, that they are most frequently the results of an artificial and exclusive system, by which the natural and healthy state of the public economy is vitiated and deranged.

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## CHAPTER VIII.

*Population proportioned to the Means of Subsistence—Moral Restraint—Capacity of the Principle of Population to repair the ravages of Plagues and Famines—Comparative Increase of Population in New and Old-settled Countries—Law of Increase a powerful Incentive to Industry—Promotes the Civilization and Happiness of Mankind—Practice of Infanticide—Foundling Hospitals.*

THE circumstances most favourable for the production of wealth being thus traced and exhibited, we shall now shortly investigate those that appear to determine the increase and diminution of man himself.

From the remotest period down to our own times, it was the policy of legislators to give an artificial stimulus to population, by encouraging early marriages, and bestowing rewards on those who brought up the greatest number of children.<sup>1</sup> But the mischievous nature of such interferences was shown by Mr. Malthus. Though without any claim to the discovery of the tendency of population to keep up with, or outrun, the means of subsistence, he was the first to establish it by an extensive induction of facts, and to point out some of its more important effects. His researches made it manifest, that every

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<sup>1</sup> By a singular contradiction, at the very moment that the Roman laws authorized the exposure of infants, and vested fathers with the power to decide whether they should bring up their children, the censors were instructed to impose a tax (*as uxorium*) on bachelors ; and different laws were passed, bestowing various privileges upon those who reared the greatest number of children. The famous *Lex Papia Poppæa*, (so called from the consuls M. Papius Mutilus and Q. Poppæus Secundus, by whom it was introduced,) enacted during the reign of Augustus, exempted such Roman citizens as had three children from all public charges and contributions.—TERASSON, "*Histoire de la Jurisprudence Romaine*," p. 58.

increase in the numbers of a people, occasioned by artificial expedients, and which is not either preceded or accompanied by a corresponding increase of the means of subsistence, can be productive only of misery, or increased mortality; that the difficulty never is to bring human beings into the world, but to feed, clothe, and educate them when there; that mankind *do* everywhere increase their numbers, till their multiplication is restrained by the difficulty of providing subsistence, and the poverty of some part of the society; and that, instead of attempting to strengthen the principle of increase, we should rather endeavour to strengthen the principles by which it is controlled and regulated.

If the efforts most governments have made to increase population have not been positively pernicious, it is pretty evident that they have been, at least, uncalled-for and unnecessary. Man does not require any adventitious inducement to enter into matrimonial connexions. He is impelled to engage in them by one of the most powerful instincts implanted in his nature. Still, however, this instinct or passion is, in civilised communities, controlled in a greater or less degree by prudential considerations. To occasion a marriage, it is not always enough that the parties should be attached to each other. The obligation to provide for the children that may be expected to spring from it is one that cannot fail to awaken the forethought, and to influence the conduct, of all but the most improvident and thoughtless. If the situation of those who might be disposed to enter into a matrimonial alliance be such as to preclude all reasonable expectation of their being able to bring up and educate their children without exposing themselves to privations, or to the risk of being cast down to a lower place in society, they may, not improbably, either relinquish all thoughts of forming a union, or postpone it till a more convenient opportunity. No doubt, there are very many individuals in every country unaffected by such considerations, and who, seeing the future through the deceitful medium of the passions, are not deterred from gratifying their

inclinations by any fear of the consequences. Others, however, are more prudent; and it is abundantly certain, that the greater number of persons in the higher stations of life, as well as of those who are peculiarly ambitious of rising in the world, and those of all ranks who have learned to look at the consequences of their actions, are invariably influenced, to some extent or other, by the circumstances alluded to. Hence, in civilised countries, the proportion of marriages to the population may be expected, on general grounds, to depend, in a considerable degree, on the facility of acquiring subsistence, or of bringing up a family: and experience shows that such is the case; for it is found, that where food and other accommodations are abundant, marriages are at once early and numerous, and conversely. “Partout,” says Montesquieu, “où il se trouve une place où deux personnes peuvent vivre commodément, il se fait un mariage. La nature y porte assez lorsqu’elle n’est point arrêtée par la difficulté de la subsistance.”<sup>1</sup> The same principle has been laid down by Adam Smith:—“The demand for men,” says he, “like that for any other commodity, necessarily regulates the production of men, quickens it when it goes on too slowly, and stops it when it advances too fast. It is this demand which regulates and determines the state of population in all the different countries of the world—in North America, in Europe, and in China; which renders it rapidly progressive in the first, slow and gradual in the second, and altogether stationary in the last.”<sup>2</sup> The most comprehensive observation confirms the truth of this statement. Those who inquire into the past and present state of the world will find that population is everywhere principally determined by the means of subsistence. When these have been increased, population has also been increased, or been better provided for; and when they have been diminished, the population has been worse provided for, or has sustained

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<sup>1</sup> “Esprit de Loix,” liv. xiii. cap. 10.

<sup>2</sup> “Wealth of Nations,” p. 36.



an actual diminution of numbers, or both results have followed.

But notwithstanding the influence of prudential considerations, or of the check to marriage from the fear of not being able to provide for a family, the principle of increase is so very strong, as not only to keep the population of the countries in which industry is most productive on a level with the means of subsistence, but to give it a tendency to exceed them. This arises partly and principally from the little attention paid by most individuals to whatever does not begin to be felt till some future and undefined period—a circumstance which, while it leads them to engage in improvident unions, hinders them from making adequate provision, even when they have the means, against sickness and old age; partly from the violence of the passions, occasionally subverting the resolutions of those who are most considerate; and partly from accident or misfortune disappointing the expectations of those who married with a reasonable prospect of being able to support themselves and their families. The number of the poor may be diminished, but it were vain to expect that they should ever entirely “cease out of the land.” Even in the countries that are making the most rapid advances, not a few of the inhabitants have to maintain a constant struggle with poverty, and are but insufficiently supplied with the articles indispensable for the support of a family. But when the natural tendency to increase is so very powerful, it is not easy to believe that the attempts to promote it by artificial stimuli can be otherwise than pernicious. Subsistence is the grand desideratum. If it be supplied in sufficient abundance, population may safely be left to take care of itself. Instead of there being the least risk of its falling below the means of subsistence, the danger is all on the other side. There are no limits to the prolific power of plants and animals. They are endued with a principle which impels them to increase their numbers beyond the nourishment prepared for them. The whole surface of the earth might be gradually covered with

shoots derived from a single plant ; and though it were destitute of all other inhabitants, it might, in a few ages, be replenished from a single nation, or even from a single pair.

“ Throughout the animal and vegetable kingdoms,” says Malthus, “ nature has scattered the seeds of life with a most profuse and liberal hand : but has been comparatively sparing in the room and nourishment necessary to rear them. The germs of existence contained in this earth, if they could freely develop themselves, would fill millions of worlds in the course of a few thousand years. Necessity, that imperious, all-pervading law of nature, restrains them within the prescribed bounds. The race of plants and the race of animals shrink under this great restrictive law, and man cannot by any efforts of reason escape from it.”<sup>1</sup>

Wars, plagues, and epidemics, those “ terrible correctives,” as Dr. Short justly terms them, of the redundancy of mankind, set the operation of the principle of population in a striking point of view. They lessen the number of the inhabitants, without, in most cases, proportionally lessening the capital that feeds and maintains them. And the increased command over subsistence that is acquired by the survivors, accelerates the period of marriage and the rate of increase. The Netherlands, which has been so often the seat of the most destructive wars, has, after a respite of a few years, always appeared as rich and populous as ever. Notwithstanding the massacres of the Revolution, and the sanguinary wars in which France was incessantly engaged for more than twenty years, her population was considerably augmented in the interval between the expulsion and the restoration of the Bourbons in 1815. The abolition of the restraints previously laid on internal commerce, of the feudal privileges of the nobles, and of many oppressive and unequal burdens, improved the condition and stimulated the industry of the people. The means of subsistence were thus considerably increased ; at the same time that the continued drafts for the military service, by lessening

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<sup>1</sup> “ Essay on Population,” vol. i. p. 3. 5th ed.

the supply of labour in the market, and raising the rate of wages, gave such a spur to the principle of increase, that at the close of the war the population was supposed to be nearly three millions greater than in 1789 ; but, owing to the drafts referred to, this excess principally consisted of women, boys, and old men. The establishment of a tyrannical or vicious system of government, by paralysing industry and diminishing the supplies of food and other accommodations, necessarily occasions a corresponding diminution in the number of inhabitants. But an accidental calamity, such as a war or a pestilence, how afflicting soever to humanity, does not appear to exercise any lasting influence over population, though the void, occasioned by its occurrence, be not so rapidly filled up as some have imagined. It is not the plague, but the bigotry and oppressiveness of the government, and the want of security and freedom, that are the real causes of the depopulation of Turkey, Persia, and other Mohammedan countries.

The progress of population in countries with different capacities for providing food and other accommodations illustrates at once the operation of the law of increase, and the degree in which it is modified by changes of circumstances. In newly-settled countries, and especially in those which have a large extent of fertile and unoccupied land, population invariably increases with extraordinary rapidity. The settlers in such countries bring with them the arts practised in others comparatively advanced ; and as they apply them to the culture of the best soils, they necessarily obtain a very large return. Each cultivator in such societies has a great deal more corn and other raw produce than he can consume, and as this produce is raised at a much less cost than in old settled countries, where inferior soils are cultivated, he is able to exchange part of it, with the greatest advantage, for the manufactured goods of the latter ; so that the settlers rapidly increase in wealth, and have a proportionally great demand for labour. There is, consequently, in these countries every motive to form early marriages ; while the comfortable situation of the parents enables them to bestow due attention on the rearing of

their children, and lessens the mortality so destructive in the early period of life.

The truth of what has now been stated is proved by the rapid progress made by the Greek colonies in antiquity, which, in no long time, equalled, and in some cases far surpassed, their mother cities in population, power, and importance; and it is still more convincingly proved by the extraordinary progress of the colonies founded in modern times in America and Australia. The population of some of the states of North America has, after making every reasonable allowance for immigrants, continued for upwards of a century to double in every five-and-twenty or thirty years. And there seems little reason to doubt, had the food and other articles necessary for the accommodation of man been increased in a more rapid proportion, that population would have kept pace with their increase. But without entering upon any hypothetical reasonings as to what might have been the progress of population in the United States under other circumstances, it is seen that when the means of subsistence are supplied in sufficient abundance, the principle of increase is powerful enough to make population increase in a geometrical proportion, or in the ratio of the numbers 1, 2, 4, 8, 16, 32, 64, 128, 256, &c., the term of doubling being five-and-twenty or at most thirty years.

But the principle, whose operation under favourable circumstances has thus developed itself, is, in the language of geometers, a *constant* quantity. The same power that has doubled the population of Kentucky, Illinois, and New South Wales in five-and-twenty or thirty years, exists everywhere, and is equally energetic in England, France, and Holland. Man, however, is not the mere unreasoning slave of instinct. The facility with which he can obtain supplies of food and other accommodations in the countries now referred to is widely different; and this difference has had a corresponding influence over the conduct of the bulk of their inhabitants. In densely-peopled countries, such as Britain, France, and

Holland, the more fertile lands having been, long since, brought under tillage, recourse must now be had to those of inferior quality, requiring greater outlays to make them yield the same quantities of produce. The decrease in the fertility of the land may, no doubt, be, and indeed very frequently is, countervailed to a greater or less extent by the influence of improvements. And it is farther countervailed by importations from foreign countries. But despite the circumstances now referred to, the bulk of the people in old, settled, and densely-peopled countries labour under various disadvantages, compared with those in countries that are newly settled. The former have generally far more expensive establishments to support than are required in the latter, and are consequently subjected to a much heavier system of taxation; and though the prices of corn in fully occupied countries may not be much greater than in those that are newly settled, land itself, with its innumerable natural products, including the useful animals, and an endless variety of valuable and desirable articles, are all incomparably cheaper in the latter than in the former. It is in truth impossible, do what you will, to increase the means of subsistence as fast in an old, as they may be increased in a new country or colony of nearly equal fertility. And this difference in the circumstances under which the people in each are placed, never fails to establish a corresponding difference in their habits; their numbers being found to increase proportionally to the facility with which they obtain supplies of food and other necessary accommodations. And the slower rate of increase which prevails where subsistence is most difficult to obtain, is not the result of an increase of mortality, but of a diminution of births. The prudential considerations, previously alluded to, gain new strength, and exhibit their powerful influence in a still more striking manner, according as the conditions under which a people is placed become less favourable for their multiplication. In Australia every industrious individual who has attained a marriageable age

may enter into the matrimonial contract without fear of the consequences ; the largest family being there an advantage rather than otherwise. But such is not the case here ; nor will it be the case in Australia after she has become comparatively populous. And hence the different habits of our people ; and the fact that marriages throughout Europe are mostly deferred to a later period than in newly-settled countries, and that a much larger proportion of the population find it expedient to pass their lives in a state of celibacy. And it is fortunate that such is the case, and that the good sense of the people, and their laudable desire to preserve their place in society, have made them control the violence of their passions. Man cannot increase beyond the means of subsistence provided for his support ; and it is obvious, that if the tendency to multiplication in countries advanced in the career of civilisation, and where increased supplies of food are more difficult to obtain, were not checked by the prevalence of moral restraint, or of prudence and forethought, it would be checked by the prevalence of vice, misery, and famine. There is no alternative. The population of every country has the power, supposing food to be adequately supplied, to go on doubling every five-and-twenty or thirty years. But as the limited extent and limited fertility of the soil render it next to impossible to go on producing food in this ratio, it is obvious, unless the passions were moderated, and a check given to the number of marriages, that the standard of human subsistence would be reduced to the lowest assignable limit ; and that famine and disease would be perpetually at work to relieve the population of wretches born only to be starved.

It may be proper to observe that the extraordinary increase of manufactures in Great Britain, the number of our Colonies, and the extent to which emigration is carried on to them and the United States, make us in some degree resemble a new colony. In this respect our condition contrasts strikingly with that of France, for there manufactures are not extend-

ing themselves with nearly the same rapidity as on this side the Channel ; the French have few colonies, and little or no taste for emigration ; and notwithstanding that splitting of the land into minute portions that goes on amongst them, population increases very slowly. And hence it is that marriages here, though late as compared with those in the United States and Australia, are both earlier and more fruitful than in France, Italy, and other countries where there are fewer opportunities of finding employment. And there can, we apprehend, be little doubt that the resource afforded by emigration to our people, is more favourable to their well-being than the greater prevalence of prudential considerations would have been had it not existed.

But, however it may advance, the only criterion, of a beneficial increase in the population of a country, is a corresponding increase in the means of its subsistence. If these means be not increased, an increase in the number of births is almost sure to lead to increased misery and mortality. "Other circumstances being the same," says Malthus, "it may be affirmed, that countries are *populous* according to the quantity of food they can produce or acquire ; and *happy*, according to the liberality with which this food is divided, or the quantity which a day's labour will purchase. Corn countries are more populous than pasture countries, and rice countries more populous than corn countries. But their happiness does not depend either upon their being more or less densely peopled, upon their poverty, or their riches, their youth, or their age, but on the proportion which the population and the food bear to each other."<sup>1</sup>

Malthus, however, did not lay sufficient stress on the influence of the circumstances under which population is placed, and of the prudential considerations which they invariably bring along with them, in determining the rate of increase ; and they have been all but overlooked by several

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<sup>1</sup> "Essay on Population," vol. ii. p. 214.

of his followers. Hence the theory of population gave rise for a while to the most unreasonable fears and unfounded conclusions. It was said to be at variance with the best-established doctrines as to the goodness of the Deity, and to oppose an insuperable barrier to any lasting improvement in the condition of the bulk of society. Population, it was affirmed, invariably rises to the highest level of subsistence, so that in the end the greatest improvements merely leave a greater instead of a smaller number of wretched families. But the principle of increase is not the bugbear, the invincible obstacle to all real improvement, supposed by those who put forth such statements.

It is always a difficult matter suddenly to change the habits of a people with respect to marriage ; and though they are, no doubt, influenced by every change in their condition, a *vis inertiae* has to be overcome, that usually prevents them from speedily changing to the extent that circumstances change. Suppose that, in consequence of the introduction of some new species of vegetable, some new or more powerful manure, or some other cause, the average annual produce of our agriculture were doubled, this would certainly increase the number of marriages ; but there is no reason to think they would be doubled ; and though they were for a year or two immediately following the increase, they could hardly be so for more. But whatever might be the influence of the change on marriages, the population could not be doubled for very many years ; and a period of at least eighteen or twenty years would have to elapse before the stimulus given by the improved condition of the population could bring a single fresh labourer into the field. It is clear, therefore, that during all this lengthened period, the labouring class would enjoy an increased command over necessaries and conveniences ; their notions of what is required for their comfortable and decent subsistence would be raised ; and they would acquire those improved tastes and habits that



are not the hasty product of a day, a month, or a year, but the late result of a long series of continuous impressions. There would, in consequence, be a greater prevalence of moral restraint; and the increase of population would be adjusted, so as permanently to maintain the bulk of the people in possession of their augmented comforts.

A fact mentioned by Sussmilch has been much relied on by those who contend that population is always sure to increase exactly in the same proportion that the means of subsistence are augmented. He states, that the marriages in a district of Prussia amounted, during the six years ending with 1708, to 6,082 a year. In 1709 and 1710 this district was visited by a severe plague, which is said to have swept off about a third part of the population; and yet, notwithstanding this excessive mortality, in 1711, the first year after it had subsided, the marriages amounted to 12,028, or to nearly double their amount previously to the pestilence! This is a greater immediate increase than we should have anticipated; and, perhaps, were we acquainted with all the facts, there might be circumstances to explain it. But the number of marriages immediately fell off; and they did not again rise to their amount previously to the plague, till about 1750, or forty years after it had laid waste the district.<sup>1</sup> It is really, therefore, the greatest imaginable error to suppose that any sudden and considerable diminution of the population can be rapidly filled up. This can only be effected in a long course of years; and during that period, the comforts of the inhabitants being increased, they acquire improved tastes and habits, so that the population does not again approach so near the level of subsistence.

That the tendency to increase is not inconsistent with the improvement of society, is a fact as to which there can be no dispute. Without going back to antiquity, let any one compare the state of this or of any other European country 500

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<sup>1</sup> See Sussmilch's table in Malthus on Population, 5th ed., vol. ii. p. 170.

or even 100 years ago, with its present state, and he will be satisfied that great advances have been made; that the means of subsistence have increased more rapidly than the population; and that the labouring classes are now generally in the possession of many conveniences and luxuries that were formerly not enjoyed even by the richest lords: and it would be unphilosophical to suppose that the case should be different in time to come; that those circumstances which have hitherto confined the increase of population within proper limits, and occasioned the improvement of society, should lose their influence, or that society should cease to advance.

In point of fact, however, the principle of increase is not merely consistent with the continued improvement of the bulk of society, but is itself the great cause of this improvement, and of the wonderful progress made in the arts. Not only are industry and forethought natural to man, but his advancement depends on their culture and improvement. We should infallibly die of hunger and cold, did we not exert ourselves to provide food and clothes. But could anything be more absurd than to object to those who simply state a fact of this sort, that they are impeaching the order of Providence? The powers and capacities implanted in man seem capable of an almost indefinite improvement; but instinct did not direct him in their use. *Want* and *ambition* are the powerful springs that gave the first impulse to industry and invention, and which continually prompt to new undertakings. Men will not be industrious without a motive; and the desire of bettering our condition, though powerful, is less so than the pressure of want, or the fear of falling to an inferior station. Were it otherwise, invention and industry would be exhibited in the same degree by the heirs of ample fortunes, as by those educated in humbler circumstances, and compelled to exert themselves. It is, however, known to every one that such is not the case. The peerage cannot boast of having given birth

to an Arkwright, a Watt, a Wedgwood, or a Stephenson. Extraordinary exertions, whether of mind or body, are rarely made by those who are able to live comfortably without their assistance. But, in addition to its other effects, the principle of increase prevents this from ever being the condition of a large portion of mankind, and unceasingly applies the most powerful stimulus—the *duris urgens in rebus egestas*—to industry and invention. Much, indeed, of the effect usually ascribed to the desire of rising in the world, may be traced to the operation of this principle. It is not solely on the lower classes, nor by the actual pressure of necessity, that it exerts its beneficial influence. At that period of life when habits are formed, and man is best fitted for active pursuits, a prospect is presented to every one, whatever his rank or station, who is either married, or intends to marry, of an indefinite increase of his necessary expenses; and unless his fortune be very large indeed, he finds that economy and industry are virtues which he must not admire merely, but practise. With the lower classes the existence of present, and with the middle and upper classes the fear of future want, are the principal motives that stimulate intelligence and activity. The desire to maintain a family in respectability and comfort, or to advance their interests, makes the spring and summer of life be spent, even by the moderately wealthy, in laborious enterprises. And thus it is that, either for ourselves, or for those with whose welfare our own is inseparably connected, the principle of increase is perpetually urging individuals to new efforts. Had this principle not existed, or been comparatively feeble, activity would have been superseded by indolence, and men, from being enterprising and ambitious, would have sunk into a state of torpor; for in that case, every additional acquisition, whether of skill or wealth, would, by lessening the necessity for fresh acquisitions, have occasioned a decline in the spirit of improvement; so that, instead of proceeding, as it became older, with accelerated steps in the career of discovery, the fair inference is, that society would either have been entirely

arrested in its progress, or its advance rendered next to imperceptible. But it is so ordered that, whatever may at any time occasion a decline of the inventive powers, must be of an accidental and ephemeral character, and cannot originate in a diminution of the advantages resulting from their exercise. Even in the most improved societies, the principle of increase inspires by far the largest class—those who depend on their labour for the means of support—with all those powerful motives to contrive, produce, and accumulate, that actuated the whole community in more early ages. No people can rest satisfied with acquisitions already made. The increase of population, though generally subordinate to the increase of food, is always sufficiently powerful to keep invention on the stretch, rendering the demand for fresh inventions and discoveries as great at one time as at another, and securing the forward progress of the species. A deficiency of subsistence at home leads to migrations to distant countries; and thus not only provides for the gradual occupation of the earth, but carries the languages, arts, and sciences of those who have made the farthest advances in civilisation to those that are comparatively barbarous. It has, no doubt, sometimes happened, from the operation of peculiar and accidental circumstances, that population has continued for awhile, so far to outrun production, that the condition of society has been changed for the worse. But such instances are extremely rare; and, when they do occur, the evils they occasion bring with them a provision for their cure. They make all classes better acquainted with the circumstances which determine their situation; and while they call forth fresh displays of invention and economy, they dignify and exalt the character, by teaching us to exercise the prudential virtues, and to subject the passions to the control of reason.

It may, therefore, be reasonably concluded, that the law of increase is in every respect consistent with the beneficent arrangements of providence; and that, instead of being subversive of human happiness, it has increased it in no ordinary

degree. Happiness is not to be found in apathy and idleness, but in zeal and activity. It depends far more on the intensity of the pursuit than on the attainment of the end. The "progressive state" is justly characterised by Smith "as being in reality the cheerful and hearty state to all the different orders of society; the stationary is dull, the declining melancholy." But had the principle of increase been less strong, the progress of society would have been less rapid. While, however, its energy is, on the one hand, sufficient to bring every faculty of the mind and body into action, it is, on the other, so far subject to control, that, speaking generally, its beneficial far outweigh its pernicious consequences.

To suppose, as some have done, that the astonishing improvements in the arts, and the all but immeasurable additions that have been made to the comforts and enjoyments of man, would have been equal or greater had the principle of increase been less powerful, is, in truth, equivalent to supposing, that industry and invention would not be affected by weakening the motives to their exercise, and lessening the advantages of which they are productive! There might, perhaps, though that be very doubtful, have been less squalid poverty amongst the dregs of the population, had there been no principle of increase; but it is a contradiction to pretend, had such really been the case, that the powers and resources of industry would have been so astonishingly developed, that scientific investigations would have been prosecuted with equal perseverance and zeal, that so much wealth would have been accumulated by the upper and middle classes, or that the same circumstances which impelled society forward in its infancy, should have continued, in every subsequent age, to preserve their energy unimpaired; and it may well be doubted whether an exemption from the evils incident to poverty would not be dearly purchased, even by the lowest classes, by the sacrifice of the hopes and fears attached to their present condition, and the gratification they now reap from successful industry, economy, and forbearance.

If these conclusions be well founded, it follows that the schemes proposed in the ancient and modern world for directly repressing population, besides being, for the most part, atrocious and disgusting, have really been opposed to the ultimate objects their projectors had in view. Could we subject the rate of increase to any easily-applied physical control, it is to be feared that few, comparatively, among the poorer classes, would be inclined to burden themselves with the task of providing for a family ;<sup>1</sup> and the most effective stimulus to exertion being destroyed, society would sink into a state of apathy. We should trust to nothing save the prudential virtues to check the too rapid increase of population. In an instructed society, where there are no institutions favourable to improvidence, this check is sufficiently powerful to confine its progress within due limits, at the same time that it is not so powerful as to hinder it from uniformly operating as the strongest incentive to exertion and economy.

Those who wish to enter more at large into the discussion of the interesting topics now briefly touched upon, would do well to consult the second volume of the able work, entitled "Records of the Creation," by Dr. Sumner, late Archbishop of Canterbury. That learned prelate did not endeavour "to show that the human race is in the best conceivable condition, or that no evils accompany the law which regulates their increase ; but that this law makes, upon the whole, an effectual provision for their general welfare, and that the prospective wisdom of the Creator is distinguishable in the establishment of an ordinance which is no less beneficial in its collateral effects, than it is efficacious in accomplishing the first and principal design of its enactment."<sup>2</sup>

"If, then," says the Archbishop in another place, "the wisdom is to be estimated by the fitness of the design to its

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<sup>1</sup> The readiness with which the lower classes send their children to foundling hospitals seems a sufficient proof of this.

<sup>2</sup> "Records of the Creation," vol. ii. p. 160. 4th ed.

purpose, and the habitual exercise of the energies of mankind is allowed to be that purpose, enough has been said to confirm the original proposition. The Deity has provided, that by the operation of an instinctive principle in our nature, the human race should be uniformly brought into a state in which they are forced to exert and improve their powers : the lowest rank to obtain support ; the one next in order to escape from the difficulties immediately beneath it ; and all the classes upwards, either to keep their level, while they are pressed on each side by rival industry, or to raise themselves above the standard of their birth by useful exertions of their activity, or by successful cultivation of their natural powers. If, indeed, it were possible that the stimulus arising from this principle should be suddenly removed, it is not easy to determine what life would be except a dreary blank, or the world except an uncultivated waste. Every exertion to which civilisation can be traced, proceeds, directly or indirectly, from its effects ; either from the actual desire of having a family, or the pressing obligation of providing for one, or from the necessity of rivalling the efforts produced by the operation of these motives in others."<sup>1</sup>

However inexplicable it may seem, it is a melancholy fact, that the practice of infanticide has prevailed to a very great extent, even in some highly civilised countries. It may, indeed, be said to have been general throughout the ancient world. The laws of Sparta ordered that every child that was either weakly or deformed should be put to death.<sup>2</sup> And this practice was not merely legalised by the savage enactments of a barbarous code, but was vindicated by the ablest Greek philosophers. Aristotle, in his work on government, does not so much as insinuate a doubt of the propriety of destroying such children as are maimed or deformed, and carries still

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<sup>1</sup> "Records of the Creation," vol. ii. p. 152. 4th ed.

<sup>2</sup> Cragius "de Republicâ Lacedæmoniorum," lib. iii. cap. 2.

farther his "stern decisions," as they are gently termed by Dr. Gillies.<sup>1</sup> Even the "divine" Plato did not scruple to recommend the same monstrous practices. Thebes alone, of all the Grecian cities, seems to have been free from this infamy.<sup>2</sup> The existence of infanticide in Athens is established beyond a doubt, by the allusions of the poets, and their descriptions of the prevailing manners.<sup>3</sup>

Every one is aware that a Roman citizen had the unrestrained power of life and death over his children, whatever might be their age. And there are abundant examples to prove that this right was not suffered to fall into disuse, but was frequently exercised with the most unrelenting severity.<sup>4</sup>

At the birth of a child the father decided whether he should bring it up or expose it. But it did not always happen that exposed children lost their lives. It was common to expose them in public places, where there was a chance of their attracting the notice of the benevolent, who might be incited to undertake the task of bringing them up. The greater number of these unhappy creatures were not, however, so fortunate as to fall into the hands of persons of this sort. They were declared by law to be the slaves, or absolute property, of those by whom they were reared. And several were saved from death, not from humane motives, but that their foster-fathers might, by mutilating their persons, and exhibiting them in the streets, derive an infamous livelihood from the alms given them by the passengers. This detestable practice seems to have been

<sup>1</sup> Aristotle's "Ethics and Politics," by Dr. Gillies, vol. ii. p. 287. 3d ed.

<sup>2</sup> "Travels of Anacharsis," vol. iii. p. 277. Eng. ed.

<sup>3</sup> Gouroff "Essai sur l'Histoire des Enfants Trouvés," p. 19.

<sup>4</sup> "Les Romains ne mirent point des bornes à l'empire des pères sur leurs enfans ; quelque âge qu'ils eussent, et à quelque dignité qu'ils fussent élevés, ils étoient toujours soumis à la correction de leurs pères. Ceux-ci avoient droit de les frapper, de les envoyer enchainés cultiver la terre, de les déshériter, de les vendre comme des esclaves, et même de leur donner la mort."—TERARSON. *Histoire de la Jurisprudence Romaine*, p. 54.



carried on pretty extensively; and if any thing could, more strikingly than the practice itself, display the sanguinary manners of the Romans, it would be the fact, that there is in Seneca a lengthened discussion of the question, Whether the mutilation of exposed children can be deemed an offence against the state? which is conducted with the greatest imaginable coolness, and decided in the negative, upon the ground of their being slaves! "*Gallio fecit illam questionem. An in expositis lædi possit respublica? Non potest, inquit. An lædi possit in aliquâ sua parte? Hæc nulla reipublicæ pars est; non in censu illos invenies, non in testamentis.*"<sup>1</sup>

The period when the practice of infanticide was prohibited at Rome is not well ascertained; but the more probable opinion seems to be, that it continued till about the 374th year of the Christian æra. The exposure of children was, however, practised long afterwards. Constantine made some ineffectual efforts to provide for these unfortunates; but their slavery continued till the year 530, when it was abolished by an edict of Justinian.

Infanticide has, most properly, been made a capital crime in all modern states; and to take away the motives to its perpetration, by providing asylums for such poor children as might otherwise have been sacrificed, or exposed, through the inhumanity or poverty of their parents, foundling hospitals have been very generally established. But great doubts have been entertained whether the influence of these establishments has been pernicious or beneficial. That they have prevented a few cases of infanticide is no doubt true; but it is alleged that the facility for the disposal of children which they afford, weakens the principle of moral restraint, and increases the number of illegitimate unions and births, at the same time that it occasions a prodigious sacrifice of infant life. The mortality in foundling hospitals was formerly, indeed, quite excessive. In the Foundling Hospital at Dublin, of 12,786

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<sup>1</sup> "Senecæ Controversæ," lib. v. cap. 33.

children admitted during the six years ending with 1797, there were no fewer than 12,561 deaths! The mortality amongst foundlings at Madrid, in 1817, was at the rate of 67 per cent.; at Vienna, in 1811, it amounted to 92 per cent.; and at Brussels, at an average of the period from 1802 to 1817, it amounted to 79 per cent. M. de Chateauneuf, from whom we have borrowed these statements, adds, that in France, in 1824, about *three-fifths*, or 60 per cent., of the foundlings perished in the *first* year of their life.<sup>1</sup> In Moscow, of 37,607 children admitted in the course of twenty years, only 1,020 were sent out!<sup>2</sup>

But the public attention having been drawn to these appalling results, vigorous efforts have been every where made to lessen the mortality among foundlings. In France and most other countries, the former facilities for the reception of abandoned children have been greatly diminished. And while this has been done on the one hand, the access to lying-in-hospitals has been facilitated on the other, and assistance is frequently given to indigent mothers, to enable them to bring up their children at their own homes. The children, too, that continue to be abandoned, are better cared for than formerly; a much larger proportion of them are sent to the country; the treatment of those retained in towns has also been greatly improved; and in consequence the rate of mortality, though still very heavy, has been greatly diminished. In 1859 there were 76,526 foundlings in France, of whom those under 12 years of age were almost all located in the country.

Still it is doubtful whether these establishments, even when best conducted, are beneficial. They can hardly fail, by concealing or mitigating its results, to encourage incontinence, and it has been alleged that they do not prevent infanticide. But the practical question is, have they diminished its

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<sup>1</sup> "Considérations sur les Enfants Trouvés," p. 66.

<sup>2</sup> Beck's "Medical Jurisprudence," p. 193. Lond. ed.

frequency? And though it be not free from difficulty, it would appear that they have done this. It is probable, however, that foundling hospitals might be every where suppressed without giving any greater incentive to crime, were the number of lying-in-hospitals increased, and pensions granted to destitute mothers. This much, however, would seem to be necessary in most countries, if we would not make them theatres of the most atrocious crimes.

The establishment of a foundling hospital in London was recommended, no doubt from the most benevolent motives, by Addison, in the reign of Queen Anne.<sup>1</sup> It was not, however, established till 1739. Experience was not long in developing its pernicious effects; and in 1760 a total change was effected in its constitution. It then ceased to be a receptacle for foundlings. No child whose mother does not personally appear, and who cannot satisfactorily answer the questions put to her, is received; if, however, the mother can show that she had previously borne a good character, and that, owing to the desertion of the father, she is unable to maintain the child, it is admitted, but not otherwise. As now conducted, there does not seem to be much reason for thinking that this establishment is productive of any but beneficial effects.

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<sup>1</sup> "Guardian," No. 105.

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## CHAPTER IX.

*Interference of Government with the Pursuits and Property of Individuals—Cases in, and Objects for which such Interference is necessary—Limits within which it should be confined.*

THE discussions in which we have been engaged in the previous chapters, sufficiently evince the vast importance of the government being powerful, and at the same time liberal and intelligent—that is, of its having power to carry its laws and regulations into effect, and wisdom to render them consistent with sound principles. Far more, indeed, of the prosperity of a country depends on the nature of its government than on any thing else. If it be feeble, and unable to enforce obedience to the laws, the insecurity thence arising cannot fail of being most pernicious; while, on the other hand, if its laws, though carried into effect, be founded on erroneous principles, their operation cannot be otherwise than injurious; and though they may not actually arrest, they must, at all events, retard the progress of the society. An idea seems, however, to have been recently gaining ground, that the duty of government in regard to the domestic policy of a country is almost entirely of a negative kind, and that it has merely to maintain the security of property and the freedom of industry. But its duty is by no means so simple and easily defined as those who support this opinion would have us to believe. It is certainly true, that its interference with the pursuits of individuals has been, in many instances, exerted in a wrong direction, and carried to a ruinous excess. Still, however, it is easy to see that we should fall into a very great error if we supposed that it might be entirely dispensed with. Freedom is not, as some appear to

think, the end of government ; the advancement of the public prosperity and happiness is its end ; and freedom is valuable in so far only as it contributes to bring it about. In laying it down, for example, that individuals should be permitted, without let or hindrance, to engage in any business or profession they may prefer, the condition that it is not injurious to others is always understood. No one doubts the propriety of government interfering to suppress what is, or might otherwise become, a public nuisance ; nor does any one doubt that it may advantageously interfere to give facilities to commerce by negotiating treaties with foreign powers, and by removing such obstacles as cannot be removed by individuals. But the interference of government cannot be limited to cases of this sort. However disinclined, it is obliged to interfere, in an infinite variety of ways, and for an infinite variety of purposes. It must, to notice only one or two of the *classes* of objects requiring its interference, decide as to the species of contracts to which it will lend its sanction, and the means to be adopted to enforce their performance ; it must decide in regard to the distribution of the property of those who die intestate, and the effect to be given to the directions in wills and testaments ; and it must frequently engage itself, or authorize individuals or associations to engage, in various sorts of undertakings deeply affecting the rights and interests of others. The furnishing of elementary instruction in the ordinary branches of education to all classes of persons, and the establishment of a compulsory provision for the support of the destitute poor, are generally, also, included, and apparently with great propriety, among the duties incumbent on administration. And, in addition these duties and obligations, government has to undertake the onerous task of imposing and collecting the taxes required to defray the public expenditure, and of providing for the independence and security of the nation. It is not easy to exaggerate the difficulty and importance of properly discharging such duties, and the powerful influence which the policy

pursued in regard to them must necessarily exercise over the public well-being. But without further insisting on these considerations, it is at all events obvious, when the subjects requiring, or supposed to require, its interference are so very numerous, and when we also take into view the necessity of accommodating the measures of administration to the changes which are perpetually occurring in the internal condition of nations, and in their external relations in respect of others—that it is impracticable to draw anything like a distinct line of demarcation between what may be called the positive and negative duties of government; or to resolve what Mr. Burke has truly termed “one of the finest problems in legislation, namely, to determine what the state ought to take upon itself to direct by the public wisdom, and what it ought to leave, with as little interference as possible, to individual exertion.”

It is, indeed, obvious, that no solution of this problem can be applicable at all times, and under all circumstances. But dismissing for the present all reference to the subject of taxation, of which we have treated in detail in another work,<sup>1</sup> we may observe generally, that though it may not be possible previously to devise the measures proper to be adopted in particular emergencies, we may, notwithstanding, decide on pretty good grounds in regard to the description of objects which require the interference of government upon ordinary occasions, and give some idea of the extent to which it should be carried. The discussion of this interesting, though comparatively neglected department of the science, involves many difficult and delicate questions; and to enter fully into their examination would require a lengthened treatise. We shall merely, therefore, endeavour to lay down a few leading principles, touching very briefly upon such topics only as seem most interesting.

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<sup>1</sup> A “Treatise on the Principles and Practical Influence of Taxation and the Funding System,” 8vo., 3rd edit., London, 1863.

The principles already established show, that without security of property, and freedom to engage in every employment not hurtful to others, society can make no considerable advances. Government is, therefore, bound to take such measures as may be effectual to secure these objects. But it must not rest satisfied when this is accomplished. It will fail of its duty if it do not exert itself to prevent that confusion and disorder in the distribution of property, and in the prosecution of employments, that could either not be prevented without its interference, or not so easily and completely. It is also bound to give every due facility to those about to engage in such useful undertakings as cannot be carried on without its sanction; and it should not only endeavour to protect its peaceable and industrious subjects from the machinations of the idle and profligate, but also against those accidents arising from the operation of natural causes to which their persons or properties may otherwise be exposed. The expediency of interfering to accomplish the objects thus briefly enumerated, is so very obvious, that it may be said to constitute a perfect obligation on government. But the expediency of a compulsory provision for the support of the poor, and of a national system of education, not being so obvious, we shall refer their consideration to a subsequent chapter.

At present, therefore, we have, *first*, to consider the means of obtaining security and protection.

*Second*, the species of contracts and of testamentary dispositions to which government ought to give legal effect.

*Third*, the means of adjusting such disputes as may arise among the citizens, and of enforcing the observance of contracts.

*Fourth*, the means of obviating confusion and fraud in the dealings of individuals.

*Fifth*, the species of industrial undertakings in which government may engage, or to which it should lend some peculiar sanction.

*Sixth*, the means proper to be adopted to secure the property and persons of the citizens from such casualties as they would be subject to without the interference of government.

I. With respect to the first of these heads, or the provision of a force adequate to afford security and protection, its necessity is too obvious to require illustration. The best laws can be of little use if they may be insulted with impunity. All governments ought, therefore, to have a force at their command sufficient to carry their orders into effect at home, as well as to defend their territories from hostile attack. The question how this force may be most advantageously raised is one of deep importance. Perhaps, however, its investigation belongs rather to politics, properly so called, than to political economy; and, at any rate, our narrow limits forbid our engaging in it here. It may, however, be remarked, that in nothing, perhaps, has the beneficial influence of the division of labour been more perceptible than in the employment of a distinct class of individuals to maintain national tranquillity and security. To be a good soldier, or a good police officer, a man should be nothing else. It is hardly possible for an individual taken to serve as a militia-man, from an ordinary industrial employment, to which after a short time he is to be restored, to acquire those habits of discipline, and of prompt and willing obedience, so indispensable in a soldier. It is now very generally, if not universally admitted, that when a military force must be employed to suppress any disturbance, it is always best to employ troops of the line, and to abstain as much as possible from the employment of yeomanry, local militia, or volunteers. The former have neither partialities nor antipathies; they do what they are ordered to do, and they do nothing more: but the others are more than half citizens; and being so, are inflamed with all the passions and prejudices incident to the peculiar description of persons from among whom they are taken. When they act, they neces-



sarily act under a strong bias, and can with difficulty be kept to the strict line of their duty.

II. The discussion of the *second* of the previously mentioned heads may be conveniently divided into two branches: the *first* having reference to the description of contracts between individuals to which government should give a legal sanction; and the *second*, how far it should legalise the instructions in wills and testaments.

1. It may be laid down in general, that government is bound to assist in enforcing all contracts fairly entered into between individuals, unless they are made in opposition to some existing law, or are such as cannot fail of being prejudicial to the public interests.

Contracts or obligations arising out of purely gambling transactions, have been supposed to be of the latter description, and it has been customary to refuse giving them a legal sanction. The wisdom of this custom seems abundantly obvious. No one doubts that gambling, by withdrawing the attention of those engaged in it from industrial occupations, and making them trust to chance, instead of exertion and economy, for the means of rising in the world, is, both in a public and private point of view, exceedingly pernicious. And we are not aware that any means have been suggested for checking the growth of this destructive habit, so easy of adoption, and, at the same time, so effectual, as the placing of gambling engagements without the pale of the law, and depriving the parties of any guarantee other than their own honour. To interfere further than this, might perhaps be inexpedient; but there appears no good reason for thinking that the interference of government is not beneficially carried to this extent.

We shall afterwards endeavour to show the impolicy of the restraints imposed on the rate of interest, and the injury which they occasion. And it is now pretty generally admitted, that the laws formerly enforced in this country, and

still acted upon in various quarters, for restricting the freedom of those engaged in the internal corn-trade, by the prevention of forestalling, engrossing, and regrating, are both oppressive and inexpedient. It has been shown, over and over again, that the interest of the corn-dealer is in all cases identical with that of the public; and that, instead of being injurious, his speculations are uniformly advantageous.<sup>1</sup>

It is unnecessary, perhaps, to say anything about the attempts that have occasionally been made to fix the price of commodities by law. Every one must see that it is not in the nature of things that such attempts should have any but pernicious results. The price of commodities is continually varying, from innumerable causes, the operation of which can neither be foreseen nor prevented. If, therefore, an attempt were made to fix prices, it would follow, that when the natural price of commodities sunk below their legal price, the buyers would have to pay more than their fair value; and, on the other hand, when their natural price happened to rise above their legal price, the producers, to avoid the loss they would incur by carrying on their business, would withdraw from it, so that the market would not be supplied. Nothing, consequently, can be more obvious than that the interference of government in the regulation of prices is productive only of mischief. It will be shown, in a subsequent chapter, that wherever industry is free, the competition of the producers makes commodities be sold at their natural and proper price.

It was usual in this country, until recently, to punish workmen for combining to raise the rate of wages, or to diminish the hours of working. But the inexpediency of a practice of this sort is so obvious as hardly to require being pointed out. An individual who may not fix, in concert with others, the conditions on which he will sell his labour, is no better than a slave. No bad consequences can result from the exer-

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<sup>1</sup> For some illustrations of what is now stated, see the Chapter on the "Influence of Speculation on Prices."

cise of this power on the part of the workmen. If the price they demand for their labour be unreasonable, the masters may, and always *do*, refuse to employ them ; and as they cannot afford to live for any considerable period without employment, it is plain that all combinations to obtain an undue rise of wages, or to effect an improper purpose, carry in their bosom a principle of dissolution, and must speedily fall to pieces. But when workmen may refuse to work except upon such conditions as they choose to prescribe, they have, in this respect, obtained *all* which they can justly claim ; and when they go farther, and attempt, as they too frequently do, to carry their point by violence,—by threatening the property of their employers, or obstructing such of their fellow-labourers as have refused to join the combination, or have seceded from it,—they are guilty of an offence which deeply affects the security of property and freedom of industry, and which should be instantly repressed by prompt and suitable punishment.

2. Various questions, some of which are of the greatest interest, arise in deciding how far government should go in giving effect to instructions in wills and testaments. There is no doubt, indeed, of the reasonableness and advantage of allowing individuals to bequeath their property to their children and nearest surviving relatives. And, without stopping to make any observations on what is so very clear, we shall proceed to inquire—*first*, whether individuals should be permitted to leave their fortune to strangers, to the exclusion of their children and relatives ; *second*, whether, in distributing a fortune amongst children, the testator should be left to follow his own inclination, or be obliged to abide by any fixed rule ; and *third*, whether individuals should be authorized to fix the conditions under which their property shall in future be enjoyed, or the purposes to which it is to be always applied.

(1.) The power freely to bequeath property by will or testament (the *libera testamenti factio*) is not recognised in

the earlier stages of society. A man's property is then usually divided in equal shares among his children, who succeed to it as matter of right; and in their default, it is inherited by his surviving relations or nearest of kin. But experience gradually discloses the inconveniences resulting from the enforcement of this strict rule of succession, and power is, in consequence, given to the possessors of property to make testaments, or to dispose by will of a part at least, of their personal or real estate. At first, however, this power is usually confined within very narrow limits, being in general restricted to the making of alterations in the shares falling to the children or kinsmen of the testator; that is, to the increasing of the portion of some, and the diminution of that of others. In Athens there was no power to devise property from the natural heirs previously to the age of Solon; and that legislator confined the privilege to those who died without leaving issue. In Rome, three centuries elapsed before a citizen could dispose of his property by a deed *mortis causa*, except in an assembly of the people; and in that case his will, as Montesquieu has remarked, was not really the act of a private individual, but of the legislature. "With us in England, till modern times, a man could only dispose of one-third of his moveables from his wife and children; and in general, no will was permitted of lands till the reign of Henry VIII., and then only of a certain portion: for it was not till after the Restoration that the power of devising real property became so universal as at present."<sup>1</sup> In Scotland, down to a comparatively recent period, almost all landed property was inalienable from the lineal heir.

Not only, however, is the power of testators usually augmented as society advances, but in some countries they are permitted to exercise a nearly absolute control over the disposal of their property, and even to bequeath the whole, or the greater part of it, to strangers, to the exclusion of

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<sup>1</sup> Blackstone, book ii. c. 1.

their children and relations, as is substantially the case at this moment in England. A great diversity of opinion is, however, entertained in regard to the expediency of giving this power to testators. It is contended, that, independently altogether of their merit or demerit, every one is under the most sacred obligations to the beings he has been the means of bringing into the world; and that no one who has any property should be permitted to throw his children destitute upon society, but should be obliged to make some provision for their support. But, though the question be not free from difficulty, we are inclined to think that they are right who argue in favour of the uncontrolled power of bequeathing. A legal provision for children cannot be enforced without weakening that parental authority which, though sometimes abused, is yet, in the vast majority of instances, exerted in the best manner and with the best effect. The relations of private life should as seldom as possible be made the subject of legislative enactments. If children be ordinarily well-behaved, we have, in the feeling of parental affection a sufficient security that they will rarely be disinherited. The interference of the legislator in their behalf seems, therefore, quite unnecessary. In countries where the greatest extension is given to the power of the testator, nothing is more uncommon than to hear of the disinherison of a really dutiful family; and it would surely be most inexpedient to attempt to remedy an evil of such rare occurrence, by exempting children from the influence of a salutary check over their vicious propensities; and forcing individuals to bestow that property on profligacy and idleness, which is usually the fruit, and should always be the reward, of virtue and industry.

(2.) The same reasons which show that it is inexpedient to prevent individuals from leaving their fortunes to strangers, show that it is inexpedient to compel them to adopt any fixed rule in the division of their fortunes amongst their children.

It has long been customary in this, as well as in many other countries, when estates consist of land, to leave them either wholly or principally to the eldest son, and to give the younger sons and daughters smaller portions in money. Many objections have been made to this custom; but mostly, as it would appear, without due consideration. That it has its inconveniences is, no doubt, true; but they seem to be trifling compared with the advantages which it exclusively possesses. It forces the younger sons to quit the home of their father, and makes them depend for success in life on the exercise of their talents; it helps to prevent the splitting of landed property into too small portions; and stimulates the holders of estates to endeavour to save a moneyed fortune adequate for the outfit of the younger children, without rendering them a burden on their senior. Its influence in these and other respects is equally powerful and salutary. The sense of inferiority as compared with others, is, next to the pressure of want, one of the most powerful motives to exertion. It is not always because a man is absolutely poor that he is industrious, economical, and inventive; in many cases he is already wealthy, and is merely wishing to place himself in the same rank as others who have still larger fortunes. The younger sons of our great landed proprietors are particularly sensible to this stimulus. Their inferiority in point of wealth, and their desire to escape from this lower situation, and to place themselves upon a level with their elder brothers, inspires them with an energy and vigour they would not otherwise feel. But the advantage of preserving large estates from being frittered down by a scheme of equal division, is not limited to its influence over the younger children of their owners. It raises universally the standard of competence, and gives new force to the springs which set industry in motion. The manner of living among the great landlords is that in which every one is ambitious of being able to indulge; and their habits of expense, though sometimes injurious to themselves, act as powerful incentives to

the ingenuity and enterprise of the other classes, who never think their fortunes sufficiently ample, unless they will enable them to emulate the splendour of the richest landlords; so that the custom of primogeniture seems to render all classes more industrious, and to augment, at the same time, the mass of wealth and the scale of enjoyment.

It is said, indeed, that this eager pursuit of wealth, and the engrossing interest which it inspires, occasion every thing to be undervalued that does not directly conspire to its advancement, and make the possession of money be regarded as the only thing desirable. But this is plainly a very exaggerated and fallacious representation. It is not meant to say, that a desire to outstrip our neighbours in the accumulation of wealth is the best motive to exertion, or that it might not be preferable, could the same spirit of emulation be excited by a desire to excel in learning, benevolence, or integrity. After all, however, it usually happens that the game itself is of less value than the stimulus afforded by the chase. But though it were otherwise, there seems little reason to think that the love of superiority in mental acquirements will ever be able to create that deep, lasting, and universal interest that is created by a desire to mount in the scale of society, and to attain the same elevation in point of fortune that has been attained by the richest individuals, or by those at the summit of society. It is false, however, to affirm that the prevalence of this spirit makes the virtues of industry and frugality be cultivated to the exclusion of the rest. Every one, indeed, who is acquainted with what is going on around him, must know that such is not the fact. The business of those who inherit large fortunes is rather to spend than to accumulate; and while, on the one hand, the desire to attain to an equality of riches with them is a powerful spur to industry, the manner of living, which they render fashionable, prevents, on the other hand, the growth of those sordid and miserly habits that are subversive of every generous impulse. Many holders

of large fortunes, and many who are still striving to attain that distinction, influenced partly, no doubt, by vanity and ostentation, but in a far greater degree by worthier motives, are the liberal patrons of the arts, and are eminently distinguished by their benevolence. The example thus set by the higher ranks re-acts on those below them; being communicated from one class to another, until it pervades the whole society. And hence, though the spirit of emulation, industry, and invention be stronger here, perhaps, than in any other country, it has not obliterated, but seems, on the contrary, rather to have strengthened, the social and generous sympathies.

But, to whatever cause it may be owing, we may safely affirm, that an interest in the welfare of others has never been more strongly manifested in any age or country than in our own. Those who contrast the benevolent institutions of England and Holland, (the country which has the nearest resemblance to England), and the efforts made by the middle and upper classes in them to relieve the distresses and to improve the condition of those in inferior circumstances, with the institutions and the efforts of the same classes in France and Austria, will pause before affirming that the strong spirit of emulation, inspired by our peculiar laws and customs, has rendered us comparatively indifferent to the happiness of our fellow men. In the United States, properties, whether consisting of land or moveables, are almost invariably divided in equal portions amongst the children, and there are no very large estates. But notwithstanding these apparently favourable circumstances, has any one ever alleged that generosity is a prominent feature in the character of the Americans? or that they are in that respect superior to the English?

In France, previously to the Revolution, different provinces had different customs as to the division of landed property by will; but soon after the Revolution one uniform system was established. According to this new system, individuals



having families, who make wills, are obliged to divide their fortunes, whether they consist of land or moveables, in nearly equal portions among their children; and in the event of their dying intestate, they are equally distributed amongst their descendants, without respect of sex or seniority.

The principles already established show that this law is radically bad. It weakens the desire to accumulate a fortune, over the disposal of which it allows, so very little influence; it goes far to emancipate the children of persons possessed of property from any efficient control; it gives them the certainty of getting a provision, whatever be their conduct; and it is difficult to see how it should do this without paralysing their exertions and checking their enterprise. But its worst effect consists in the influence it has had, and will most likely continue to have, in occasioning the too great subdivision of landed property. In this respect its operation has been most pernicious; and if it be not repealed, some method of evading it discovered, or some countervailing principle be called into operation, it bids fair, in no very lengthened period, to reduce the agriculturists of France to a condition little, if at all, better than those of Ireland.<sup>1</sup>

In distributing the property of those who die intestate, it seems natural to conclude that the same rule should be adopted which experience has shown is most advantageous in the making of wills. When, therefore, there is a landed

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<sup>1</sup> See the supplementary dissertation on the disposal of property by will, in the edition of "The Wealth of Nations," (1863), by the author of this work. A very interesting account is given of the history and injurious operation of the French law of succession in the speech of the Baron De Veauce, in the Legislative Body, reported in the "Moniteur" of the 22d January 1864. It is there stated, that of 7,846,000 proprietors in France in 1851, no fewer than 3,000,000 were exempted from personal taxes on the ground of indigence; and that there were among them 600,000 persons, the taxes on whom did not exceed 5 cents, or one halfpenny per individual. Since the period referred to, the number of proprietors, and the proportion of those that are indigent, have each increased.

estate, it should go to the eldest son; being, however, burdened with a reasonable provision for the other children. If the fortune consist of money or moveables, it may be equally divided.

(3.) We have now to inquire whether an individual, in leaving a fortune by will, should be allowed to fix by whom, and under what conditions, it shall always be held, and the purposes to which it shall always be applied.

Every man should have such a reasonable degree of power over the disposal of his property as may be necessary to excite his industry, and to inspire him with the desire of accumulating. But if, in order to carry this principle to the farthest extent, individuals be allowed to chalk out an endless series of heirs, and to prescribe the conditions under which they shall successively hold the property, it might be prevented from ever coming into the hands of those who would turn it to the best account; and it could neither be farmed nor managed in any way, however advantageous, that happened to be inconsistent with the directions in the will. To establish such a system would evidently be most impolitic; and hence, in regulating the transfer of property by will, a term should be fixed beyond which the instructions of the testator should have no effect. It is, of course, impossible to lay down any general rule for determining this period. According to the law of England, a man is allowed to fix the destination of his property until the first unborn heir be twenty-one years of age, when his will ceases to have any farther control over it. This is, perhaps, as judicious a term as could be devised. It appears to give every necessary inducement to accumulation, at the same time that it hinders the tying-up of property for too long a period.

In Scotland it had been lawful, since 1685, to settle or entail estates upon an endless series of heirs; but a bill was introduced into parliament in 1848, and passed into a law, which has placed the Scotch law of entail nearly on the same footing as the English.

The bequeathing of property for the endowment of hospitals, libraries, schools, and other public purposes, is of much importance in a national point of view ; and though it is a practice that has been and is very apt to be abused, still it would be easy to show that we have derived, and are at present deriving, many advantages from the bequests for such objects. But in this, as in other things, we should endeavour to separate what is good in the practice from what is bad. It is known to every one that the bequests in question are often embezzled and misapplied, and not unfrequently employed to promote questionable or improper objects. Hence it is abundantly obvious that they should be subjected to the control of government. It is difficult, indeed, or rather, perhaps, impossible, to define *à priori* how far interference should be carried in respect to them ; but that, speaking generally, it is indispensable even to the proper carrying out of the views of the testator is sufficiently evident.

To regard the instructions in the wills of those who have established foundations as immutable laws, which are in no case to be altered, is, in truth, to permit the ignorance, folly, presumption, or dotage of an individual to become a standard for all future ages ; and to regulate the studies and the institutions of a more advanced and enlightened period by his crude conceptions and views. Surely, however, it is needless to say, that no select number of men, and still less individuals, should be allowed to erect themselves into infallible legislators for every succeeding generation. The regulations of the great Alfred, and of the other benevolent personages who founded and endowed the universities of Oxford and Cambridge, may have been excellent at the time when they were framed ; but had they been strictly adhered to, the chairs in these institutions must now have been filled with Aristotelian doctors, and lecturers on the Ptolemaic system of the world, and the infallibility of the Pope !

It is impossible to doubt the piety and generosity of many of those who, in the middle ages, left their property to

monastic institutions ; but still less is it possible to hesitate applauding the conduct of the Reformers, who diverted this property to other purposes ; and who justly considered that the terms of wills dictated in a comparatively barbarous age, should not be permitted to consecrate and uphold a system which had been discovered to be most inimical to the interests of true religion, and to be productive only of mischief.

The establishment of foundling hospitals is another instance of the same kind. They were projected and have been kept up with the best intentions ; but, as already seen, (*ante*, p. 185,) it is doubtful whether they have not been productive of a greater amount of crime and mortality than they have obviated.

Even as respects the educational foundations established in London and most parts of England, their utility is in many instances greatly narrowed, and in not a few all but wholly nullified, by the injudicious rules laid down for their government, and the jobbing and corruption by which their revenues are frequently wasted. Every unprejudiced person acquainted with the circumstances will readily admit, that there are no institutions that stand more in need of a careful revision and remodelling than these foundations. The sphere of their utility might be very greatly extended, at the same time that the education which the greater number of them afford, might be greatly improved. And it will not, surely, be contended, that more regard is due to the whims, caprices, or mistaken, though benevolent views of the founders, than to the interests and well-being of the successive generations, to whom they might be made to furnish an education suited to the varying exigencies and demands of the periods in which they live.<sup>1</sup>

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<sup>1</sup> We have discussed the various questions incident to the devising of property by will, including those respecting primogeniture, entails, compulsory distribution, foundations, &c., in a treatise on "The Succession to Property vacant by Death," published in 1848, and in the edition of "The Wealth of Nations," published in 1863 ; and we beg to refer the reader to them for more ample information with respect to those topics which we have here been merely able to glance at.

III. The *third* duty of government is, to provide the means of adjusting such disputes as may arise among its subjects, and of enforcing the observance of contracts.

To do this, it is necessary to establish convenient and proper tribunals, accessible at all times, at a moderate expense, to all who have occasion to appeal to them.

Every practicable effort should also be made to simplify the law, and to render it as clear and precise as possible.

Nothing tends more to paralyse the spirit of commercial enterprise than the existence of any doubt in the minds of parties with respect to the nature and effect of the laws bearing on the transactions in which they happen to be engaged. "The property and daily negotiations of merchants ought not to depend upon subtleties and niceties, but upon rules easily learned and easily retained."<sup>1</sup> It is mentioned, in a report by a Committee of the House of Commons on the foreign trade of the country, printed in 1820, that no fewer than TWO THOUSAND laws with respect to commerce had been passed at different periods; that many of these had originated in temporary circumstances; and that *eleven hundred* were actually in force in the year 1815, exclusive of the additions made in the subsequent five years! The committee justly and strongly condemned this excessive multiplication. They stated, that the difficulty of deciding between legal and illegal transactions was so very great, that the most experienced merchants could seldom venture to act without consulting a lawyer; and that it was quite impossible for them to proceed in their speculations with that promptitude and confidence so necessary to their success. And they declared that, in their opinion, no more valuable service could be rendered to the trade of the empire than an accurate revision of this vast and confused mass of legislation, and the establishment of some certain, simple, and constant principles, to which all commercial regulations might be referred, and under

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<sup>1</sup> Speech of Lord Mansfield in an insurance case.

which all transactions might be conducted with facility, safety, and confidence.

Since this report was compiled, a great deal has been done in the way of simplifying and consolidating our commercial law. A good deal, however, still remains to be accomplished ; and as it is an object of the highest importance, it is to be hoped that it may be kept steadily in view, and that nothing may be left undone to give precision, clearness, and simplicity to every branch of the law, but especially to that affecting industrial pursuits.

Government is bound to lend every reasonable facility towards enforcing the fulfilment of contracts. Were it to evince any backwardness in this respect, there would be an immediate diminution of confidence, and comparatively few engagements would be entered into. But when an individual is either unable or unwilling to abide by the stipulations into which he has entered, there is often great difficulty in determining the extent to which government should go in its attempts to enforce performance. The questions that occur with respect to bankruptcy exemplify this.

All classes of individuals, even those who have least to do with industrial undertakings, are exposed to vicissitudes and misfortunes, the occurrence of which may render them incapable of making good the engagements into which they have entered. Individuals in this situation are said to be bankrupt or insolvent. But though bankruptcy be frequently the result of uncontrollable causes, it is far more frequently caused by the recklessness of individuals, and their repugnance to make those retrenchments which the state of their affairs demands ; and sometimes, also, by fraud or bad faith. Hence the laws with respect to bankruptcy occupy a prominent place in the judicial system of every state in which commerce has made any progress, and credit been introduced. They differ exceedingly in different countries and stages of society ; and it must be acknowledged that they present

many difficulties, and that it is not possible, perhaps, to suggest any system against which some pretty plausible objections may not be made.

The execrable atrocity of the early Roman laws as to bankruptcy is well known. According to the usual interpretation of the law of the Twelve Tables, which Cicero has so much eulogised,<sup>1</sup> the creditors of an insolvent debtor might, after some preliminary formalities, cut his body to pieces, each of them taking a share proportioned to the amount of his debt; and those who did not choose to resort to this horrible extremity, were authorized to subject the debtor to chains, stripes, and hard labour; or to sell him, his wife, and children, to perpetual slavery, *trans Tyberim*! This law, and the law giving fathers the power of inflicting capital punishments on their children, strikingly illustrate the ferocious sanguinary character of the early Romans.

There is reason to think, from the silence of historians, that no debtor was ever unfortunate enough actually to feel the utmost severity of this barbarous statute; but the history of the republic is full of accounts of popular commotions, some of which led to important changes, occasioned by the exercise of the power given to creditors of enslaving their debtors, and subjecting them to corporal punishments. The law, however, continued in this state till the year of Rome 427, 120 years after the promulgation of the Twelve Tables, when it was repealed. It was then enacted, that the persons of debtors should cease to be at the disposal of their creditors, and that the latter should merely be authorized to seize upon the debtor's goods, and to sell them by auction in satisfaction of their claims. In the subsequent stages of Roman jurisprudence, further changes were made, which seem generally to have leaned to the side of the debtor; and it was ultimately

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<sup>1</sup> "Fremant omnes, licet! dicam quod sentio: bibliothecas, meherculè, omnium philosophorum unus mihi videtur. Duodecim Tabularum libellus; si quis legum fontes et capita viderit, et autoritatis pondere et utilitatis ubertate superare."—*De Oratore*, lib. i.

ruled, that an individual who had become insolvent, without having committed any fraud, should, upon making a *cessio bonorum*, or a surrender of his entire property to his creditors, be exempted from all personal penalties.<sup>1</sup>

The law of England, down to a late period (1861), distinguished between the insolvency of persons engaged in trade and that of others, the former being treated with comparative indulgence. But despite the elaborate reasonings of Blackstone in its favour (Com., book ii. cap. 31.) there was really no good ground for this preference. Vast numbers of traders found their way into the Gazette without being the victims either of accidental losses or unavoidable contingencies. All that was most revolting in the worst cases of insolvency was equalled or surpassed by many of the cases in bankruptcy. Recklessness, improvidence, and the obtaining of loans or advances under false pretences, are as common in one class of society as another; and though this were not the case, the classes excluded from the benefit of the bankrupt acts had to encounter as many risks as the others. There are few trades so hazardous as that of a farmer, and yet if he became insolvent, he was not entitled to the same privileges he would have enjoyed had he been the keeper of an inn, or a commission agent! The injustice of this distinction is obvious; but without dwelling upon it, it is clear that discharges, which under the old law were not given to insolvents, should be granted indiscriminately to all honest debtors. Being relieved from all concern as to his previous incumbrances, an insolvent who has obtained a discharge is prompted to exert himself vigorously, at the same time that his friends are not deterred from coming forward to his assistance. But no one, however favourably disposed, could venture to aid with a loan an insolvent who continued liable to his previous debts; and he was discouraged, even if he had had means from attempting to earn anything more than a bare livelihood; so that, while creditors

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<sup>1</sup> Terrasson, "Histoire de la Jurisprudence Romaine," p. 117.



did not, in one case out of a hundred, gain the smallest sum by this constant liability of the insolvent, his energies and usefulness were for ever paralysed. We, therefore, are glad that the distinction between bankruptcy and insolvency has been practically abolished. Every case of a failure to meet one's engagements should be tried on its own merits. Imprudence, extravagance, and bad faith, are equally objectionable in the case of traders and non-traders, and should be dealt with in precisely the same way.

The law of bankruptcy is administered by a court which sits in London, and by district courts in Manchester, Birmingham, and other large towns. The county court judges have also the powers of commissioners of bankruptcy, and may act as such.

The acts which constitute what are called a bankruptcy, are specified in clauses of the Act 25 & 26 Vict. c. 134. They all involve either an inability or a disinclination to pay one's just debts. They consist principally of allowing oneself to be imprisoned for debt, a trader for 14 days, and a non-trader for two months; going or escaping abroad with intent to defraud creditors; filing a declaration of inability to meet one's engagements; suffering execution to be levied by seizure and sale of goods; traders executing a conveyance of their property to trustees for the benefit of creditors, &c.

An adjudication of bankruptcy takes place upon the debtor, or a creditor to the extent of 50*l.*, presenting a petition to the court, which, on proof of the facts, adjudges the debtor a bankrupt. An official assignee is then appointed by the court, to ascertain and take care of the debtor's property. The creditors also appoint an assignee, and the proceedings then take place for realizing and rateably dividing the property of the bankrupt among the creditors, or for otherwise winding up and terminating the bankruptcy. But the entire proceedings may, we believe, be characterized as complicated, costly, and unsatisfactory.

Upon the bankrupt passing his last examination under the statute, the court appoints a meeting for considering whether

a discharge should be granted to him, and the conditions under which it should be granted. Formerly, discharges or certificates were of three kinds, but these distinctions are now abolished. The court is authorized, according to the estimate which it forms of the conduct of the bankrupt, to suspend his discharge, with or without protection from arrest, for such term as they may think fit, stating in the discharge the reasons for such suspension, and whether he has been imprisoned under the provisions of the Act. It is left to the creditors to determine whether any, and if any, what allowance shall be made to a bankrupt out of his estate.

It is enacted that any bankrupt "who has carried on trade by means of fictitious capital, or who could not have had, at the time when any of his debts were contracted, any reasonable or probable ground of expectation of being able to pay the same, or that, if a trader, he has, with intent to conceal the true state of his affairs, wilfully omitted to keep proper books of account, or, whether trader or not, that his insolvency is attributable to rash and hazardous speculation, or unjustifiable extravagance in living, or that he has put any of his creditors to unnecessary expense by frivolous or vexatious defence to any action or suit to recover any debt or money due from him, the court may either refuse an order of discharge, or may suspend the same from taking effect for such time as the court may think fit, or may grant an order of discharge, subject to any condition or conditions touching any salary, pay, emoluments, profits, wages, earnings, or income which may afterwards become due to the bankrupt, and touching after-acquired property of the bankrupt, or may sentence the bankrupt to be imprisoned for any period of time not exceeding one year from the date of such sentence."

But, despite these and other penalties embodied in the Act, we are strongly impressed with a conviction that bankruptcy is treated in this country with far too much indulgence. The offences specified in the Act are mostly of a very grave

character, and some of them deserve to be very severely treated. But it so happens that it is often very difficult to establish by the evidence of witnesses some of the least justifiable and most common causes of bankruptcy, such as extravagant living, which is its great source, improvident speculation, and so forth. And we doubt whether any such evidence should be required. Bankruptcy, or the failure of individuals to fulfil their engagements, is, and should be considered a very serious offence. But, like other offences, it is of various degrees of magnitude, and may arise from very different causes. There is a wide difference between bankrupts who pay their creditors 10s., 15s., or 18s. per pound, and those who pay them nothing, as is the case with many, or only 1s. or 2s. per ditto, and it is not reasonable that they should be all treated in the same way. Innumerable accidents and disappointments may occur to hinder a man from meeting his engagements; but if he have lived within his income and properly proportioned his speculations to the extent of his capital, it is difficult to see how he should be unable to pay a dividend of 10s. or 12s. per pound on his debts. And supposing this to be a correct view, it might be safely enacted that all bankruptcies in which the estates realised less than 10s. per pound of dividend, should *ipso facto* be held to be fraudulent, or caused by improper proceedings on the part of the bankrupts; and that they should be dealt with accordingly, unless they succeeded in satisfactorily establishing the propriety of their conduct. In cases where the dividend exceeded 10s., it might, as at present, be left to the creditors to arraign the proceedings of the bankrupts in opposing their discharge.

We do not well see how a system of this sort could be justly objected to. Those who make improvident speculations, or who pursue a line of conduct which involves them deeper and deeper in debt and difficulties, cannot fail to know that they must necessarily become bankrupts; and, if they only injured themselves, few would regret the hardships which

they might suffer. But they are sure to injure others—the savings on which the industrious and frugal had to depend being often squandered by the most unworthy parties, and on the most unworthy objects. Bankruptcy, when not occasioned by uncontrollable or unlooked-for causes, is, in truth, a great crime. Individuals who systematically contract debts which they have no reasonable prospect of being able to pay,—who, to obtain loans, misrepresent the true state of their affairs, and pervert them, when obtained, to spendthrift or dishonest purposes, are one of the worst varieties of swindlers. And the vast extent to which bankruptcy is carried, the extravagance and bad faith of many bankrupts, and the often inconsiderable amount of the dividends, and their non-existence, show the extent and malignancy of the disease, and the propriety of taking measures for its abatement.

Imprisonment for debts, honestly contracted, though formerly very general, seems to be a very questionable proceeding, and it is now, indeed, to a considerable extent, abandoned. Notwithstanding the deference due to the great authorities who have endeavoured to vindicate this practice, we confess ourselves unable to discover any thing very cogent in the reasonings advanced in its favour. Provided a person in insolvent circumstances intimate his situation to his creditors, and make a voluntary surrender of his property, he has, as it appears to us, done all that should be required of him, and should not undergo any imprisonment. If, indeed, he have deceived his creditors by false representations, or if he conceal or fraudulently convey away any part of his property, or if he have indulged in an expenditure beyond his means, he should be subjected to the pains and penalties attached to swindling; but when such practices are not alleged, or cannot be proved, and the dividend is equal to or exceeds the legal minimum (if such there be) creditors should have no power over the persons of their debtors, and should be entitled to their effects only. The

*maxim carcer non solvit*, is not more trite than true. It is said, indeed, that the fear of imprisonment operates to prevent persons from getting into debt; and this, no doubt, is the case. But it must, on the other hand, be borne in mind, that the power to imprison tempts individuals to trust to its influence to enforce payment of their claims, and makes them less cautious in their inquiries as to the condition and circumstances of those to whom they give credit. The carelessness of tradesmen, and their extreme earnestness to obtain custom, are a principal cause of insolvency; and the power of imprisoning merely tends to foster and encourage these habits. If a tradesman trust an individual with money or goods which he is unable to repay, he has made a bad speculation. But why, because he has done so, should he be allowed to arrest the debtor's person? If he wished to have perfect security, he should not have dealt with him, or dealt only for ready money: such transactions are, on the part of tradesmen, perfectly voluntary; and if they place undue confidence in a debtor who has not misled them by erroneous representations of his affairs, or misconducted himself, they have themselves only to blame.

It would really, therefore, be for the advantage of creditors, that all penal proceedings against the persons of honest debtors should be abolished. The dependence placed on their efficacy is deceitful. A tradesman should rather trust to his own prudence and sagacity to keep him out of scrapes than to the law for redress: he may deal upon credit with those whom he knows, but he should deal for ready money only with those of whose circumstances and character he is either ignorant or suspicious. By bringing penal statutes to his aid, he is rendered remiss and negligent. He has the only effectual means of security in his own hand; and it seems highly inexpedient that he should be taught to neglect them and to put his trust in prisons.

But it is needless to insist farther on these considerations. Their justice has been admitted by the legislature. Indi-

viduals can no longer be imprisoned for debts under 20*l.*,<sup>1</sup> and when debts exceed that amount imprisonment can only take place after judgment has been obtained. When discharges are delayed in bankruptcy cases, the courts are in the habit, unless the cases happen to be of an objectionable description, of granting protections against imprisonment.

IV. The fourth duty of government is to adopt such means as may be most effectual for the prevention of confusion and fraud in the dealings of individuals.

In furtherance of this object, the governments of civilised countries have endeavoured to enforce the equality of all weights and measures of the same denomination. By their attention in this respect, additional facilities are given to commercial transactions; and that confusion and difficulty are obviated that could not fail to arise in the making of bargains and the adjustment of contracts, were the standards to which reference is made not legally and clearly defined.

For the same reasons, governments have every where reserved to themselves the privilege of issuing coined money; and it is obvious, were individuals allowed to exercise this privilege, that the confusion that would be occasioned by the issue of coins of different denominations, and of the same denomination, but of different degrees of purity and weight, would go far to deprive society of the advantage it has derived from the introduction and use of money. Government should not, however, confine its attention wholly to the issue of coined money; it is equally bound to extend it to the issue of paper money, or of paper intended to serve as money.

The signal advantages derivable from the substitution of notes or paper for coins, depend, in great measure, on the fact of such notes being issued by parties of unquestionable solvency, and of their being readily exchangeable for the gold they profess to represent. The permission that was long

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<sup>1</sup> But if, after judgment has been given, the debtor fails to make payment of the debt, he may be imprisoned for contempt of court.

granted in this country, to individuals and associations, to issue notes to be used as money, without requiring any guarantee for their payment, was productive of the most disastrous results; the destruction of country bank paper having on different occasions, in 1793, in 1814, 1815, and 1816 in 1825, and to a considerable extent, also, in 1837—overspread the empire with bankruptcy and ruin. That the recurrence of such calamities should, if possible, be prevented, was not a proposition that could be disputed, and the simplest and most effectual way of doing this, would have been to prohibit the issue of all notes payable on demand, except by those who gave security for their payment. There were, however, great practical difficulties in the way of such a project; and the objects to be effected by it, with others of hardly less importance, were to a great extent secured by the measures for the improvement of the currency, that were carried through parliament in 1844. These effected a separation between the issue and banking departments of the Bank of England. The former was permitted to issue notes of the value of £14,000,000 upon securities; but whatever she may issue more than this must be in exchange for an equivalent amount of coin or bullion. The issues of the country banks were at the same time limited; so that they are no longer able to increase their amount, as was their former practice, in periods of speculation and excitement, to any improper extent. The establishment of new banks for the issue of notes without the assent of government, was then also prohibited; and as the number of existing banks is gradually diminished, provision will ultimately be made, if this regulation be maintained, for confining, as would be most desirable, the issue of notes to a single bank or department. These important measures, notwithstanding they deeply affected many powerful private interests, were passed with little difficulty, and have been of the greatest service.<sup>1</sup>

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<sup>1</sup> See the able and conclusive evidence of Lord Overstone, before the Committee on Banking in 1857, 8vo., *passim*; and the article Money, in the 8th edition of the Encyclopædia Britannica.

It is, perhaps, hardly necessary to advert to the regulations intended to secure the quality of manufactured goods that were formerly so very general. These are now almost everywhere abolished; and it appears to be universally conceded that in this, as in most other things, the free competition of the producers is the only principle on which any reliance can ordinarily be placed for securing superiority of fabric, as well as cheapness. Wherever industry is emancipated from all sorts of restraints, those who carry it on endeavour, by lessening the cost, or improving the fabric of their goods, or both, to extend their business; and the intercourse that subsists among the different classes of society is so very intimate, that an individual who should attempt to undersell his neighbours by substituting a showy and flimsy for a substantial article, would be very soon exposed, and be obliged to reduce its price to its proper level. Cheaper articles are often advantageously substituted for those that are dearer; but it is not possible to substitute inferior for superior articles, and maintain them in the place of the latter, without making a proportional reduction in their price. A manufacturer has not only the eyes of his customers, but of the trade upon him; and while any scheme for diminishing expense excites their competition, all attempts at fraud are most commonly ruinous to the future prospects of the party. A character for honesty and fair dealing is, in the arts as in everything else, of the highest value.

Wherever public marks or regulations are introduced, their tendency is to weaken or extinguish that spirit of invention and enterprise which is indispensable to manufacturing eminence. When a man's muslins, or silks, or linens, come up to the official standard, he has little motive to improve them still more. Whereas, when there is no standard other than the public taste, he has, in the more as well as in the less advanced stages of his art or craft, the same desire to attract demand, and to extend his dealings; and this he can only do by reducing the price of his goods,



or suiting them still better to the real or imaginary wants of his customers, or of the public.

It is obvious, too, that the plan of subjecting manufactured products to examination by government agents must lead to all sorts of abuse. When this baneful practice used to be carried on, the higher marks were frequently fixed, not to the best goods, but to those whose producers were best able to promote the interests of the examiners.

But there are no absolute principles in any department of political science ; and though, speaking generally, the abolition of the examination system has been of the greatest advantage, yet there are a few cases which are so very peculiar that it may be beneficially enforced in them. Fire-arms, for example, cannot be readily tested by ordinary persons ; and as any defect in their construction is most dangerous, we agree with those who would prohibit the sale of all muskets, fowling-pieces, pistols, &c. that have not been tried and approved at a public proof-house.

The same reasoning applies, and with still greater force, to the case of chain-cables and anchors. It is but seldom that they can be tested by the buyers. And as the safety of ships and crews, that is of much valuable property and of many lives, may be compromised by cables having a single bad link, or anchors being improperly constructed, it is highly expedient that they should be subjected to an efficient test before being used. The government that neglects to enforce such a test, neglects a most important duty.

The registration of deeds and contracts affecting fixed property, give additional facilities to its transfer, and to the negotiation of loans upon it.

The system of conveying land and other fixed property hitherto existing in England, has been both expensive and insecure, and has been long and justly complained of. This, however, has not been occasioned by the taxes on its conveyance, but by there being no cheap and convenient methods

of registering the deeds and bonds affecting landed property. This rendered it a very difficult matter to make out a valid title to an estate, or a title sufficient to secure the rights of the purchaser, and to hinder his being liable for unknown or unappreciated claims, such as those arising out of marriage settlements, &c. Many attempts have been made to introduce an improved system; the obstacles to be overcome were, however, so great that they have generally been abandoned. But in the course of the present year (1863) a measure, the Act 25 & 26 Vict. c. 53., has been adopted, which provides, among other things, for the registration of deeds affecting estates; and which its supporters contended, on apparently good grounds, will give a much greater degree of facility and security to the transfer of property. And now that an Act of this sort has been passed, it will be comparatively easy to remedy its defects, as they may be disclosed by experience, and to render it complete and effective.

A system of this sort was adopted in Scotland at a very early period, and has been productive of the best effects. All deeds affecting landed property are there regularly registered, a special register being kept for the entry of deeds of entail. These registers are open to the inspection of the public; and the first thing that is done by the bidder for an estate, or by a lender of money on bond upon it, is to desire his agent to inspect the register, to ascertain whether there are any burdens affecting it, and their nature and extent. In this way every man is made exactly aware of what he is doing; and if he either buy an estate with a vitiated title, or lend money upon one that is already encumbered up to its value, he has himself only to blame. A degree of security is thus given, both to purchasers and lenders, that is at once highly advantageous, and is not otherwise attainable.

The practice, called the *truck system*, under which some masters either directly supply their work-people with certain descriptions of goods to account of wages, or open or have an

interest in shops to which they oblige them to resort, has given rise to a great deal of controversy. The practice has sometimes, no doubt, been adopted by the masters from a sincere desire to benefit those engaged in their service, by furnishing them, at a reduced price, with some of the principal articles of subsistence. But a system of this sort may be easily perverted to fraudulent purposes; and there can, we apprehend, be little question that it has been, in many instances, employed to cheat the work-people out of a portion of their just claims; and also, by allowing them to become indebted to the accommodation shops, to deprive them, in some degree, of their free agency. The legislature took this view of the practice, which was forbidden, in most trades, by the Act 1 & 2 William IV., cap. 32. It is still, however, extensively practised; and, notwithstanding its sinister influence, and the advantage it gives to the dishonest manufacturer, it is no easy matter, especially when trade is depressed, to prevent its being acted upon.

V. We have, in the *fifth* place, to consider the species of undertakings in which government may engage or control, or to which it may lend some peculiar sanction.

Perhaps, with the single exception of the conveyance of letters, there is no branch of industry which government had not better leave to be conducted by individuals. It does not, however, appear that the post-office could be so well conducted by any other party as by government: the latter alone can enforce perfect regularity in all its subordinate departments; can carry it to the smallest villages, and even beyond the frontier; and can combine all its separate parts into one uniform system, on which the public may rely for security and despatch. Besides providing for the speedy and safe communication of intelligence, the post office has every where almost been rendered subservient to fiscal purposes, and made a source of revenue; and provided the duty on letters be not so heavy as to oppose any very serious

obstacle to the frequency and facility of correspondence, it seems to be a most unobjectionable tax, and is paid and collected with little trouble and inconvenience.

The construction and police of roads, harbours, &c., are among the most important objects to which the attention of government should be directed. In some countries, as France the administration of roads is placed in the hands of government; while in others, as England, it is placed in the hands of the gentry of the different counties, or of great companies, acting under authority of the legislature. Each plan has its peculiar advantages and defects; but the balance on the side of advantage seems, on the whole, to preponderate in favour of the English system. The French system is perhaps preferable, were it applied only to the great lines of road; but these bear a very small proportion to the cross and other roads with which every extensive kingdom either is or should be intersected. And it seems reasonable to suppose that, when the gentry, and those most directly interested in having good roads, and on whom the expense of their construction and maintenance principally falls, have to superintend their execution and repair, they will be made and maintained better, and at a cheaper rate, than if their management were left wholly to the care of engineers employed by government, and responsible to it only.

It is the duty of government to take care that the tolls be not oppressive; and to assist, by making grants, in enabling roads to be carried through districts, and bridges to be constructed, where the necessary funds could not otherwise be raised. The money formerly advanced on account of the Highland roads and bridges was of this description, and was judiciously expended.

Generally, however, government should be exceedingly shy about advancing funds for the prosecution of undertakings that have failed in the hands of private individuals, or that will not be engaged in by them. Grants for such purposes

are frequently, indeed, little better than bonuses to political partisans; and are almost always unprofitably expended. The money laid out on the Caledonian Canal, on Leith harbour, and on several canals and river works in Ireland, executed by government, has been, in so far as the public interests are concerned, all but thrown away.

There are some branches of industry which must be carried on in some degree in common, but with respect to the prosecution of which the views and interests of individuals are so very various, that government is obliged to interfere to regulate their respective pretensions. The salmon fishery is an instance of this sort. Government has not only to fix when the fishery shall begin and terminate, but it has also to decide how far the proprietors, near the mouths of rivers, shall be entitled to carry weirs and other fishing machinery into their channels.

Undertakings in which the hazard is considerable, or that require, in order to their successful prosecution, a larger amount of capital than can be conveniently furnished by individuals, are usually carried on by companies, which frequently require the sanction of the legislature to their formation. And when these bodies claim no peculiar privileges, but are formed on the principle of coming into fair and open competition with each other and with individuals, there does not seem, in ordinary cases, to be any good reason for opposing their incorporation. But in the event of their claiming any peculiar privileges, or if the purpose for which they seek to be incorporated would necessarily give them such privileges, the fair presumption being that they will employ them to promote their own private interests, in preference to those of the public, they should not be incorporated without the maturest deliberation. Still, however, there are many cases in which it is for the public advantage that companies with such privileges should be established, under proper regulations. A city is ill supplied with water; there is a copious spring ten or twenty miles

distant, and a company offer to bring this water into the city, on their getting an act authorising them to appropriate the spring, and to lay pipes or to construct an aqueduct for the conveyance of the water. In this case the object in view is most desirable; but it is plain that, were the authority they require given unconditionally to the company, it would be in their power to raise the price of water to the highest level, and perhaps to make an enormous profit, to the great injury of the inhabitants. The same is the case with railways and canals. It is of the greatest importance, that the best means of communication should be established between all great towns; and every facility should be given for the formation of companies for their construction. But then it is to be borne in mind, that there is always some one line between any two places decidedly better fitted for a railway or canal than any other line; and if a company get an Act of Parliament, authorising them to appropriate that line, they get, in fact, a substantial monopoly of the traffic between the places connected by the railway or canal, and may, in consequence, supply the public with inferior accommodation, and add proportionally to their charges. And hence, in authorising the establishment of companies for such purposes, such conditions should be inserted in the acts as may be adequate for the protection of the public interests. This important consideration has, however, been far too little attended to. In this country, we have in most cases contented ourselves with endeavouring to provide against overcharges, by fixing maximum rates of profit on the company's stock, and maximum rates of charge for the services to be performed by them. But overcharges are not the only evils to be guarded against; and if they were, experience has shown that the restrictions referred to are ill fitted to attain their object. A limitation of the rate of dividend tempts a prosperous company to engage in subsidiary undertakings, though of doubtful utility and profit; and it farther tempts them to countenance an extravagant system of manage-

ment ; to give, by underhand methods, unfair advantages to their proprietors ; and, in short, to adopt every device by which they may retain the highest (or unnecessarily high) rates of charge, without apparently raising their revenue above the sum required to defray the maximum rate of dividend. A limitation of the rates of charge is equally ineffectual. The rates are uniformly such as it is supposed will yield, when the railway or other public work is about to be constructed, an adequate remuneration for the capital to be vested in it. But the fair presumption is, that the country will continue to increase in wealth and population, for an indefinite period, with the same rapidity that she has increased since the close of the American War ; and if so, these rates will, in a few years, yield a profit or interest far beyond any that was in the contemplation of the parties when the work was entered upon. Now, it is plain that in such cases there will be no way of abating the company's profits, or, which is the same thing, its charges against the public, except by the formation, at a vast expense, of a new, and otherwise, perhaps, a perfectly unnecessary road ! Hence the obvious expediency, in passing Acts for the formation of railways, canals, docks, water and gas companies, and other public works, of reserving power to government to make periodical revisions of the tolls or rates of charge for the services to be performed ; to control their management, in the view of providing for the greater security and convenience of the public ; and, if needs be, to purchase up the works on reasonable terms.

The French have adopted the plan, in legislating for railways, of fixing upon lines and rates of toll, with plans for their construction, &c. ; and of submitting these lines to public competition, and assigning them to those who offered to construct them and work them for the shortest lease or term of years, at the expiration of which they were to become the property of the public. This plan is preferable, perhaps, in some respects, to that previously mentioned. But we have

neither adopted the one system nor the other ; and it is all but universally admitted that our legislation, with regard to railways and other public works, has evinced a highly culpable inattention to the public interests, and been discreditable to the intelligence of the country. Eventually, however, the extraordinary extension of railway projects forcibly attracted attention to the subject ; and though the most important lines have been, others still remain, to be conceded, while the older companies are frequently obliged to come to Parliament for new Acts, so that, by adopting a well-devised system, we may yet check abuse, and provide for the public interests, not only in the lines that remain to be granted, but may also be able to repair, in part at least, the errors committed in the cession of the others.

It is sometimes necessary to encourage the formation of a company for some desirable object—such as the lighting of a middling-sized town with gas—that it should get an exclusive privilege for a given number of years. But this should in no case be ceded without due examination, and without the insertion of conditions, to protect the public from any extortion on the part of the company.

No exclusive company should ever be established for carrying on any sort of manufacture, or for conducting any branch either of internal or external commerce. No such institution, formed for such an object, has ever been anything else than a public nuisance. If it be necessary that those engaged in any particular trade should contribute to defray some public expenses required for its prosecution, they may be formed into a *regulated* company ; that is, a company into which every one may enter on paying a moderate fine, or annual premium, being then at liberty to trade on his own account, and to act in all respects according to his own judgment and discretion. The necessity of providing for the expense of the armaments, without which it was alleged the trade with India could not be conducted, formed, during a lengthened period, the only circumstance urged in defence of the exclusive privileges



granted to the East India Company. But admitting that these armaments were necessary, and that government declined to provide them, their cost might have been defrayed by a peculiar duty on Indian exports and imports appropriated to that object, or by forming the traders into a *regulated* company. The latter, indeed, was the mode in which the Levant and Russian trades were long conducted, and the expenses of a public nature attached to them provided for. And had either of these plans been adopted in conducting the East India trade, it is abundantly certain that it would have proved more extensive and beneficial than it did.

The businesses of insurance and banking are those which are most commonly prosecuted in this country by companies. With the exception of the Bank of England, none of these companies enjoy any peculiar privilege. But the monopoly granted to the Bank is one which may, under certain conditions, be advantageously continued to that establishment. (See *post*, chapter on Co-operative Societies.)

No authority should ever be granted to companies or individuals to undertake any work, however useful, by which the private property of others may be affected, without providing for the full indemnity of the latter. To act on any other principle would shake the security of property, and injure one set of individuals for the benefit of some other set.

The law with respect to patents for new inventions and discoveries in the arts, is encumbered with several difficulties. The expediency of granting patents has been disputed, though, probably, without sufficient reason. Were they refused, the inducement to make discoveries would, in many cases, be much weakened; at the same time that it would plainly be for the interest of every one who made a discovery to endeavour, if possible, to conceal it. And, notwithstanding the difficulties in the way of concealment, they are not insuperable; and it is believed that several important in-

ventions have been lost, from the secret dying with their authors. On the other hand, there can be no doubt that great inconvenience is experienced in the application of improved machinery and inventions by the immense number of existent patents, and the difficulty of avoiding a collision with some of them. On the whole, it would seem that some considerable restraint should be laid on the granting of patents, and that they should not be conceded, except to protect some invention or discovery of importance. Perhaps, also, it would be expedient to enact that no extant patent should be allowed to bar or nullify a new invention of the same kind, unless it have been carried into actual effect, or acted upon, some time during the previous five or six years. It is not easy to decide upon the term for which a patent or exclusive privilege should be granted. Some have proposed that it should be made perpetual; but this would be a serious obstacle to the progress of improvement, and would lead to injurious results. Perhaps the term of fourteen years, to which the duration of a patent is limited in England, is as proper a one as could be suggested. It may be too short for some inventions, and too long for others, but, on the whole, it seems a pretty fair average.

Previously to the reign of Queen Anne, it was common to grant patents without any condition, except that they should be for really new inventions. But it was then ordered, that those who obtained patents should deliver a minute and accurate description or *specification* of the invention for which the patent is granted, into the Court of Chancery. This is a judicious regulation. It secures the invention from being lost, and the moment the patent expires every one should be in a condition to profit by it.

VI. We have, in the *sixth* and last place, to consider the means proper to be adopted for securing the property and persons of the citizens from such casualties as they might be subject to without the interference of government.

Of the measures of a public character, devised for the protection of property from casualties, a principal class is intended to give security to navigation. Without the co-operation or sanction of government, light-houses could not be erected or managed on any general system, nor safe and convenient harbours be constructed. To defray the expense of such works, a revenue of some sort or other must be provided; and as it belongs to the legislature to say how this revenue shall be raised, it must also belong to it to decide upon the propriety of their construction. No doubt can be entertained that great additional facility and security has been given to navigation by the erection of light-houses, and by the formation and improvement of docks and harbours, during the last century. At the same time, however, it is highly expedient, with a view to the encouragement of commerce, that the charges laid on shipping, on account of these works, should be kept as low as possible. Where they are heavy, the navigator is tempted to resort to less expensive though less secure channels.

Except in so far as they may be obviated by the establishment of a good system of police, government can do but little to protect property on land from casualties. It may, indeed, enact regulations to guard against fire, respecting the thickness of party-walls in cities, the materials to be used in roofing, &c.; but farther than this it had better not interfere, but leave the care of property to the vigilance of its owners.

The measures of a public character, contrived to protect the persons of the citizens against casualties, are principally intended to prevent the spread of contagious diseases, and to secure the proper education of medical men.

From a belief that the plague is contagious, and that the infection may be conveyed to a great distance, it has long been usual to adopt precautions to hinder its importation. For this purpose, ships coming from places where the plague is prevalent, are usually obliged to anchor for forty days in

some particular port, or roadstead, the passengers by them being obliged to resort for the same period, to a public building prepared for their reception, denominated a *lazaretto*, where they are placed under surveillance, and not allowed to have any intercourse with any one except the officers of health. The ships and individuals so confined are said to be performing *quarantine*. If at the end of forty days no symptoms of disease appear, they are set at liberty.

It should, however, be stated, that the fact of the plague being contagious has been denied, and that the precautions referred to have been said to be useless, and fitted only to impose vexatious and burdensome restraints on commerce. But though these precautions may, in some instances, have been carried too far, yet, in a matter of this sort, innovations should not be rashly adopted; and much better evidence than any hitherto laid before the public would seem to be necessary to warrant the abolition of all restraints on the intercourse with infected countries.

When a virulent contagious disease breaks out in a particular district, it is the duty of government, by surrounding it with a cordon of troops, to prevent, if possible, its further progress. A measure of this sort may, indeed, occasion a greater intensity of mortality within the infected district; but the safety of a few individuals is not to be purchased by seriously endangering the lives of many more.

Much difference of opinion has existed in regard to the extent to which government should go in recommending or enforcing the adoption of any efficient remedy against a mortal disease; such, for example, as vaccination. In such cases it had better, perhaps, confine its attention to the institution of experiments and examinations as to the facts, laying the result before the public, and leaving individuals to use their own discretion with respect to them.

It has been argued, that government is only imposing on itself a needless task when it interferes to regulate and ascertain the qualifications of those engaged in the medical

profession ; inasmuch as the desire of promoting their own interest will, in that, as in all other businesses, ensure proficiency. But there is a wide difference between the employments of those who exercise their art on the bodies of men, and those who exercise it on some sort of raw or manufactured produce. If I employ a tailor to make me a coat, I will not employ him again unless it be made to my mind ; nor, though the cloth were spoiled, would the loss be considerable ; but if I employ a physician, surgeon, or apothecary, to prescribe for me, I may, in the event of the person so employed being ignorant of his art, lose my life ; while, owing to the difficulty of ascertaining when death is occasioned by the natural progress of disease, or by the unskilfulness of the practitioner, the business of the latter may not be materially diminished ; and he may continue, for an indefinite period, to prosecute his destructive career. It does, therefore, seem that government is bound to take such measures as may be effectual to secure the proper education of medical men ; and that none should be permitted to act as such who have not been properly educated, and have not been examined and obtained a certificate of their capacity to practise from some public board constituted for that purpose. All individuals, though very many are nowise fitted to judge of their qualifications, must occasionally resort to medical men ; and it is the duty of government to provide that the lives of its subjects be not sacrificed to ignorance, cupidity, or quackery.

In some countries it is usual to prohibit the sale of poisons, except under certain regulations ; and the many crimes that are perpetrated by means of arsenic, prussic acid, &c., seem to evince the propriety of making their sale illegal, except when the buyer brings a note from a physician or other authority, specifying the quantity required, and the purpose for which it is sought.

It has been usual, in order to guard against accidents, to limit the number of passengers to be carried by stage

coaches, and to subject packet boats and other public conveyances to examination.

Notwithstanding the introduction of Sir Humphry Davy's safety lamp into mines, explosions still frequently take place in them, which occasion the most frightful disasters; while, owing to the recklessness and apathy of the workmen, there is but little prospect of these calamities being abated by greater care or attention on their part. But what will not be done by the miners might, perhaps, be done by making the masters responsible for the injuries inflicted on the former by explosions and such like accidents. By throwing the support of the families and others dependent on workmen killed or injured in the mines on the masters, the latter would be compelled to enforce those regulations by which alone accidents may be averted. And though the measure might, perhaps, make some addition to the cost of mineral produce, it would be far too trifling to have any sensible effect.

For the same reasons we are also disposed to think that the proprietors of mills and factories should be made responsible for the accidents that occur in them.

We have alluded, in a previous part of this work, to the serious injury done to the public health by the bad state of the dwellings of the poor. (*Ante*, p. 129.) This is especially the case in the great manufacturing towns; and it is not easy to imagine that there can be any subject with stronger claims on the public attention. It is in vain to trust, in a matter of this sort, to the judgment of individuals. If private parties were left to construct houses at discretion, we should no doubt have, in time to come, as we have had hitherto, thousands upon thousands of cottages erected without any provision for their drainage, for furnishing them with adequate supplies of water, or even for their ventilation; and such cottages, being cheap, are always sure to find occupiers. Nothing, however, can be more obvious than that it is the duty of government to take measures for the prevention and repair of an abuse of

this sort. Its injurious influence is not confined to the occupiers of the houses referred to, though, if it were, that would be no good reason for declining to introduce a better system. But the diseases engendered in these unhealthy abodes frequently extend their ravages through all classes of the community; so that the best interests of the middle and higher orders, as well as those of the lowest, are involved in this question. And on the same principle that we adopt measures to guard against the plague, we should endeavour to secure ourselves against typhus, and against the brutalising influence, over any considerable portion of the population, of a residence amid filth and disease.

Nothing has ever been found to be half so effective for the securing of good work and honourable conduct, as the making of all persons directly responsible for their proceedings. In furtherance of this object it has been customary for the principal manufacturers and merchants to adopt certain marks, which, being impressed on their goods, might give the public a guarantee for their being genuine, that is, for their being made or supplied by the parties whose names they bear. But instead of being any security against fraud, the facility with which these marks have been counterfeited, and the difficulty of distinguishing those that are authentic from those that are spurious, have proved a copious source of abuse. Fraudulent proceedings of this sort, when they can be brought home to the parties, should be severely dealt with. And we are glad to have to state that by an Act passed in 1862, the 25 & 26 Vict. cap. 88, the forgery of trade marks and their use by parties knowing them to be forged, are visited by very heavy penalties. But the best security that ordinary people can have for getting genuine articles, is to resort to shops of established character, or to those that are above the suspicion of a fraud.

As already stated, we shall briefly touch, in another part of this work, on the interference of government with respect to public education, and the support of the poor. It belongs to

the politician and moral philosopher to discuss how far, and in what way, it should interfere to strengthen and promote moral and religious habits.

The previous observations may, perhaps, suffice to give a general idea of the sort of objects with respect to which the interference of government is required, in conducting the ordinary business of society, and the extent to which it should be carried. It cannot, however, be too strongly impressed upon those in authority, that non-interference should be the leading principle of their policy, and interference the exception only; that in all ordinary cases individuals should be left to shape their conduct according to their own judgment and discretion; and that no interference should ever be made on any speculative or doubtful grounds, but only when its necessity is apparent, or when it can be clearly made out that it will be productive of *public* advantage. The maxim, *pas trop gouverner*, should never be absent from the recollection of legislators and ministers. Whenever they set about regulating, they are treading a path encompassed with difficulties; and while they advance with caution, they should be ready to stop the moment they do not see the way clearly before them, and are not impelled, by a strong sense of public duty, to go forward. But, so long as this is the case, they should never hesitate in their course. There are many cases in which government must, and many more in which it should, interfere. And it is the duty of the legislature, having once fully satisfied itself, by a careful inquiry, of the expediency, all things considered, of any measure, resolutely to carry it into effect.

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# PRINCIPLES

OF

## POLITICAL ECONOMY.

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### PART II.

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#### VALUE AND PRICE.

THE various methods by which labour may be rendered most productive, and the relation and dependence of the different kinds of industry being traced and exhibited in the preceding chapters, we proceed to the *second division* of our subject, or to an investigation of the laws which regulate the value and price of the products of industry.

In treating of the production of wealth, it was not necessary to inquire whether the labour required to appropriate and produce commodities, was the sole source and measure of their value; or whether it was not partly derived from other causes, and partly only from labour. But an acquaintance with the circumstances which determine the value of commodities, in the different stages of society, is necessary to enable us to ascertain, with due precision, the laws which regulate their distribution.

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## CHAPTER I.

*Exchangeable Value—How it is determined—Conditions required to render a Commodity invariable in its Exchangeable Value—Cost or real Value—How it is determined—Conditions required to render a Commodity invariable in its Cost—Quantity of Labour required to produce a Commodity different from the Quantity for which it will exchange—Corn not invariable in its Value—Changes in the Value of Money.*

WE endeavoured to show, at the commencement of this work, that the value and the utility of commodities are totally distinct qualities, and cannot be confounded, or regarded in the same point of view, without leading to the most erroneous conclusions. An article is useful, or possessed of utility, when it has the power or capacity of exciting, satisfying, or gratifying one or more of the various wants and desires of man. But an article is not valuable, or possessed of value, unless it may be exchanged for some quantity of voluntary labour, or of some article or product, obtainable only through the exertion of such labour.

Without utility of some sort or other, no article will ever be desired. But the most useful article, if it be a spontaneous production of nature, and may be freely enjoyed by every individual, is wholly destitute of value; for none will either labour, or give the produce of labour, for that which Providence gratuitously supplies. That an article may have value, it is indispensable that some expenditure of labour, or, which is the same thing, some sacrifice of toil and trouble, should be required for its acquisition, and that it should be capable of being appropriated or enjoyed by one individual or more, to the exclusion of others. The maximum of utility, if it be obtained independently of any sacrifice, can give no value to anything. What can be more useful than atmospheric air

and the rays of the sun? and what can be more completely destitute of value?

An article or product possessed of utility and value must derive the latter from one of two sources, or from both. Labour must have been required for the production or appropriation of a valuable article, or it must exist in a limited quantity, or under such circumstances that the supply is inferior to the demand. All those articles and products of which the supply may be indefinitely increased, and which are not subject to any artificial restraints, derive their value either wholly from the labour expended upon them, or partly from that cause, and partly from the accidental circumstance of their supply being inferior to the demand; but the value of such articles and products as exist only in limited quantities, and the supply of which, not admitting of an indefinite extension, is really subjected to a natural or an artificial monopoly, is altogether independent of the labour required to produce them; and is derived partly, as in the case of waterfalls, from the labour they are fitted to save, and partly, as in the case of antique gems, statues; &c., from the mere competition of those who wish to obtain them.

We must, therefore, carefully distinguish between the exchangeable value of an article, or the quantity of produce or labour for which it will exchange, and its *cost*, or, as it is sometimes termed, its real value; meaning, by cost or real value the quantity of labour originally required to produce or acquire an article.

I. EXCHANGEABLE OR MARKETABLE VALUE.—The capacity of exchanging for or buying other things is inherent in all commodities, which are not spontaneous productions, when they happen to be in demand; but it can neither be manifested nor appreciated except when they are compared with each other, or with labour. It is, indeed, quite impossible to speak of the value of a commodity without referring to some other commodity, or to labour, as a standard. No article or

product can have exchangeable value, except in relation to something else that is or may be exchanged for it. We might as well talk about absolute height or absolute depth, as about absolute value. A is said to possess value, because it exchanges for some quantity of B or C; and it is evident, that the quantity of B or C for which A exchanges, forms the only attainable measure of, or expression for, the value of A; just as the quantity of A forms the only attainable measure of, or expression for, the value of B or C.

Exchangeable value being the power which a commodity has of exchanging for other commodities, or for labour, it follows that the exchangeable value of no single commodity can vary without occasioning a simultaneous variation in the exchangeable value of those with which it is compared. Suppose a bushel of wheat exchanged, in 1750, for an ounce of silver, and that it now exchanges for two ounces: on this hypothesis, it is evident that wheat has doubled in value as compared with silver; or which is the same thing, that silver has lost half its value as compared with wheat. This case is, *mutatis mutandis*, the case of all commodities or products exchanged for each other. If A rise, it must be in relation to something else, as B; and if B fall, it must be in relation to something else, as A; so that it is obviously impossible to change the relation of A to B, without, at the same time, changing that of B to A.

It appears, therefore, that no commodity can be constant or invariable in its exchangeable value, unless it will at all times exchange for, or purchase, the same quantity of all other commodities and of labour. Suppose A exchanges for 1 B, 2 C, 3 D, &c., its exchangeable value will be constant, provided it always preserves its present relation to them, but not otherwise. And it is obvious, that to communicate this constancy of value to A, it is indispensable that those circumstances, whatever they may be, that now determine its relation to, or power of exchanging for or purchasing B, C, D, &c., should, in all time to come, continue to exert precisely the same influence

over it and them.<sup>1</sup> Experience, by exhibiting the values of commodities, as compared with each other, in a state of constant fluctuation, sufficiently proves that the circumstances under which they are respectively produced are perpetually varying. Perhaps, however, it may be worth while to observe, that had different commodities been always produced under the same circumstances or conditions, not A only, but every other commodity, would have been an invariable standard; as any given commodity in a market may be used as a standard to which to refer the value of every one else. It is evident, too, that the possession of such an invariable standard would be of no use whatever; all that it would teach us would be, that the circumstances which first made A exchange for B, C, &c., continued equally to affect them all; but of the nature of those circumstances, and the intensity of their operation, it would leave us wholly in the dark.

II. COST OR REAL VALUE.—Having thus seen that the exchangeable value of commodities is expressed by the relation which they bear to some other commodities or to labour, the next subject claiming our attention is, the investigation of the circumstances which determine this relation, or of the source and regulating principle of value.

A person destitute of an article, and wishing to acquire it, has two ways of effecting his object; he may set about producing the article, or he may exchange a quantity of labour, or the produce or equivalent of a quantity of labour, for it. In either case, the *cost* of the article is to be estimated by the quantity of labour directly or indirectly expended on its acquisition. Demand may, therefore, be considered as the ultimate source or origin of both exchangeable and real value; for the desire of individuals to possess themselves of articles,

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<sup>1</sup> The conditions essential to an invariable measure of exchangeable value were first clearly pointed out in the "Dissertation on the Nature, Measures, and Causes of Value," p. 17.

or rather the demand for them originating in that desire, is the sole cause of their being produced or appropriated; and the quantity of labour, or of sweat and toil, required to render a demand effectual—that is, to produce or obtain articles or products—forms the single principle by which their cost or real value is, in all cases, regulated and determined.

It has been already stated, that some commodities exist only in limited quantities, and are, consequently, subject to a natural monopoly; while the production of other, the supply of which might be indefinitely increased, is sometimes subject to artificial restraints. The marketable or exchangeable value of such commodities bears no definite proportion to their cost or real value, but varies in every different degree, according to the closeness of the monopoly, and the competition for them. They may, however, be always readily discriminated from those that may be freely produced in unlimited quantities; and are but few and unimportant compared with the latter.

If the demand and supply of freely produced commodities were always exactly proportioned to each other—that is, if the supply brought to market were uniformly such as could be taken off by those who were desirous of obtaining them, and willing to pay the cost of their production, their exchangeable value would always bear the same proportion to their real value, or cost. That this would be so is obvious; for, under the circumstances supposed, there is nothing that could affect the value of commodities, except the labour expended upon them.

Practically speaking, the supply of commodities is, owing to an infinity of causes—such as changes of fashion, of seasons, and of the usual channels of commercial intercourse, the miscalculations of producers, the speculations of merchants, &c.—seldom or never adjusted precisely in proportion to the effectual demand, or the demand of those who are able and willing to buy them. But it will be shown in the next chapter, that fluctuations of value, arising from these causes, are confined

within certain limits ; that the producers always exert themselves to reduce the value of those that yield more than the fair average rate of profit, and to elevate those that do not ; and that the *common* level of value and price which is thus attained, may be considered as identical with the cost of production, being, generally speaking, determined by the quantity of labour required to produce commodities. But as we are only endeavouring at present to establish the leading or constant principles with respect to value, we shall suppose that these accidental causes of variation do not exist, or that allowance has been made for them, and confine ourselves to an investigation of the circumstances which determine the value of freely produced commodities, when their supply is about commensurate with the demand.

Suppose that a commodity, A, the supply of which is neither in excess nor defect, varies in relation to some other commodity, B, supplied in a similar way ; the cause of this variation will be found in the fact of the labour required to produce them having varied in the same proportion. Thus, suppose A and B are now equal : if, twelve months hence, A should be worth 2 B, this change must be occasioned by the quantity of labour required to produce A having doubled, while that required to produce B has remained stationary ; or by that required to produce B having diminished a half, while that required to produce A has been constant ; or the labour required to produce them both may have varied in the same or in opposite directions, but so that the quantity required to produce A has doubled as compared with the quantity required to produce B. There cannot, however, be, in most cases, much practical difficulty in deciding in which of these modes the variation has been really brought about. An improvement is made in the manufacture of cotton, for example, and its value immediately declines as compared with other things in which no improvement has been made, or in which the improvement has been less ; and it will obviously do this, not because these others have increased in cost or real value,

but because it has sunk. Thus, if we suppose that a still greater improvement had been, at the same time, made in the woollen manufacture, cottons would rise as compared with woollens, not because they had risen in real value, but because they had not fallen so much as woollens.<sup>1</sup>

The products obtained by equal quantities of sweat and toil are not always equal; but their cost depends on the labour expended, and not on the mode on which it is expended, or on the degree of its productiveness. The inventions and discoveries which augment the productiveness of labour add nothing either to its value, or to that of the commodities produced by its means. A day's labour in a rude state of society, when the arts are in their infancy, and machinery unknown or inefficient, yields a very different quantity of produce from a day's labour in an advanced period, when the arts are highly improved, and the most powerful machinery universally introduced. Nothing, however, can be more obvious than that the sacrifice made by the labourer is as great in the former case as in the latter. The variation is not in the amount of physical force, or of labour, exerted by the agent that produces, but merely in the mode in which that force is applied. But, however the same amount of labour may be laid out, and whatever may be its produce,

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<sup>1</sup> The acute and ingenious author of the "Templars' Dialogues" ("London Magazine," May 1824, p. 551,) has stated, that "It is possible for A continually to increase in value—in *real* value observe—and yet command a continually decreasing quantity of B." This statement has been disputed by the author of the "Critical Dissertation on the Nature, Measures, and Causes of Value;" but without any just ground, for nothing can be more perfectly correct. A and B have been produced by certain quantities of labour; but more labour is now required to produce A, and a still greater proportional quantity to produce B: under these circumstances, A must obviously have increased in real value, for it has cost its producers a greater sacrifice of toil and trouble; but as the cost of A has not increased so much as that of B, it will now exchange for, or purchase a less quantity of the latter. Had the author of the "Dissertation" perceived this distinction, he would, most probably, have spared not a few of his remarks on the statements advanced by Ricardo, as well as by the author of the "Dialogues."—*Dissertation on the Nature, &c.* p. 41.



it unavoidably occasions the same sacrifice to those by whom it is performed; and hence it follows, that the products of equal quantities of labour or of toil and trouble, how great soever the differences amongst them, are identical in their cost, and consequently, also, in their real value. Nothing that is valuable can be obtained except by the exertion of labour, or physical force. This is the price that man must pay for all things with which he is not spontaneously furnished; and it is by the magnitude of the price so paid, and not by the magnitude, shape, or quality of the things themselves, that their cost or real value is to be estimated.

A given quantity of labour is not, therefore, to be considered in the same light as a given quantity of its produce, or of commodities: for, whether the commodities produced by a fixed quantity of labour do or do not vary, the value of that quantity, in the estimation of the producer, is necessarily constant; and he will be disposed to exchange it for an equal quantity, or for the produce of an equal quantity, of other men's labour. Suppose an individual could produce *two* pecks of wheat by a day's labour in 1850, but that, owing to his being obliged to cultivate a comparatively poor soil, a day's labour will now only yield *one* peck, this single peck will be deemed by him, and by every one else, of exactly the same value that the two pecks were before; for it has cost the same amount of sweat and toil to raise it; and it will, consequently, exchange for, or buy the same quantity of other things that the two pecks did in 1850, unless some increase has taken place in the cost of their production.

In an open market, when the supply of freely produced commodities is nearly proportioned to the effectual demand, the labour required for their production determines the proportions in which they exchange for each other, and for labour. It is material, however, to observe, that, speaking generally, commodities uniformly exchange for or buy more labour, or the produce of more labour, than was required for their production. And unless such were the case, a

capitalist would have no motive to lay out stock on the employment of labour; for his profit depends on his getting back the produce of a greater quantity of labour than he advances. When he buys labour, he gives the produce of that which has been performed for that which is *to be* performed. It is obvious, too, inasmuch as there is no fund except capital, or the commodities already produced and actually existing in a country, to feed and support labourers, that the quantity of produce they receive in exchange for their labour, or their wages, must vary with the variations in the amount of that capital, and in their number. At one period, they may be so numerous, compared with capital, that a labourer may be willing to offer a future day's work for the produce of five or six hours work already performed; while, at another period, their number, as compared with capital, may be so much reduced, that they may be able to obtain the produce of *ten* hours' performed labour for *twelve* hours' future labour. But the cost, and, in all ordinary states of the market, the exchangeable value of commodities is not affected by these variations. The change is not in the principle that regulates and determines value—that is, in the physical exertion, or sweat and toil of the labourer—but in what he obtains for it. What he produces, or acquires by equal quantities of labour, always costs him the same sacrifice, and has, therefore, the same real value, whether it be large or small. He gives a constant, but receives a variable quantity in its stead.

The statements now made show the error of the opinion held by Adam Smith, that the quantity of labour required to produce any article, might be taken as the measure of the quantity for which it would exchange. Owing to variations in the efficacy of the labour required in production, or rather in the efficacy of the modes in which it is applied, to changes of fashion, and other causes, it may happen that an article that required a day's labour for its production no very long time ago, would not now exchange for one whose production

cost an hour's labour. "It is," says Ricardo, "the comparative quantities of commodities which labour will produce, that determines their present or past relative value, and not the comparative quantities of commodities given to the labourer in exchange for his labour."<sup>1</sup>

In stating that the quantity of labour required to produce commodities is the determining principle and measure of their cost, and generally, also, of their exchangeable value, it is, of course, taken for granted, that all sorts of labour are reduced to the same common standard of intensity. The inequalities in the physical force of those individuals who have attained to their full growth, and are perfectly formed, are in themselves not very material, and when considered in a general point of view entirely disappear, inasmuch as any superiority that may obtain among a few on the one hand, is sure to be balanced by a corresponding deficiency amongst as many on the other.

It will be shown, in a subsequent chapter, that the circumstance of certain sorts of labour being of the description called skilled, and of their being paid at a higher rate than those common sorts that all may perform, does not affect the correctness of the principles we have been endeavouring to establish with respect to the value of commodities.

The result of these investigations may be thus briefly recapitulated:—

1st. That nothing can possess exchangeable value, unless it be in demand, and unless some portion of voluntary human labour be required for its production or appropriation, or both.

2d. That the cost, or, as it is sometimes called, the real value of a commodity, is dependent on, and exactly proportioned to, the quantity of labour required for its production or appropriation.

3d. That the exchangeable value of a commodity is dependent partly and principally on its cost, and partly on

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<sup>1</sup> "Principles of Economy and Taxation," p. 9.

accidental variations of supply and demand; and is measured by the quantity of any other commodity, or of labour, for which it will exchange.

The amount of labour expended on the production of commodities being the sole measure of their cost, it follows that, if any commodity required at all times the same quantity of labour for its production, its cost would be invariable. It is obvious, however, that there is no such commodity. The varying fertility of the soils, mines, &c. to which recourse must successively be had, and the improvements that are constantly being made in the application of labour, occasion perpetual variations in the quantities thereof required for the production of commodities. And, hence, it is not to any one commodity, or set of commodities, but to some given quantity of labour, that we must refer for an unvarying standard of cost or real value.

It has sometimes been said, that if any commodity were invariable in its value, it might be appealed to on all occasions as an unerring standard by which to ascertain the exchangeable value of other things. But it is obvious that it could not be so appealed to, unless the value of commodities and their cost were always identical. This, however, as will be more fully shown in the next chapter, is but occasionally and rarely the case. The value of commodities may be raised above their cost, either by a sudden increase of the usual demand, or by a sudden deficiency of the usual supply, and may be depressed below it by the opposite circumstances. And though it be true that any given fluctuation is seldom of considerable duration, yet, as the causes of fluctuation are perpetually recurring, a special inquiry must be made in each particular instance, to ascertain whether they are really in operation, and the extent of their disturbing influence. We should, therefore, draw a most inaccurate conclusion, were we to assume that the mere equality of the labour required for the production of a commodity, rendered it, in all cases, an

accurate measure or standard of marketable value ; for the value of that commodity might vary from the influence of causes affecting itself, though extrinsic to, and independent on, the quantity of labour required for its production ; or it might vary from similar causes operating on the commodities with which it was compared. If A were always produced by the same quantity of labour, and if B and C were produced by varying quantities of labour, then, if value in exchange depended on nothing but quantities of labour, or if it always bore the same proportion to these quantities, we should be able, by comparing B and C with A, to say at once whether their value had remained constant, or to point out the precise extent to which it had varied. But when there are other causes which may affect the value of A itself, as well as the values of B and C, it is obvious we should not be able, by merely comparing A with the others, to say when a variation took place in the relation that previously obtained amongst them, whether it had been occasioned by causes exclusively affecting A, or exclusively affecting B and C, or whether they had all been affected, though in different degrees.

But, notwithstanding what has now been stated, Smith, and, more recently, Say, Garnier, and others, have contended that corn may be assumed as an invariable standard of value ; and that, taking the prices of corn for a few years together, to get rid of the disturbing effects of variable harvests, whatever fluctuation may take place in them must be in the value of the money or commodity in which the price of corn is estimated, and not in the value of corn itself, which they regard as constant. Founding upon this hypothesis, attempts have been made, by comparing the prices of corn with the prices of other things mentioned in history, to determine the fluctuations of their value. It is, however, to be regretted that the learning and ingenuity displayed in this research have not been more profitably employed. It is hardly necessary, after what has been previously stated, to make any

observations to show that the hypothesis referred to is altogether visionary. Adam Smith says, that the value of corn is invariable, because the demand is always proportioned to the supply ; increasing when it increases, and diminishing when it diminishes. Now, admitting that such is the case, what has this constancy of demand to do with the value of corn? It will not, it is true, be produced if it be not demanded ; but its value, when produced, depends not on the demand, but on the quantity of labour required for its production. The growers of corn in Kentucky, Galicia, Holland, and England, have all an effectual demand for their produce ; but owing to the different fertility of the soils which they cultivate, or the different quantities of labour required to make them yield the same quantities of corn, its cost, and consequently, also, its marketable value and price, is hardly half so great in some of those countries as in others.

If we knew the quantity of labour required, in any period of antiquity, to produce a quantity of wheat in Italy or Greece, and what is now required for its production in England, we should be able readily to determine its value, as compared with other things, the relation of which to corn was known at both periods. It is plain, however, that if we knew the quantity of labour required to produce any other commodity at the periods in question, it would serve for a standard quite as well as corn. There is nothing about the latter to render it invariable more than there is about most other things. Say, indeed, *supposes* that the influence of improvements in agriculture in reducing the price of corn is about equal to the influence which the necessity of resorting to poorer soils has in raising it!<sup>1</sup> But if this were really the case, agricultural industry would be always about equally productive ; and capital, and consequently population would increase with nearly the same rapidity, whatever might be the quality of the soils under tillage. We shall

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<sup>1</sup> " Cours d'Economie Politique," tom. iii. p. 7.

afterwards endeavour to trace and exhibit the real influence of improvements; at present it is enough to remark, that the supposition that they are in all cases capable of neutralizing the influence of increasing sterility, is inconsistent with the best established principles, and contradicted by the experience of every nation.

Although, however, the mere comparison of corn and silver be incapable of communicating any information with respect to the variations that have taken place in the value of either or both of them, still it is, on several accounts, desirable to know the proportion which the one has borne to the other. According to Say,<sup>1</sup> or rather to Garnier,<sup>2</sup> the hectolitre of wheat exchanged, at an average, in antiquity, for 289 grains of pure silver; and for

245	grains, under Charlemagne,
219	„ under Charles VII. of France, towards 1450,
333	„ in 1514—(America was discovered in 1492,)
731	„ in 1536,
1130	„ in 1610,
1280	„ in 1640,
1342	„ in 1789,
1610	„ in 1820.

There is, however, reason to think that Garnier has under-valued the price of wheat in antiquity. The learned M. Létronne<sup>3</sup> has endeavoured to show, that the price of the hectolitre of wheat in Greece, in the age of Socrates, should not be reckoned at less than 468 grains of pure silver; and that its price at Rome, in the reign of Augustus, was about 550 grains. The statements of Létronne seem to be fully

<sup>1</sup> "Cours d'Economie Politique," vol. iii. p. 24.

<sup>2</sup> "Richesse des Nations," vol. v. pp. 152-184.

<sup>3</sup> "Considérations Générales sur l'Evaluation des Monnoies Grecques et Romaines," pp. 113-124.

established ; and if so, it will follow that the value of silver, as compared with corn, instead of having, as Say supposes, fallen to a *sixth* part of its value in antiquity, has not fallen to quite a *fourth* part of its value in Greece, about 400 years before the Christian æra, and to about a *third* part only of its value in Rome, at its commencement.

We also have no doubt that the difference between the values of corn, as compared with silver, in 1789 and 1820, in the foregoing statement, is a great deal over-rated. The latter, indeed, was not a fair term to be taken for a comparison ; for agriculture had not then fully recovered from the disturbance occasioned by the previous war, commerce had not resumed its old channels, and the paper money issued during the contest had not been wholly withdrawn from circulation. But at present (1863), and for some years past, the value of corn, as compared with silver, has not differed materially, in most European markets, from its value in 1789 : certainly it is not more than from 5 to 6 per cent. higher, if so much.

The influence caused by the discovery of the American mines over prices in Europe, appears to have ceased by the middle of the seventeenth century ; and we doubt whether the value of money, compared with the mass of commodities usually brought to market, has sensibly fallen in the interval. It is commonly, indeed, supposed that 100*l.* or 1,000*l.* was worth as much in the reigns of William III., Anne, and George I., as 200*l.* or 2,000*l.* at present. There is really, however, no such difference in the value of money at these epochs. Corn is not materially higher at this moment than it was a hundred or a hundred and fifty years ago ; and though the prices of butchers' meat, beer, leather, and a few other articles have risen in the interval, that rise has been nearly if not wholly countervailed by the extraordinary fall that has taken place in the price of almost all sorts of manufactured goods, colonial products, &c. We admit, indeed, that 100*l.* or 1,000*l.* will not go nearly so far in housekeeping at present as it would have done in the first half of last century. That, however, is not a consequence



of the enhanced cost of commodities, but of the vastly improved and more expensive mode of living; the better quality of houses, the superiority of their furniture and other accommodations, the better tables that are now kept, the improved and more costly education of children, the greater number and cost of servants, &c. Those who should now live as our forefathers did in the reigns of Anne and the first George, would, we apprehend, find that 100*l.* would go about as far as it did then.

The wages of household servants have risen most materially during the last century and a half; but it is questionable whether the services of agricultural labourers, artisans, &c., cost more now than in 1700 or 1750. These parties receive, it is true, a higher rate of wages, if estimated by the day; but when compared with the services rendered, or the work done, it is doubtful whether their wages have increased. We are well satisfied that, speaking generally, the Scottish labourers of the present day execute in a given time from twice to three times the work that was executed by their predecessors previously to the peace of Paris in 1763; and during the same period a great, though not an equal, increase has also taken place in the labour performed in England.

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## CHAPTER II.

*Cost of Production the grand regulating Principle of Exchangeable Value and Price—Influence of Variations in the Demand for and Supply of Commodities over Prices—Influence of Monopolies—Average Price coincident with Cost of Production.*

HAVING endeavoured in the foregoing chapter to elucidate the principles by which the value of commodities is determined when their supply is adjusted according to the effective demand, we shall now endeavour to appreciate the influence which variations of demand and supply have over their value and price.

To render what has to be stated on these subjects, and those that will be discussed in the following chapter, perfectly intelligible, we may anticipate so far on what will hereafter be more fully proved, as to assume that the wages earned by the labourers engaged in the different branches of industry are, all things considered, nearly equal, or differ only by an amount so small, that it may be neglected without occasioning any material error; and that the profits realised by those who undertake different businesses are in the same predicament. It is obvious, indeed, that such must be the case: if, on the one hand, the profits or wages of those who undertake or employ themselves in difficult, hazardous, dirty, unhealthy, or disagreeable businesses, were materially to exceed what was necessary to afford them a reasonable compensation for the greater skill required, or the peculiar inconveniences to which they are exposed, they would be in a better situation than others; and there would be an influx of capital and labourers into these businesses, until the natural equilibrium that, at an average, always subsists amongst the different branches of

industry had been restored; and if, on the other hand, the inconveniences attending any particular business be not sufficiently compensated, some of those who carry it on will gradually withdraw from it, till, by the diminution of the supply, the price of the article is raised, so as to yield the necessary indemnification. The law of competition, or the attention paid by every individual to his own interest, will not allow this principle to be infringed upon for any considerable period; and, speaking generally, will insure the near equality, all things taken into account, of wages and profits in different occupations.

The cost, or real value, of commodities—denominated by Smith and Garnier *natural* or *necessary* price—is, as already seen, determined by the quantity of labour required to produce them and bring them to market. Now, it is quite obvious that this cost is the permanent and ultimate regulator of the exchangeable value or price of all commodities not subjected to monopolies, or of which the supply may be indefinitely increased according to the increase of demand. The market price of such commodities and their cost do not always coincide; but they cannot, for any considerable period, be far separated, and have a constant tendency to equality. If, owing to any single circumstance or combination of circumstances, a commodity be brought to market and exchanged for a greater amount, either of other commodities or of money, than 'is required to defray the cost of its production, including the customary rate of net profit at the time, its producers will obviously be placed in a relatively advantageous situation; and there will, in consequence, be an influx of capital into that particular department, until competition has sunk the value or price of the article to the level that will yield only customary profits on the capital employed in its production. And, on the other hand, were a commodity brought to market which did not exchange for so great an amount of other commodities, or of money, as was required to cover the cost of its production, its producers being placed

in a relatively disadvantageous situation, would begin to withdraw from its production, and would continue to withdraw, until its value or price had risen so as to place them in the same situation as their neighbours, that is, to yield them the same rate of profit. No man will continue to produce commodities that sell for less than they cost, or for less than will indemnify him for his outlay, including therein the ordinary rate of profit on his capital. This is a limit below which prices cannot be permanently reduced; and if they were, for any considerable period, to rise above it, additional capital would be attracted to the advantageous business, and the increased supply of produce would reduce its price.

A demand, to be effectual, must be such as will cover the expense of production. If it be insufficient to do this, it will not occasion the production of commodities or make them be brought to market. But it is of importance to bear in mind, that whether the effectual demand, or the demand of those who have the *power* and the *will* to purchase, become ten or twenty times more extensive, or decline in the same proportion, still, if the cost of producing the commodities in demand continue the same, no permanent variation will be occasioned in their price. Were the demand for hats suddenly doubled, their price would be very greatly increased, and the hatters would, of course, make large profits; but these would immediately attract additional capital to the hat manufacture; an increased supply of hats would, consequently, be brought to market, and if no variation took place in their cost, their price would sink, in no very long time, to its former level. Suppose, on the other hand, that the demand for hats is increased tenfold, and that the cost of their production is diminished in the same proportion—we should, notwithstanding the increased demand, be able, before any very lengthened period had elapsed, to buy a hat for a tenth part of what it now costs. Again, suppose the demand for hats to decline, and

the cost of their production to increase—the price would, notwithstanding the diminished demand, gradually rise, till it reached the point at which the hatters made customary profits on their capital, when it would stop. Variations of demand and supply occasion corresponding variations of price ; but it is essential to remark that these variations are temporary only. The *cost of production* is the grand regulator of price—the centre of all those transitory and evanescent oscillations on the one side and the other. Wherever industry is free, the competition of the producers is always directed to elevate or sink prices to this level.

In certain branches of industry, such, for example, as agriculture, which are liable to be seriously affected by changes of the seasons, and from which capital cannot be easily withdrawn, there is a longer interval than in others, before the market price of produce, and the cost of its production, are equalised ; but that this equalisation will take place in the end, is sufficiently plain. Neither farmers, nor any other class of producers, will continue to bring produce to market, unless it sell for a price sufficient to remunerate them for the expense of its production, including profits. *Nemo enim sanus debet velle impensam ac sumptum facere in culturam, si videt non posse refici.*<sup>1</sup> The cost of production is a limit below which prices cannot permanently sink, and above which they cannot permanently rise. When, on the one hand, an excess of supply depresses the price of corn below this limit, the occupiers of poor land are involved in the greatest difficulties ; some of them are, in consequence, driven from their employment, and a smaller supply of corn being brought to market, prices are again elevated so as to yield customary profits to the cultivators of the poorest soils that are still kept under tillage. And when, on the other hand, prices rise above this natural limit, the cultivators gain more than customary profits, which neces-

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<sup>1</sup> Varro "de Re Rusticâ," lib. i. § 2.

sarily attracts more individuals and more capital to agriculture, until the supply is so far increased, and the price so far depressed, that the cultivators obtain only these profits. This is the point at which *average* prices continue stationary, and about which market prices oscillate. If any great discovery were made in agriculture,—such, for instance, as should reduce the cost of cultivation a half—the price of agricultural produce would fall in the same proportion; and it would continue to sell at that reduced rate until the increase of population forced recourse to soils of a less degree of fertility. When this took place, prices would again rise. Why is the price of corn almost invariably higher in this country than in Poland? Is it not because of the greater cost of its production?

A pound weight of gold is at present worth about fifteen pounds of silver. It cannot, however, be said, that this is a consequence of the demand for gold being greater than the demand for silver; for the reverse is the fact. Neither can it be said to be occasioned by an absolute scarcity of gold; for those who choose to pay a sufficient price for it may obtain it in any quantity they please. The cause of the difference in the price of the two metals consists entirely in the circumstance of its costing about fifteen times as much to produce a pound of gold as to produce a pound of silver. That this is really the case, is plain from the admitted fact, that the producers of gold do not gain any greater profit than those of silver, iron, lead, or any other metal. They have no monopoly of its production. All individuals may send capital to California and Australia, and become producers of gold; and wherever this is the case, the principle of competition never fails of forcing the product to be sold at such a price as will merely pay the expenses of its production.

Were a set of men brought together from various countries, ignorant of each other's wants, and of the labour and expense required to produce the commodities we may suppose each of them to possess, these would be bought and sold according to

the wants and fancies of the parties. Under such circumstances, a pound of gold might be given for a pound of iron, and a gallon of wine for a gallon of small beer. As soon, however, as a system of commercial intercourse is established, and the wants of society and the powers of production come to be generally known, an end is put to this capricious method of bartering. Thousands of sellers then enter the market; and when such is the case, it is no longer possible to sell a pound of iron for a pound of gold; for the producers of iron will undersell each other, until, by their competition, they reduce its exchangeable value, or price, to the level of the cost of its production. This, in every civilised society, is the pivot on which exchangeable value always turns. It is usual for voyagers who touch at countries occupied by savages, to obtain valuable products in exchange for toys or trinkets, which it cost infinitely less to produce; but in all civilised and commercial countries, the proportion in which, generally speaking, commodities exchange for each other, depends on the comparative cost of their production.

Thus, then, it appears that no variation of demand, unaccompanied by a variation in the cost or real value of commodities, has any lasting influence over prices. If the cost of commodities be diminished, their price will be equally diminished, though the demand should be increased to any conceivable extent; while, if their cost be increased, their price will be equally increased, though the demand should sink to the lowest assignable limit.

But, as already seen, it must not be supposed that this adjustment of the supplies of produce, according to the variations in the effectual demand, is always speedily or easily brought about. The equalization is sure to take place in the end, but the process is often tedious and costly. If machinery be employed in a business which improvements in other branches of industry or changes of fashion have injuriously affected, and workpeople have been trained to it, both capitalists and labourers have a great repugnance to withdraw from the

declining business. Their doing so involves loss and inconvenience, and they are prone to believe that something will cast up to improve their prospects. But they, notwithstanding, gradually withdraw to other employments, and in the end the business is either abandoned or reduced to its proper dimensions.

The circumstances connected with the supply of gold and silver are so very peculiar, that their value has often, for lengthened periods, but little dependence on the cost of their production. The latter has in general much of the nature of a gambling speculation. When gold or silver is found in any particular locality, its abundance, and the chances which it affords to adventurers of enriching themselves, are uniformly exaggerated, and an excess of hands is attracted to the pursuit of the metal. In such cases it commonly happens that while a few individuals engaged in the business make fortunes, the great mass make little or nothing. But most people being sanguine enough to think that they will be found in the fortunate class, the supply of bullion may be largely increased and its value reduced, even though the majority of those engaged in its production should be carrying on a losing employment. And though the discrepancy will be eventually rectified, yet, under the circumstances supposed, the value of bullion may become, for a considerable period, comparatively independent of the cost of its production.

It must always be remembered, that this reasoning applies to those commodities only which may be freely produced, and the quantity of which may, at the same time, be increased to any extent by fresh outlays of capital and labour; but there are circumstances under which the supply of commodities is strictly limited; and when such is the case, their price is no longer determined by their cost, but by the degree of their real or supposed *utility*, compared with the means and necessities of the buyers. In a desert, or a besieged city, a barrel of water or a pound of bread may be more valuable than



a pipe of Burgundy or a pound of gold.<sup>1</sup> And though artificial monopolies be rarely carried to so oppressive a height, the same principle holds with respect to the value of all commodities produced under them. When an individual, or company, obtains the exclusive privilege of furnishing any species of goods, the principle of competition is suspended with respect to them, and their price depends on the proportion in which they are brought to market, compared with the demand, and is not affected by anything else. If monopolists supplied the market liberally, or kept it as fully stocked as it would be were there no monopoly, commodities would sell at their natural price, and the monopoly would have no disadvantage further than the exclusion of the public from an employment which every one should have leave to carry on. In point of fact, however, the market is seldom or never fully supplied with monopolised commodities. All classes endeavour to get the highest price for their products; and, in this view, those who are protected by a monopoly against the risk of being undersold by others, uniformly keep the market understocked, or supply it with inferior articles, or both. Under such circumstances, the price of commodities, if they cannot be easily smuggled from abroad, or clandestinely produced at home, may be elevated to the highest point to which the competition of the buyers can raise it; and may, consequently, amount to five, ten, or twenty times the sum it would amount to, were competition permitted to operate on their production and sale. The will and the power of the purchasers to offer a high price forms the only limit to the rapacity of monopolists.

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<sup>1</sup> Pliny ("Hist. Nat." lib. viii. cap. 57.) and Valerius Maximus (lib vii. cap. 6.) relate that, during the siege of Casilinum by Hannibal, the scarcity of provisions became so extreme, that a rat was sold for 200 denarii! They add, that the seller had the worst of the bargain, having died of hunger, while the rat was the means of preserving the life of the buyer. "Avaro enim," says Valerius, "fame consumpto, manubiis sordium suarum frui non licuit; æqui animi vir, ad salutarem impensam faciendam; carè quidem, verùm necessariè, comparato cibo vixit."

Besides the commodities produced under artificial monopolies, there is another class, the supply of which cannot be increased by means of human industry, and whose price is not, therefore, dependent on the cost of their production. Ancient statues, vases, and gems, the pictures of the great masters, some varieties of wine produced in limited quantities on soils of a particular quality and exposure, and a few other commodities, belong to this class. As their supply cannot be increased, their price varies as the demand, and is independent on any other circumstance.

But with these exceptions, which, when compared to the mass of commodities, are of no great importance, wherever industry is unrestricted, and competition allowed to operate, the *average* price of the various products of art and industry coincides with the cost of their production. When a fall takes place in the market price of a commodity, we cannot say whether it is really advantageous, or whether a part of the wealth of the producers be not gratuitously transferred to the consumers, until we learn whether the cost of production be equally diminished. If this be the case, the fall of price will not be disadvantageous to the producers, and will be permanent; but if this be not the case—if the cost of production continue the same, the fall must be injurious to the producers, and prices will, in consequence, speedily regain their former level. In like manner, no rise of prices can be permanent, unless the cost of production has been increased. If that cost has remained stationary, or has not increased in a corresponding ratio, prices will decline as soon as the ephemeral causes of enhancement have disappeared.

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## CHAPTER III.

*Influence of Mercantile Speculations on Price—Difference between Speculation and Gambling—Speculations in Corn beneficial to the Public, but dangerous to the Dealers—Imitative Speculations—Influence of Knowledge on Speculation.*

THE proposition so universally assented to, that market prices depend upon the proportion which the supply of commodities bears to the demand, would be more accurate were it expressed with some modifications. It rarely happens that either the actual supply of any species of produce in extensive demand, or the intensity of that demand, can be exactly measured. Every transaction in which produce is bought that it may be afterwards sold, is, in fact, a speculation. The buyer anticipates that the demand for the article he has purchased will be such, at some future period, either more or less distant, that he will be able to dispose of it with a profit; and the success of the speculation evidently depends on the skill with which he has estimated the circumstances that will determine the future price of the commodity. Hence, in highly commercial countries, where merchants are possessed of large capitals, and employ them according to their own discretion and foresight, the prices of commodities are frequently much influenced, not merely by the occurrence of changes of supply and demand, but by the anticipation of such changes. It is the business of the merchant to acquaint himself with every circumstance influencing the particular description of commodities in which he deals. He endeavours to obtain, by means of an extensive correspondence, the earliest and most authentic information with respect to every thing that is likely to affect their supply or demand, or the cost of their production; and if he learned that the supply

of an article had failed, or that, owing to changes of fashion, or the opening of new markets where it was eagerly sought after, the demand for it had increased, he would be disposed to become a buyer, in anticipation of profiting by the rise of price, which, under the circumstances, could hardly fail of taking place; while if he were a holder of the article, he would refuse to part with it unless for a higher price than he would previously have accepted. If the intelligence received by the merchant were of a contrary description—if, for example, he learned that the article was being produced with greater facility, or that there was a falling off in the demand for it, caused by a change of fashion, or by the shutting up of some of the markets to which it had hitherto been admitted—he would act differently: in this case he would anticipate a fall of prices, and would either decline purchasing the article, except at a reduced rate, or endeavour to get rid of it, supposing he were a holder, by offering it at a lower price. In consequence of these operations, the prices of commodities, in different places and periods, are brought comparatively near to equality. All abrupt transitions, from scarcity to abundance, and from abundance to scarcity, are avoided: an excess in one case is made to balance a deficiency in another, and the supply is distributed with a degree of steadiness and regularity that could hardly have been deemed attainable.

It is obvious, from these statements, that those who indiscriminately condemn all sorts of speculative engagements, have never reflected on the circumstances incident to the prosecution of all undertakings. In truth and reality they universally involve some degree of speculation. Their undertakers must look forward to periods more or less distant, and their success depends entirely on the sagacity with which they have estimated the probability of certain events occurring, and the influence which they have ascribed to them. Speculation is, therefore, really only another name for foresight; and though fortunes have sometimes been made by a lucky hit, the character of a successful speculator is due to

him only who has skilfully devised the means of effecting the end he had in view, who has excelled his competitors in the judgment with which he has looked into futurity, and appreciated the operation of causes producing distant effects. Even in those businesses, such as agriculture and manufactures, that are apparently the most secure, there is, and must be, a great deal of speculation. Those engaged in the former have to encounter variations of seasons, while those engaged in the latter have to encounter variations of fashion; and each is, besides, liable to be affected by legislative enactments, by discoveries in the arts, and by an endless variety of circumstances which it is always difficult, and sometimes impossible, to foresee. On the whole, indeed, the gains of the undertakers are so adjusted, that they obtain, at an average, ordinary, or nearly ordinary, profits. But the inequality in the gains of individuals is most commonly very great; and while the superior tact, industry, or good fortune of some enable them to realize large fortunes, the want of discernment, the less vigilant attention, or the bad fortune of others, frequently reduce them from the situation of capitalists to that of labourers.<sup>1</sup>

It is by no means an easy task to draw a distinct line of demarcation between speculation and gambling. The truth is, that they run into one another by almost imperceptible degrees. Practically, however, that may be termed a safe,

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<sup>1</sup> The necessity of speculation in the ordinary affairs of life has been well illustrated by Seneca: "Huic respondebimus, nunquam expectare nos certissimam rerum comprehensionem: quoniam in arduo est veri exploratio; sed eâ ire quâ ducit veri similitudo. Omne hâc viâ procedit officium. Sic serimus, sic navigamus, sic militamus, sic uxores ducimus, sic liberos tollimus; quanquam omnium horum incertus sit eventus. Ad ea accedimus, de quibus benè sperandum esse credimus. Quis enim pollicetur serenti proventum, naviganti portum, militanti victoriam, marito pudicam uxorem, patri pios liberos? Sequimur quâ ratio, non quâ veritas trahit. Expecta, ut nisi benè cessurâ non facias, et nisi compertâ veritate nihil moveris, relicto omni actu, vita consistit. Dum verisimilia me in hoc aut illud impellant, non verebor beneficium, dare ei, quem verisimile erit gratum esse."—*De Benefic.*, lib. iv. cap. 33.

and, therefore, a legitimate speculation, in which, on a fair and careful estimate of the favourable and unfavourable contingencies, the former preponderate; while that may be termed a gambling adventure in which the contingencies are unknown, or in which they are nearly equal. Suppose a race-horse and a dray-horse were matched to run against each other; an individual who betted that the race-horse would win, could not be deemed a gambler; for he, it is plain, would encounter little or no risk. But if two race-horses, each in high estimation, were matched against each other, the risk would become very great; and the success of either would, most likely, depend on so many accidental and almost inappreciable circumstances, that those who betted on the event might fairly be denominated gamblers.

Among the various speculations carried on by merchants, there are few that have exposed them more to the public odium, while, at the same time, there are few more really beneficial, than those of the dealers in corn. Not only do they distribute the produce of the harvest equally throughout the country, according to the wants of different districts, but they manage their operations so as to reserve a portion of the surplus produce of plentiful years as a resource against future emergencies; and when a scarcity occurs, they distribute its pressure equally over the year, and prevent society from ever actually feeling the extremity of want. We shall briefly endeavour to show how speculation produces these effects.

Were the harvests always equally productive, nothing would be gained by storing up supplies of corn; and all that would be necessary would be to distribute the crop equally throughout the country, and throughout the year. But such is not the order of nature. The variations in the aggregate produce of a country in different seasons, though not, perhaps, so great as are commonly supposed, are still very considerable; and experience has shown, that two or

three unusually luxuriant harvests seldom take place in succession; or that when they do, they are invariably followed by those that are deficient. The speculators in corn anticipate this result. Whenever prices begin to give way, in consequence of an unusually luxuriant harvest, speculation is at work. The more opulent farmers withhold either the whole or a part of their produce from market; and the more opulent dealers purchase largely of the corn brought to market, and store it up in expectation of a future advance. And thus, without intending to promote any one's interest but their own, speculators in corn become benefactors of the public. They provide a reserve stock against those years of scarcity which are sure, at no distant period, to recur; while, by withdrawing a portion of the redundant supply from immediate consumption, prices are prevented from falling so low as to be injurious to the farmers, or at least are maintained at a higher level than they would otherwise have reached; provident habits are maintained amongst the people; and that waste and extravagance are checked which always take place in plentiful years, but which would be carried to a much greater extent were the whole produce of an abundant crop consumed within the season.

It is, however, in scarce years that the speculations of the corn-merchants are principally advantageous. Even in the richest countries, a very large proportion of the individuals engaged in agriculture are comparatively poor, and are totally without the means of withholding their produce from market, in order to speculate upon any future advance. In consequence, the markets are always most abundantly supplied with produce immediately after harvest; and in countries where the merchants engaged in the corn trade are not possessed of large capitals, or where their proceedings are restricted, or regarded with suspicion, there is then, almost invariably, a heavy fall of prices. But as the vast majority of the people buy their food in small quantities, or from day to day as they want it, their consumption is necessarily

extended or contracted according to its price at the time. Their views do not extend to the future ; they have no means of judging whether the crop is or is not deficient ; they live, as the phrase is, from hand to mouth, and are satisfied if, in the meantime, they obtain abundant supplies at a cheap rate. But it is obvious that, were there nothing to control or counteract this improvidence, the consequences would, very often, be fatal. The crop of one harvest must support the population till the crop of the succeeding harvest has been gathered in ; and if that crop should be deficient—if, for instance, it should only be adequate to afford, at the usual rate of consumption, a supply of nine or ten months' provision instead of twelve—it is plain, that unless the price were so raised immediately after harvest as to enforce economy, and put, as it were, the whole nation upon short allowance, the most dreadful famine would be experienced previously to the ensuing harvest. Those who examine the accounts of the prices of wheat and other grain in England, from the Conquest downwards, collected by Bishop Fleetwood, Sir F. M. Eden, and others, will meet with abundant proofs of what has now been stated. In those remote periods, when the farmers were generally without the means of withholding their crops from market, and when the trade of a corn-dealer was proscribed, the utmost improvidence was exhibited in the consumption of grain. There were then, indeed, but few years in which a considerable scarcity was not experienced immediately before harvest, and many in which there was an absolute famine. The fluctuations of price exceeded every thing of which we can now form an idea ; the price of wheat and other grain being often four and five times as high in June and July as in September and October. Thanks, however, to the increase of capital in the hands of the large farmers and dealers, and to the freedom given to the operations of the corn-merchants, we are no longer exposed to such ruinous vicissitudes. Whenever the dealers, who, in consequence of their superior means of information, are better acquainted



with the real state of the crops than any other class of persons, find the harvest likely to be deficient, they raise the price of the corn they have warehoused, and bid against each other for the corn which the farmers are bringing to market. In consequence of this rise of prices, all ranks and orders, but especially the lower, who are the principal consumers of corn, are obliged to use greater economy, and to check all improvident and wasteful consumption. Every class being thus immediately put upon short allowance, the pressure of the scarcity is distributed equally over the year; and instead of indulging, as was formerly the case, in the same scale of consumption as in seasons of plenty, until the supply became altogether deficient, and then being exposed without resource to the attacks of famine and pestilence, the speculations of the corn-merchants warn us of our danger, and compel us to provide against it.

It is not easy to suppose that these proceedings of the corn-merchants should ever be injurious to the public. It is said, indeed, that in scarce years they are not disposed to bring the corn they have purchased to market until it has attained an exorbitant price, and that the pressure of the scarcity is thus very much aggravated; but there is no real ground for any such statement. The immense amount of capital required to store up any considerable quantity of corn, and the waste to which it is liable, render most holders disposed to sell as soon as they can realise a fair profit. In every extensive country in which the corn trade is free, there are infinitely too many persons engaged in it to enable any sort of combination or concert to be formed amongst them; and though it were formed, it could not be maintained for an instant. A large proportion of the farmers and other small holders of corn are always in straightened circumstances, more particularly if a scarce year has not occurred so soon as they expected; and they are, consequently, anxious to relieve themselves, as soon as prices rise, of a portion of the stock on their hands. Occasionally,

indeed, individuals are found who retain their stocks for too long a period, or until a reaction takes place, and prices begin to decline. But, instead of joining in the popular cry against such persons, every one who takes a dispassionate view of the matter will immediately perceive that, inasmuch as their miscalculation must, under the circumstances supposed, be exceedingly injurious to themselves, we have the best security against its being carried to such an extent as to be productive of any material injury, or even inconvenience, to the public. It should also be borne in mind, that it is rarely, if ever, possible to determine beforehand when a scarcity is to abate in consequence of new supplies being brought to market; and had it continued a little longer, there would have been no miscalculation on the part of the holders. At all events, it is plain that, by declining to bring their corn to market, they preserved a resource on which, in the event of the harvest being longer delayed than usual, or of any unfavourable contingency taking place, the public could have fallen back; so that, instead of deserving abuse, these speculators are justly entitled to every fair encouragement and protection. A country in which there is no considerable stock of grain in the barn-yards of the farmers, and the warehouses of the merchants, is in a most perilous situation, and may be exposed to the severest privations, or even famine. But so long as the sagacity, the miscalculation, or the avarice of merchants and dealers, retain a stock of grain in the warehouses, this last extremity cannot take place. By refusing to sell till it has reached a very high price, they put an effectual stop to all sorts of waste, and husband for the public those supplies which they could not have so frugally husbanded for themselves.

The advantage of the speculative purchases of corn made by merchants in plentiful years, and of the immediate rise of price which their operations occasion in years when a scarcity is apprehended, have been very clearly stated in a Report by the Lords of the Privy Council, in 1790, on

the Corn Laws.—“In other countries,” say their lordships, “magazines of corn are formed by their respective governments, or by the principal magistrates of great cities, as a resource in times of scarcity. This country has no such institution. The stores of corn are here deposited in the barns and stacks of wealthy farmers, and in magazines of merchants and dealers in corn, who ought by no means to be restrained, but rather encouraged in laying up stores of this nature; as, after a deficient crop, they are thereby enabled to divide the inconvenience arising from it as equally as possible through every part of the year; and by checking improvident consumption in the beginning of scarcity prevent famine, which might otherwise happen before the next harvest. The inland trade of corn ought, therefore, to be perfectly free. This freedom can never be abused. To suppose that there can be a monopoly of so bulky and perishable an article, dispersed through so many hands, over every part of the country, is an idle and vain apprehension.”

The regulations once so prevalent with respect to the assize of bread, were originally devised and intended as measures of security, lest, owing to the small number of bakers in most towns, they should combine together, and artificially raise the price of bread. According, however, as sounder notions upon these subjects were diffused throughout the country, these regulations fell gradually into disuse; and we are not aware that any ill effects have, in any instance, been found to result from their neglect. The assize of bread in London was abolished by an act of the legislature in 1815; and it is well known, that no such thing as a combination amongst the bakers has ever since been thought of, and that the public have always had an ample supply of bread, at the lowest prices, all things considered, that the state of the corn-market would admit. And when such has been the case, when no combination has ever been even so much as attempted amongst the bakers of a single town, can

any thing be more perfectly visionary, than to suppose that it should be attempted among the vast multitudes of farmers and corn-dealers dispersed over an extensive country ! "The unlimited, unrestrained freedom of the corn trade," says Adam Smith, "as it is the only effectual preventive of the miseries of a famine, so it is the best palliative of the inconveniences of a dearth. No trade deserves more the full protection of the law, and none requires it so much, because none is so much exposed to undeserved popular odium."<sup>1</sup>

But though the speculations of the corn-merchants be in every case beneficial to the public, they are often injurious to themselves. The corn trade is, indeed, one of the most hazardous businesses in which it is possible to engage. This arises partly and principally from the extreme difficulty of procuring correct information with respect to the productiveness of the harvests in different countries and districts, and of the supplies of corn that may be made available in case of deficiency ; partly from the difficulty of estimating the effect of weather on the crops ; and partly from the difficulty of estimating how much any given rise of price may affect consumption. When the elements of speculation are so very uncertain, or when, at least, they are so difficult to disentangle and appreciate, it requires no ordinary prudence for a merchant to avoid very heavy losses ; and how cautious soever, he can never be secure against unfavourable chances. A few days' rain, immediately before or during harvest, have often, by exciting what were apparently the best-founded apprehensions with respect to the safety of the crop, occasioned a sudden rise of prices, which have again as suddenly fallen back to their former level when the weather improved. It is idle to suppose that these causes of risk and uncertainty should ever be completely obviated ; but it is pretty evident that nothing could have tended so much to weaken their frequency and force, as the establishment of a free corn trade with other

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<sup>1</sup> "Wealth of Nations," p. 234.

countries. Such is the wise arrangement of Providence, that the seasons most unfavourable to the crops in one country or district, are generally the most favourable to those in countries or districts having a different soil or climate.<sup>1</sup> There is no reason, indeed, for supposing that the harvests throughout the commercial world, differ materially in different years; and since 1849, when the external corn trade was freed from restrictions, the facility of importing additional supplies from foreign countries when the home supply happens to be unusually deficient, and of exporting to them in unusually abundant years, has given greater steadiness to prices, so that the hazard to which the dealers was formerly exposed, has been considerably lessened.

The great risk to which all classes of merchants are exposed, who offer an unusually high price for any description of commodities, in anticipation of a future advance of price, is a consequence, principally, of the difficulty of truly appreciating the grounds on which a deficient supply or an increased demand is expected.<sup>2</sup> This, however, is entirely

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<sup>1</sup> The admirable paragraph which follows is from the "Commercio di Grani" of the Count di Verri:—"La terra che abitiamo riproduce ogni anno una quantità corrispondente alla universale consumazione; il commercio supplisce col superfluo di una terra al bisogno dell'altra e colla legge di continuità si equilibrano, dopo alcune oscillazioni, periodicamente bisogno ed abbondanza. Quei che suggeriscono i vincoli risguardano gli uomini sulla terra come ridotti a gettar il dado a chi debba morir di fame; risguardiamoli con occhio tranquillo e riceveremo idee più consolanti e vere, conoscendoci fratelli di una vasta famiglia sparsa sul globo, spinti a darci vicendevolmente soccorso, e provveduti largamente dal gran motore della vegetazione a quanto fa d'uopo per sostenere i bisogni della vita. I soli vincoli artificiali, immaginati dalla timida ignoranza o dall'astuta ambizione, hanno ridotti gli stati ai timori della fame ed a soffrirli.—P. 33, ed. 1818.

<sup>2</sup> The famous philosopher Thales, of Miletus, who flourished about 550 years before the Christian era, is reported to have engaged in at least one successful speculation. "His poverty," says Aristotle, "was thought to upbraid his studies as serving no gainful, and therefore no useful purpose. But Thales, by his skill in meteorology, contrived to wipe off the reproach; for as his science enabled him to foresee that next season there would be an extraordinary crop of olives, he hired in the winter all the oil-presses in Chios and Miletus, employing his little

a practical question, for the solution of the merchant, whose success depends on the sagacity he evinces in conducting his speculations under such circumstances. The great cotton speculation of 1825 took its rise partly and chiefly from a supposed decrease in the supply of cotton, originating in the previous low prices, and partly from an idea that there was a greatly increased demand for raw cotton in this country and the Continent, and that the stocks on hand were unusually low. Now it is obvious, that the success of those who embarked in this speculation depended entirely on two circumstances: viz. *first*, that they were right in the fundamental supposition on which the speculation rested, that the supply of cotton was no longer commensurate with the demand; and *second*, that their competition did not raise the price so high as to diminish the consumption by the manufacturers in too great a degree to enable them to take off the quantity actually brought to market. If the merchants had been well founded in their suppositions, and if their competition had not raised the price of cotton too high, the speculation would have been successful. But, instead of being well founded, the hypothesis on which they proceeded was all but visionary. There was no decrease in the supply of cotton, but, on the contrary, a considerable increase; and though there had been a decrease, the excess to which the price was carried must have checked consumption so as to occasion a serious revulsion.<sup>1</sup>

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fortune in giving earnest to their respective proprietors. When the gathering season approached, and the olives were seen loading the branches, all men wished to provide oil-presses at the same time, and suddenly; but Thales, being master of the whole number, let them separately at a high price; and thereby accumulating vast wealth, proved that philosophers might be rich if they pleased, but that riches were not the object of their pursuit."—GILLIES' *Aristotle*, vol. ii. p. 54.

<sup>1</sup> Several well-informed merchants embarked in this speculation, and suffered by it. The falling off in the imports of cotton from America, in 1824, seems to have been the source of the delusion. It was supposed that this falling off was not accidental, but that it was a consequence of the price of cotton having been for a series of years so low as to be inadequate to defray the expenses of its culti-

When a few leading merchants purchase, in anticipation of an advance, or sell, in anticipation of a fall, the speculation is often pushed beyond all reasonable limits, by the operations of those who are influenced by imitation only, and who have never, perhaps, reflected for a moment on the grounds on which a variation of price is anticipated. In speculation, as in most other things, one individual derives confidence from another. Such a one purchases or sells, not because he has any peculiar or accurate information in regard to the state of the demand and supply, but because some one else has done so before him. The original impulse is thus rapidly extended; and even those who are satisfied that a speculation, in anticipation of a rise of prices, is unsafe, and that there will be a recoil, not unfrequently adventure, in the expectation that they will be able to withdraw before the recoil has begun.

The only guarantee against the spread of imitative speculations, if we may so term them, must be sought for in the diffusion of sounder information, and of a more searching spirit of analysis, amongst the mercantile class. The crowd who engage in speculative adventures, once set on foot, consist partly, of determined gamblers, who having, for the most part, nothing to lose, are at all times ready to embark in any adventure, however hazardous, by which they imagine they have a chance of making a fortune; but the far greater number of those who quit their ordinary employments to enter into such speculations, though partly, no doubt, actuated by a spirit of gambling, are mainly influenced

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vation. The result showed that this calculation was most erroneous, the imports, in 1825, from the United States, having exceeded those in any previous year. And besides, in entering on the speculation, no attention was paid to Egypt and Italy, countries from which only about 1,400,000 lbs. of cotton were obtained in 1824, but from which 23,800,000 lbs. were obtained in 1825! This unlooked-for importation was of itself almost enough to overturn the combinations of the speculators; and, coupled with the increased importation from the United States and other countries, actually occasioned a heavy glut.

by the principle of imitation ; and it is difficult to see how this dangerous tendency can be lessened otherwise than by the better education of merchants, and by impressing on every one who may be tempted to speculate either on a rise or fall of prices, the necessity, if he would provide any security against extreme risk, of carefully investigating the causes of any anticipated variation, and estimating for himself the probability of success in the adventure, instead of embarking in it in imitation of others.

It may, speaking generally, be laid down as a sound practical rule, to avoid having anything to do with speculations in which many have already engaged. The competition of the speculators seldom fails speedily to render an adventure that might have been originally safe, extremely hazardous. If a commodity happen to be at an unusually reduced price in any particular market, it will rise the moment that different buyers appear in the field ; and supposing, on the other hand, that it is fetching an unusually high price, it will fall, perhaps far below the cost of production, as soon as supplies begin to be poured in by different merchants. Whatever, therefore, may be the success of those who originate a speculation, those who enter into it at an advanced period are almost sure to lose. To have been preceded by others should not, in such matters, inspire confidence ; on the contrary, it should, unless there be something special in the case, induce every considerate person to decline interfering with it.

The pernicious effects of miscalculation and ignorance are strikingly exhibited in the overstocking of such new markets as are occasionally opened, and in filling them with articles wholly unsuited to the wants and habits of the people. When the continental markets were opened in 1814 and 1815, the first shippers of colonial and other produce made large profits ; but in consequence of the crowding of fresh speculators, many of whom were strangers to commercial affairs, into the field, the markets were quite overloaded ; and such a recoil took place, that Leith, and some other towns, did not for some



years recover from the bankruptcy and ruin of which it was productive. But the exportations consequent upon the first opening of the trade to Buenos Ayres, Brazil, and the Caraccas, were, in this respect, still more extraordinary. Speculation was then carried beyond the boundaries within which even gambling is usually confined ; and was pushed to an extent and into channels that could hardly have been deemed practicable. We are informed by Mr. Mawe, an intelligent traveller, resident in Rio Janeiro at the period in question, that more Manchester goods were sent out in the course of a few weeks than had been consumed in the twenty years preceding ; and the quantity of English goods of all sorts poured into the city was so very great, that warehouses could not be found to contain them, and that the most valuable merchandise was actually exposed for weeks on the beach, to the weather, and to every sort of depredation ! But the folly and ignorance of those who crowded into this speculation was still more strikingly evinced in the selection of the articles sent to South America. Elegant services of cut-glass and china-ware were offered to persons whose most splendid drinking vessels consisted of a horn or the shell of a cocoa-nut ; tools were sent out having a hammer on the one side and a hatchet on the other, as if the inhabitants had had nothing more to do than to break the first stone they met with, and then cut the gold and diamonds from it ; and some speculators actually went so far as to send *skates* to Rio Janeiro !<sup>1</sup>

The distress and ruin which followed these exportations is plainly to be ascribed to the almost inconceivable folly of those by whom they were made. If there be one species of knowledge more essential to those who embark in mercantile speculations than another, it is that they should be acquainted with the various products of the different commercial countries of the world, and with those which are in

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<sup>1</sup> Mawe's "Travels in Brazil," p. 453-458.

demand in them. And when ships are freighted and commodities sent abroad by persons so entirely destitute of this elementary instruction as to send skates to Rio, the wonder is, not that they should sometimes calculate wrong, but that they ever calculate right.

But, as has been before observed, the maintenance of a free intercourse amongst different countries, and the more general diffusion of sound instruction, seem to be the only means by which these miscalculations can be either obviated or mitigated. The effects consequent on improvident speculations being always far more injurious to the parties engaged in them than to any other class, the presumption is, that they will diminish both in frequency and force, according as the true principles of commerce come to be better understood. But whatever inconvenience may occasionally flow from them, it is abundantly plain, that instead of being lessened, it would be very much increased, were any restraints imposed on the freedom of adventure. When the attention of many individuals is directed to the same line of speculation; when they prosecute it as a business, and are responsible in their own private fortunes for any errors they may commit, they acquire a knowledge of the various circumstances influencing prices, and give them, by their combinations, a steadiness not attainable by any other means. It is material, too, to bear in mind, as was previously stated, that many, perhaps it might be said *most*, of those who press so eagerly into the market, when any new channel of commerce is opened, or when any considerable rise of price is anticipated, are not merchants, but persons engaged in other businesses, or living, perhaps, on fixed incomes, who speculate in the hope of suddenly increasing their fortune. This tendency to gambling seldom fails to break out upon such occasions; but fortunately, these are of rather rare occurrence; and in the ordinary course of affairs, mercantile speculations are left to be conducted by those who are familiar with business, and who, in exerting

themselves to equalise the variations of price caused by variations of climate and of seasons, and to distribute the supply of produce proportionally to the effective demand, and with so much providence that it may not at any time be wholly exhausted, perform functions that are in the highest degree important and beneficial. They are, it is true, actuated only by a desire to advance their own interests; but the results of their operations are not less advantageous than those of the agriculturists who give greater fertility to the soil, or of the mechanists who invent new and more powerful machines.<sup>1</sup>

In the first chapter of this Part, we endeavoured to show that the quantity of labour required for the production of commodities forms the grand principle which determines their exchangeable worth, or the proportion in which commodities exchange for each other; and in the second chapter, and the present, we have endeavoured to trace the influence of variations of demand and supply, and of speculation, on prices. These seem to exhaust all the really important practical questions involved in this part of the science. But as it is necessary, in order fully to understand the various questions involved in the *theory* of value, that the precise influence of variations in the rates of wages and profits, and in the species of capitals employed, should be appreciated, we shall devote the following chapter to an investigation of these matters. Being principally, however, intended for the use of the scientific reader, it may, without impropriety, be passed over by others.

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<sup>1</sup> The reader will find a great deal of valuable information, with respect to most of the points touched upon in this and the previous chapter, in Messrs. Tooke and Newmarch's work on "Prices."

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## CHAPTER IV.

*Effect of the Employment of Capital in Production, and of Variations in the Rates of Wages and Profits on Value—(1) When the Capitals employed in Production are of the same Degree of Durability ; and (2) when they are of different Degrees of Durability—The action or influence of Natural Powers adds nothing to the Value of the Result—High Wages not injurious to Manufactures or Trade.*

It is admitted on all hands, that in the earlier stages of society, before capital is accumulated, the quantities of labour required to produce commodities and bring them to market determine their value in exchange. But capital is merely that portion of the produce of industry that may be employed to support man, or to co-operate in production. It is the result of *anterior labour* embodied in, or represented by it ; and when it is employed in the production of commodities, their value is determined by the total quantity of immediate and of prior labour, necessarily laid out upon them. Suppose an individual can, in a day, without the help of weapons, kill a deer ; and that it requires a day's labour to construct the weapons necessary to kill a beaver, and another day's labour to kill it : it is evident, supposing the weapons to be worn out or rendered useless in killing the beaver, that the labour required to kill it would suffice to kill two deer, and that it is, therefore, worth twice as much. The durability of the implements, or of the capital employed in any undertaking, is, consequently, an element of the greatest importance in estimating the value of its produce. Had the weapons employed by the beaver hunter been more durable than has been supposed—had they served, for example, to kill twenty beavers instead of one—then, the

labour required to kill a beaver being only one-twentieth part greater than that required to kill a deer, the value of the animals would have been regulated accordingly; and it is plain that, with every extension of the durability of the weapons, their values would be brought still nearer to equality.

It appears, therefore, inasmuch as capital is the result of anterior labour, that its employment does not affect the principle which makes the value of commodities depend on the quantities of labour required for their production. A commodity may be altogether produced by capital, without the co-operation of any immediate labour: inasmuch, however, as the value of capital is determined by the labour required for its production, it is obvious that the value of the commodities produced by its means is also, at bottom, determined by this same labour: or a commodity may be partly produced by capital, and partly by immediate labour, and then its exchangeable value will be proportioned to the sum of the two; or, which is still the same thing, to the total quantity of labour bestowed upon it. These principles are almost self-evident, and it is not easy to see how they can be made the subject of dispute or controversy; but considerable differences of opinion are entertained respecting the influence which the employment of workmen by capitalists, and of fluctuations in the rate of wages have over value.

It does not, however, seem that there is really much room for these differences. Suppose that some quantity of goods, a pair of stockings for example, freely exchanges for a pair of gloves, both articles being manufactured by independent workmen; it is easy to see that they would continue to preserve this relation, or to exchange for each other, provided the labour required for their production continue stationary, though the workmen were employed by a master-manufacturer. In the first case, it is true, as Adam Smith has observed, that the whole goods produced by the workmen belong to themselves, and that, in the second case, they have

to share them with their employers. But it must be recollected, that in the first case the capital, that is, the food and instruments made use of in the production of the commodities, belongs also to the workmen, and that, in the latter case, it is furnished to them by other parties. The question then comes to be, Does the fact of labourers voluntarily agreeing to give a portion of the produce they have raised as an equivalent for the capital furnished to them by others, constitute a ground for raising the value of such produce? It is evident it does not. The profits of capital are only another name for the wages of prior labour, and make a part of the price of every article in the production of which capital has been usefully expended. But whether this capital belong to the labourer, or is supplied by another, is of no consequence. If the capital do not belong to him, the commodities which he produces will be divided into two portions, one representing the produce of his own labour, and the other of the capital, or prior labour, laid out upon them. But provided the same amount of labour be required for the production of commodities, their value will continue constant, whether that labour be supplied by one individual or by fifty. A shoemaker who makes shoes on his own account, obtains the same rate of profit on their sale that would accrue to a master shoemaker were he employed by the latter; for, besides possessing means adequate to maintain himself and his family until the shoes be disposed of, he must further be able to furnish himself with a workshop and tools, to advance money to the tanner for leather, and to provide for other outgoings. If, then, he did not, exclusive of the ordinary wages of his trade, realise a profit, or return for his capital, it would obviously be for his advantage to lodge it in a savings' bank, or otherwise dispose of it, and to work as a journeyman on account of a master shoemaker; and it is plain, inasmuch as his shoes would not sell for a higher price than those of the capitalist, that he could not realise a greater profit did he continue independent.

Hence it follows, that the circumstance of the accumulated labour or capital, and of the manual labour required in production, being supplied by different parties, has no influence over the value of the produce. That depends on the total *quantity* of every sort of labour laid out, and not on those by whom it is laid out. It now only remains to trace the influence of fluctuations in wages and profits on value. When this has been done, the subject will be exhausted.

To simplify this inquiry, it had best be divided into two branches: we shall therefore inquire, *first*, whether fluctuations in the rate of wages have any, and, if any, what influence over the values of commodities produced by the aid of capitals returnable in equal periods; and, *second*, whether these fluctuations have any, and, if any, what influence when the capitals employed are returnable in unequal periods.

The better to understand what follows, it may, perhaps, be useful to premise that when capitals, consisting of tools, machines, houses, &c., are said to be fixed or durable, their durability is the term used to express the period required for wearing them out, or during which they may be expected to last; and this, of course, varies according to the nature of the article. One machine may be capable of lasting twenty years, another fifteen, a third ten, and so on; while a granite dock or bridge may last for five hundred or a thousand years.

Circulating capital, or capital employed in the payment of wages, is said to be returnable in given periods, which are estimated from the time when the wages are advanced by the capitalist, to the time when he receives payment of the produce.

When it is said that different capitalists are placed under the same circumstances, it is meant that they employ fixed capitals of the same degree of durability, or circulating capitals returnable in equal periods.

I. Supposing, now, that they are in the latter situation, they will be equally affected by a rise or fall of wages. This

proposition is self-evident, and must be assented to by every one. But were such the case, it is impossible that a variation of wages should occasion any variation in the value or price of commodities. Suppose, for example, that a hat, produced when wages are 2*s.* a-day, freely exchanges for a pair of boots; and let us suppose that, from some cause or other, wages rise to 3*s.*: the question is, will this rise of wages affect the value or price of hats and boots? It is obvious that it will not. The relation of A to B cannot vary, unless one of them be operated upon by some cause which does not extend its influence, or the same degree of influence, to the other. But fluctuations in the rate of wages are not of this description. They cannot be confined to one department. Competition never fails to elevate or depress their rate in different trades to what is really, when all things are taken into account, the common level. If wages in the hat trade sustain a permanent rise of 1*s.* a day, they will, in the end, unless restrictive regulations interpose, rise 1*s.* in every other business. It is, consequently, plain, that the hatter could not urge the circumstance of his paying higher wages to his workmen as a reason why the bootmaker should give him more boots than formerly in exchange for hats, for the bootmaker would have it in his power to reply, that the same rise of wages affected him to precisely the same extent. If, therefore, a hat were previously worth, or exchanged for a pair of boots, the one will continue to preserve this relation to the other, until some variation takes place in the quantities of labour required to produce them and bring them to market. So long as these quantities continue the same, wages may rise from 5*s.* to 10*s.*, or they may fall from 5*s.* to 2*s.* a-day, without either the rise or the fall having the slightest influence over their value.

But it may, perhaps, be thought, that though the exchangeable value of commodities produced by the aid of capitals of equal degrees of durability may not be affected by fluctuations in the rate of wages, these fluctuations may,



notwithstanding, affect their *price*, or value estimated in money. But if the variation in the rate of wages be real, and not nominal—that is, if the labourer get either a greater or less proportion of the produce raised by his exertions, or a greater or less quantity of money of the same value—this will not happen. Money is itself a commodity, whose value depends on the same principles that determine the value of other commodities. If the mine which supplies the gold and silver, of which money is made, be situated in the country, then it is clear that the rise of wages which affects other producers will affect those engaged in the production of gold and silver; and if these metals be imported from abroad, it is clear that no more of them will be obtained, in exchange for commodities produced by the dearer labour, than was previously obtained for those produced by the cheaper labour; for, if those who export commodities to foreign countries, and exchange them for gold and silver, were to obtain more of these metals after wages rose than previously, they would be, in so far, in a better situation than their neighbours at home, whose competition would speedily compel them to give the same quantity of goods produced by the dear labour, for that quantity of the precious metals they had obtained previously to the rise of wages.

But if the value of money fluctuate, if it become more or less difficult of production, or if its supply be suddenly increased or diminished, then undoubtedly the rate of wages and the price of commodities will vary. But they will do so, not because the labourer gets a greater or less amount of wages, but because the value of the commodity, or standard, in which wages and prices are estimated, has varied. The wages of the work-people engaged in agriculture and manufactures, though commonly paid and rated in money, really consist of a portion of the produce raised by their labour: consequently, they are really high, when workmen get a comparatively large share of such produce, and low when they get a comparatively small share. It is necessary,

however, to bear in mind that the condition of the work-people does not depend nearly so much on the proportion of their earnings falling to their share, as on the positive magnitude of that share. Wherever industry is highly productive, a smaller share of its produce yields the labourer a large amount of necessities and conveniences; and it is by this amount that his condition is to be determined. But though, in most other respects, of paramount importance, the condition or well-being of the labourers has nothing to do with inquiries in regard to value. And it is best in purely theoretical investigations, to consider wages as forming a certain proportion of the produce raised by labour—as being invariable, so long as this proportion continues unchanged—and as having really risen when it is increased, and really fallen when it is diminished.

The mistaking of fluctuations in the rate of money wages for fluctuations in the rate of real or proportional wages, has been the source of much error and misapprehension. A man whose wages are 1s. a day, must get 2s. to keep them at the same level, when the value of money declines a half; and the hat which sold for 10s. must then, for the same reason, sell for 20s. It is obviously false to call this a real rise, either of wages or prices; though this be generally done. The manufacturer who gives sixpence a-day more to his men, and who sells his goods at a proportionally higher price because of a fall in the value of money, rarely suspects there has been any such fall, and almost invariably concludes that the rise of wages has been the cause of the rise of prices, overlooking entirely the real cause of the rise of both—the decline in the value of the money or article in which wages and prices are estimated.

Even if it were true, which certainly it is not, that when money is constant in its value, a rise of wages occasions an equal rise in the money price of commodities, it would not benefit the producers. Commodities are always bought either by other commodities or by labour, and it

is almost superfluous to add, that they can be bought by nothing else. Of what advantage, then, would it be to a capitalist, a cotton manufacturer, for example, to sell his cottons for an advance of 10 per cent. when wages rise 10 per cent., he being, at the same time, obliged to give so much more for every other article? When wages really rise, it is indifferent to the producers whether they sell the commodities they have to spare, and purchase those they have occasion for, at their former price, or whether they are all raised proportionally to the rise of wages.

This principle may be further illustrated by supposing an equal increase to take place in the labour required for the production of all sorts of commodities: under such circumstances, their marketable values would remain unaltered. Corn would not then exchange for greater quantities of muslin or broadcloth than it did before its increased expense of production; but each would *cost* more, because each would be the produce of a greater quantity of labour. Under these circumstances, the prices of commodities would remain stationary, while the wealth and comforts of society would be diminished. Every person would have to make greater exertions to obtain a given quantity of any single commodity; but as the expense of producing *all* commodities is, by the supposition, equally increased, it would not be necessary to make any greater exertions to obtain one than another, and their values, as compared with each other, would be totally unaffected.

But if an equal increase of the labour required for the production of commodities cannot alter their relation to each other, how is that relation to be altered by an equal increase of the wages paid for that labour? A real rise of wages affects the *proportion* in which the produce of industry (under deduction of rent) is divided between capitalists and labourers — diminishing the proportion belonging to the capitalists when they rise, and increasing it when they fall.

But as these changes in the distribution of commodities neither add to nor take from the labour required to produce them and bring them to market, they do not affect either their cost or exchangeable value.

II. The reasons now brought forward to show that fluctuations in the rate of wages do not affect the value of commodities produced by capitals of the same durability, were first advanced by Mr. Ricardo. He, too, was the first to discover and analyse the influence of fluctuations in the rate of wages over the value of commodities, when the capitals employed in their production are *not* of the same durability. The results of his researches in this more difficult inquiry were still more important, and more at variance with received opinions; for besides showing that it is impossible for any rise of wages to raise the price of *all* commodities, Mr. Ricardo showed that in most cases a rise of wages leads to a *fall* in the price of some descriptions of commodities, and a fall of wages to a *rise* in the price of others.

It must be admitted, that this proposition appears, when first stated, not a little paradoxical; but the paradox is in appearance only. On adverting to the means by which different classes of commodities are produced, it is immediately seen that no proposition can, apparently, be more reasonable, or consistent with probability; and it may be easily shown that there is none more certain.

Some commodities are almost exclusively produced by the expenditure of accumulated labour, or capital, and others by that of the immediate labour of man. Nearly the whole of the first class must consequently belong to capitalists, and the latter to labourers. Suppose a manufacturer has a highly durable machine worth 20,000*l.*, which manufactures commodities without any, or with but little manual labour: in this case the goods produced by the machine form the profits of the capital vested in it; and their value in exchange, or

their price rated in money must, therefore, vary with every variation in the rate of profit. If profits were at ten per cent., the goods annually produced by the machine must sell for 2,000*l.*, with a small additional sum to cover its wear and tear; should profits rise to fifteen per cent., the price of the goods must rise to 3,000*l.*, for otherwise the manufacturer would not obtain the common and average rate of profit; and if, on the other hand, profits should fall to five per cent., the price of the goods must, for the same reason, fall to 1,000*l.* If, therefore, it can be shown that a rise of wages reduces the rate of profits, it necessarily follows that it will also reduce the value and price of such commodities as are chiefly produced by machinery, or fixed capital of a considerable degree of durability, or by circulating capitals returnable at distant periods, and *vice versa*.

Now it is easy to show, supposing no variation takes place in the labour required for the production of commodities,<sup>1</sup> that every rise of wages will reduce profits, and will, thereby, reduce the value of those commodities which are chiefly produced by fixed capital or machinery. It is plain, from what has been previously stated, that to whatever extent wages rise, no set of producers, whether their capitals be returnable in a day, a week, a year, or a hundred years, can obtain a larger share of the commodities produced by others belonging to the *same class*, that is, who have capitals returnable in the same periods as their own. This is evidently as impossible, as it is to change the relation of numbers by multiplying or dividing them by the same number; and, therefore, it is plain, that a rise of wages cannot raise the value of any one commodity as compared with all other commodities. But, if it cannot do this, it must lower profits. Suppose, to illustrate this principle, that wages really rise five or ten per cent., and that two manufacturers of the class who employ the least portion of capital in the payment of wages have each 10,000*l.*,

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<sup>1</sup> The reason for this limitation will be subsequently explained.

of which they respectively lay out 9,000*l.* on durable machinery, and 1,000*l.* on the payment of wages: it is obvious, inasmuch as these manufacturers are affected by the rise of wages to precisely the same extent, that their products will continue to exchange for each other exactly as they did before it took place; and that, in fact, it will make an equivalent deduction from their profits. But if this rise of wages will not enable the manufacturers in question to obtain any larger share than formerly of the products belonging to others of their own class, still less, it is clear, can it enable them to obtain any larger share of the produce of any other class of manufacturers, who are all assumed to employ more labour in proportion to their machinery; and who, consequently, must be more affected by the rise of wages. There can, therefore, be no manner of doubt that, under the circumstances supposed, the profits of the manufacturers, and consequently of all other producers, will be reduced by this rise of wages; and whenever this reduction takes place, the value of the commodities, chiefly produced by the aid of fixed capital or machinery, will be diminished as compared with those chiefly produced by the hand.

Suppose that the numbers 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, &c., represent the various descriptions of capitals, classed according to the respective degrees of their average durability; that No. 1 represents that class of capitals which are wholly employed in the payment of wages, and which are most speedily consumed and reproduced; No. 2, that class which is next in durability; and so on until we come to No. 11, which represents that class of capitals which chiefly consist of highly durable machinery, and are longest in being consumed and reproduced. Let us further suppose that the commodities produced by the agency of these capitals are all yielding the same common and average rate of profit; and let us endeavour to discover what would, under these circumstances, be the influence of fluctuations in the rate of wages on the value of commodities. If wages rise, it is plain that the holders of the least durable

capitals, (No. 1,) who may be supposed to use no machinery, will be more affected by the rise than the holders of the second class, (No. 2,) who may be supposed to employ some little machinery; and these again more than the holders of the third class, (No. 3,) and so on till we come to the holders of the capital of the highest degree of durability, (No. 11,) which may be supposed to consist almost wholly of very durable machinery; and who will, on that account, be comparatively little affected by the rise. Suppose, now, to illustrate the principle, that wages have so risen that the increased rate paid by the proprietors of the most durable capitals to the few labourers they employ—for they must employ a few to superintend their machinery—has reduced their profits *one* per cent.: there is obviously no mode in which these capitalists can indemnify themselves for this fall of profits; for, as they employ the fewest labourers, they are least of all affected by the rise of wages, the profits of all other capitalists being more reduced than theirs because of the greater number of their labourers. Thus, supposing the proprietors of the most durable capitals, or of No. 11, to employ a certain number of labourers; the proprietors of the next class, or of No. 10, to employ twice that number; and those of No. 9, three times that number, and so on; then, on the hypothesis that the rise of wages has reduced the profits of the most durable capitals, or No. 11, *one* per cent., it will have reduced those of No. 10 *two* per cent., those of No. 9 *three* per cent., and so on till we come to the least durable class, No. 1, whose profits will be reduced *eleven* per cent. It is plain, however, that this discrepancy in the rate of profit can only be of temporary duration. For the undertakers of those businesses in which either the whole or the greater portion of the capital is employed in paying the wages of labour, observing that their neighbours, who have laid out the greater portion of their capital on machinery, are less affected by the rise of wages, will immediately begin to withdraw from their own businesses, to engage in those that are more lucrative. The commodities

produced by the most durable capitals, Nos. 7, 8, 9, 10, &c., will, therefore, become redundant, as compared with those produced by the least durable capitals, Nos. 1, 2, 3, 4, &c.; and this increase on the one hand, and diminution on the other, will sink the value of the former, compared with the latter, till they all yield the same rate of profit.

The value of the commodities produced by capital of the *medium* degree of durability, or by No. 6, would not be affected by the rise; for, whatever they lost in exchangeable value as compared with the commodities produced by the less durable capitals, they would gain as compared with those produced by the more durable capitals.

It has, however, been contended, that though the equalisation in the rate of profit now alluded to might be effected by the destruction of a portion of the less durable capital, or by the comparatively great accumulations that would henceforth be made by the holders of the more durable capitals, who are but little affected by the rise of wages, it could not be effected by such a transference of capital from the one class of businesses to the other, as has been supposed; for it is said, that the fixed stock, or machinery, belonging to the holders of capitals of the greatest degree of durability, being itself the produce of labour, it would not be possible to obtain this machinery at its former price after wages rose, so that the profits of the existing holders of Nos. 7, 8, 9, &c. could not be beaten down to a common level with those of the holders of the less durable capitals, by an influx of new competitors. But it is easy to see that this view of the matter is incorrect. Suppose, which is the strongest case for the argument we are combating, that the machines belonging to the capitalists of class No. 11. are made by the labourers employed by the capitalists of class No. 1: when wages rise, it is evident the machines and other commodities produced by No. 1 cannot rise in value, as compared with money, or any other commodity produced under different circumstances, until they are diminished, or the others increased in quantity.



And hence there are two very sufficient reasons why the producers of the machines should not be disposed to sell them after wages rise ; for, in the *first* place, if they sell them they will get no more for them than they got before the rise ; and, in the *second* place, as the more lucrative businesses, or those that are least affected by the rise of wages, can only be carried on by means of machinery, they could not, if they sold the machines, transfer circulating capital to them, but would be compelled to continue in those businesses that had become relatively disadvantageous. Instead, therefore, of selling the machines, it may be fairly presumed that a considerable number of those by whom they are constructed would be tempted to employ them in the businesses for which they were intended, and would thus come into competition with the holders of the capitals Nos. 7, 8, 9, 10, &c., on the same footing that they stand, or with machines that have cost the same price as theirs ; nor would this transference cease until the commodities produced on the least durable side of the scale had been so much diminished, and their value so much increased, as compared with those produced on the more durable side, that they were all brought to yield the same common and average rate of profit.

If wages, instead of rising, were to fall, the opposite effects would be produced. The holders of the capitals Nos. 1, 2, 3, &c., who employ a comparatively large proportion of labourers, deriving a greater advantage from the fall of wages than the holders of the capitals Nos. 7, 8, 9, &c., their profits would be raised above the level of the latter. In consequence, capital would begin to move from those businesses that employ the fewest to those that employ the greatest number of labourers ; and the average equilibrium of profit would be restored by an increase of the value of the commodities produced by the most durable, as compared with those produced by the least durable capitals.

It is abundantly certain, therefore, that no rise of wages can ever occasion a general rise of prices, and no fall of wages

a general fall of prices; but, supposing the productiveness of industry, or the quantity of labour required to produce commodities, to continue stationary, a rise of wages, instead of occasioning a general rise of prices, will occasion a general fall of profits; and a fall of wages, instead of reducing prices, will occasion a general rise of profits. Owing, however, to the different and ever-varying degrees of the durability of the machinery, or fixed capital, employed in production, and the varying relation which the portion of capital employed as wages, or in the payment of immediate labour, bears to the whole capital employed, it is very difficult to determine, *a priori*, the extent to which any given fluctuation in the rate of wages will affect the rate of profit, and the value of commodities. But when due pains are taken, this may be approximated with sufficient accuracy for practical purposes; and the following three cases will briefly, and we hope satisfactorily, elucidate the manner in which fluctuations in the rate of wages always operate, and the method to be followed in estimating their influence over profits and prices.

1. If all commodities were produced by immediate labour, or by capital employed in the payment of wages, it is obvious, supposing the productiveness of industry not to vary, that every rise of wages would cause an equal fall of profits. A capitalist who employs 1,000*l.* in the payment of wages, must, if profits are at 10 per cent., sell the commodities for 1,100*l.* But when wages rise 5 per cent., or to 1,050*l.*, he would not be able to sell his commodities for more than 1,100*l.*; for money is itself a commodity; and as, by the supposition, all commodities are produced by immediate labour, the rise of wages would affect the producers of money in the same way that it affected the producers of other things. In this case, therefore, it is plain that every rise of wages will equally sink profits, and every fall of wages will equally raise them.

2. If all commodities were produced, *one-half* by immediate labour, and the *other half* by capital, profits would only

fall to half the extent that wages rose. Suppose a capitalist employs 500*l.* in the payment of wages, and 500*l.* as a fixed capital, when profits are at 10 per cent., the commodities produced must, as before, sell for 1,100*l.* If wages rose 5 per cent., the capitalist would have to pay 525*l.* as wages, and would, consequently, only retain 75*l.* as profits. In this case, therefore, a rise of wages to the extent of 5 per cent. would, because of the employment of equal quantities of capital and immediate labour in the production of commodities, only sink profits  $2\frac{1}{2}$  per cent.

3. If all commodities were produced by capital of a very high degree of durability, capitalists, it is obvious, would not be sensibly affected by a rise of wages, and profits would, of course, continue nearly as before.

Now, suppose that commodities, instead of being wholly produced by immediate labour, as in the first case; or wholly by equal quantities of immediate labour and of capital, as in the second; or wholly by fixed capital, as in the third,—are partly produced in the one mode, and partly in the other; and let us see what effect an increase of 5 per cent. in the rate of wages would have on their values, supposing, as before, that the productiveness of industry continues constant. To facilitate this inquiry, let us distinguish these three descriptions of commodities by the Nos. 1, 2, and 3. Now, it is evident that the rise of wages has affected No. 1  $2\frac{1}{2}$  per cent. more than it has affected No. 2, and 5 per cent. more than it has affected No. 3. No. 1 must, therefore, as compared with No. 2, have risen  $2\frac{1}{2}$  per cent. in exchangeable value, and as compared with No. 3, it must have risen 5 per cent.; No. 2 must have fallen  $2\frac{1}{2}$  per cent. as compared with No. 1, and risen  $2\frac{1}{2}$  per cent. as compared with No. 3; and No. 3 must have fallen 5 per cent. as compared with No. 1, and  $2\frac{1}{2}$  per cent. as compared with No. 2. If wages, instead of rising, had fallen, the same effects would obviously have been produced, but in a reversed order. The proprietors of the commodities of

the class No. 1 would gain 5 per cent. by the fall; those of No. 2 would gain  $2\frac{1}{2}$  per cent.; and those of No. 3 nothing; and the marketable values of these commodities would be adjusted accordingly.<sup>1</sup>

Thus, then, it appears, inasmuch as any commodity taken for a standard by which to estimate the values of other commodities must itself be produced by capital returnable in a certain period, that when wages rise, the commodities produced by *less* durable capitals than that which produces the commodity taken for a standard will rise in value, while those produced by *more* durable capitals will fall; and conversely when wages are reduced. Suppose, as before, that the Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, and 11, represent capitals of corresponding degrees of durability. If a commodity produced by the least durable capital, No. 1, which may be supposed to be wholly employed in the payment of wages, be taken for a standard, all commodities produced by the other and more durable capitals, would *fall* in value when wages rose; and if we suppose those produced by No. 2 to decline 1 per cent., those produced by No. 3 would decline 2 per cent., those produced by No. 4, 3 per cent., and so on until we arrive at No. 11, which will have fallen 10 per cent. If, on the other hand, a commodity, produced by the most durable capital, No. 11, and which may be supposed to consist wholly of highly durable machinery, be made the standard, when wages rise, all the commodities produced by the other less durable capitals would also rise; and if those produced by No. 10, rose 1 per cent., those produced by No. 9 would rise 2 per cent., and those produced by No. 1, 10 per cent. If a commodity, produced by a capital of the *medium* degree of durability, as No. 6, and which may be supposed to consist half of circulating capital employed in the payment of wages, and half of fixed capital or machinery, be taken as a standard,

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<sup>1</sup> These examples are substantially the same with those given by Mr. James Mill—"Elements of Political Economy," 2d edit. p. 103.

the commodities produced by the less durable capitals, Nos. 5, 4, 3, 2, and 1, will *rise* with a rise of wages, on the former hypothesis, the first, or No. 5, 1 per cent., the second, or No. 4, 2 per cent., &c. ; while those produced by the more durable capitals, Nos. 7, 8, 9, 10, and 11, will *fall*, the first, or No. 7, 1 per cent., the second, or No. 8, 2 per cent., &c., exactly the reverse of the other.

But it is to be observed, that these conclusions are all strictly theoretical, and are intended merely to illustrate principles. The varieties of capital employed in the production of commodities differ in every possible way, and are perpetually changing. But supposing that some general conclusion could be come to, or that allowance were made for the influence of disturbing causes, it would be found, speaking generally, that when wages rose, those commodities that are produced by less durable capitals than the commodity selected to serve as a standard, would rise in value, while those produced by more durable capitals would fall. And as money, which is all but universally taken as a standard by which to estimate prices, is usually produced by capitals of about the medium degree of durability, it follows that the influence of variations of wages on prices, will, on the whole, be confined within very narrow limits, the rise in those mainly produced by hand labour being balanced by the fall in those principally produced by machinery. And this is the case with the bulk of commodities.

In thus endeavouring to trace the value of all descriptions of non-monopolised commodities to the quantity of labour required for their production, it is not meant to deny that a very large portion of the useful or desirable qualities of such commodities may be, and, in fact, always is, the result of the action or influence of natural agents. But it is, as was formerly stated, the peculiar and distinguishing feature of natural agents, or powers, that they render their services

gratuitously. And hence, though their assistance and co-operation be necessary to the production of every variety of articles for which there is a demand, they add nothing to their value. This is a quality that can be communicated only by the labour of man, or by means of the capital that has been appropriated or accumulated by his labour. In estimating the value of a quantity of corn, for example, we include only the labour of the work-people employed, as ploughmen, reapers, thrashers, &c., with the corn used as seed, and the services rendered by the horses and instruments made use of in the different operations. Nothing is set down to account of the vegetative powers of nature, and the influences of the sun and showers; for though without them the crop could not be obtained, and our utmost exertions would be altogether fruitless, yet, as they are the free gift of Providence, they add nothing to the cost or value of the produce, or to its power of exchanging for or buying labour, or other things produced by the intervention of labour.

And such is uniformly the case. ~ When corn is ground, or flax or cotton is spun, or anchors or cannon are forged, by the aid of wind or water-mills or steam-engines, the action of the wind and water, and the expansive force of the steam, though powerful and most efficient, is entirely ignored in estimating the value of the work that has been performed. And hence it is that the value of all industrial results, how much soever they may owe to natural powers, is in no degree dependent on them; but wholly depends on the labour and capital necessarily expended or employed in bringing them about.

It may be thought, perhaps, that this conclusion is at variance with what is observed to take place in the production of certain descriptions of commodities. Thus, if a cask of new wine be kept for a definite period, or till it arrive at maturity, it will acquire a higher value; now, as the change produced in the wine is entirely brought about by the operation of natural agents, and as, without the change, the wine would

have no higher value, it has been contended that this is a case in which the labour of natural agents is plainly productive of an increased value. But it is easy to see that this is a mistake. The cask of wine is a capital, or is the result or embodiment of the labour employed in cultivating, gathering, pressing, and otherwise preparing the grapes from which it has been made. But to give time for the processes of fermentation, decomposition, &c., to effect the desired changes in the wine, it is necessary that it should be laid aside until they are completed. The producer or merchant would not, however, employ capital in this way, unless it were to yield him the same return that is derived from capital employed in other businesses. And hence it follows, that though the processes carried on by nature render the wine more desirable, or bestow on it a greater degree of utility, they add nothing to its value; the additional value which it acquires being a consequence of the profit accruing on the capital required to enable the processes to be carried on.

It has sometimes been contended that, after capital has been accumulated, the value of commodities is no longer, as in the early stages of society, determined by the quantities of labour required to bring them to market, but by the quantities of capital required for that purpose. At bottom, however, this theory is but nominally different from that just explained; for capital, being merely the accumulated produce of anterior labour, its value, like that of every thing else, is estimated by the quantity of labour required for its production. In this respect, too, there is no difference, as has been already shown, between the work of labourers and that of machines. A labourer is himself a portion of the national capital, and may, without impropriety, be considered, in theoretical investigations of this sort, (which merely regard his physical, and have no reference to his mental and moral powers,) in the light of a machine which it has required a certain outlay of labour to construct; the wages which he earns are a remuneration for

his services, and, if we may so speak, yield him, at an average, only the common and ordinary rate of profit on his capital, exclusive of a sum to replace its wear and tear, or which is the same thing, to supply the place of old and decayed labourers with new ones. Whether, therefore, a commodity has been produced by the expenditure of a capital which it cost a certain quantity of labour to provide, or has been produced by the expenditure of that labour directly upon it, is of no moment : in either case, it is produced by exactly the same amount of labour, or, if it should be deemed a better phrase, of capital. In so far as their purely physical powers are concerned, and it is such only that are now in question, men are to be looked upon as capital, or are to be considered in the same point of view as the tools or engines with which they perform their tasks ; and to say that the value of commodities depends on the quantities of capital expended on their production, is not to contradict, but is, in fact, only another way of expressing the identical proposition we have been endeavouring to illustrate.

The principles previously laid down, serve to explain certain phenomena, for which it was formerly difficult to account. Thus, it was supposed that countries where wages were low, must be peculiarly well suited for the establishment and prosecution of manufactures, and that they could hardly fail to make rapid advances, compared with those established in countries where wages were high. Experience, however, has shown that such is very rarely the case, the manufactures of countries with high wages having frequently continued to maintain for indefinite periods a decided ascendancy over those where wages have been comparatively reduced. And we have seen how this is explained. In old-settled and well-peopled countries where wages are high, profits are usually low ; and wherever this is the case, all those articles that are to a considerable extent, or principally, produced by the aid of fixed



capital or machinery, are invariably cheaper than where wages are lower; while those articles that are principally produced by manual labour, or circulating capital, are invariably dear; and conversely when wages are low and profits high. And such is in fact the case. The principal articles of export from countries where industry is but little advanced or wages low, usually consist of raw products or articles principally the work of the hand, assisted by the rudest varieties of machinery; whereas the exports of countries where industry is far advanced and wages high, consist for the most part of the products of those departments in which the most improved and powerful machinery is largely employed.

In illustration of these statements, we may refer to the cotton manufactures of India and England. In the former the wool is grown on the spot, wages are extremely low, and the natives who have been engaged in the business from the remotest ages, had attained to the greatest perfection in it, producing fabrics of the greatest beauty, and of the most admirable texture and fineness. And yet, undismayed by these circumstances, a people in the North Atlantic Ocean, with high wages, and importing the wool at a heavy expense from India itself and America, undertakes the manufacture of cotton, and succeeds, by the employment of highly perfect machinery, in producing better and cheaper cotton goods than those of India, destroying indeed the manufacture in the latter, and rendering the Hindoos their best customers. This extraordinary achievement shows what may be effected by those who have sagacity to press natural agents into their service, and how little they have to fear from the competition of such as are comparatively destitute of these all-powerful allies.

That low rate of profit which frequently obtains in old settled countries, is no doubt in various respects disadvantageous, and every effort should be made to remove or weaken the causes whence it proceeds. But whatever may be its

other effects, the high wages with which it is commonly associated have little or no influence in depressing manufactures or trade.<sup>1</sup>

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<sup>1</sup> Sir William Petty seems to have been one of the earliest writers who has distinctly stated, that the value of commodities depends on the quantities of labour required for their production. "If," says he, "a man bring to London an ounce of silver out of the earth in Peru, in the same time that he can produce a bushel of corn, the one is the natural price of the other: now if, by reason of new and more easie mines, a man can get two ounces of silver as easily as formerly he did one, then corn will be as cheap at ten shillings the bushel as it was before at five shillings, *ceteris paribus*."—*Treatise of Taxes and Contributions*, ed. 1679, p. 31. At page 24 he says, "Let a hundred men work ten years upon corn, and the same number of men the same time upon silver; I say that the neat proceed of the silver is the price of the whole neat proceed of the corn, and like parts of the one the price of like parts of the other:" and at page 67 he says, "Corn will be twice as dear when there are two hundred husbandmen to do the same work which a hundred could perform." These passages are interesting, as exhibiting the germs of the theory which Ricardo did so much to perfect.

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# PRINCIPLES

OF

## POLITICAL ECONOMY.

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### PART III.

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#### DISTRIBUTION OF WEALTH.

THE inhabitants of countries which have made any considerable progress in civilisation and the arts, may be divided into the *three* classes of labourers, landlords, and capitalists; and whatever be the condition of any society—whether rude or refined, rich or poor—every person belonging to it, who is not a pauper, or does not subsist on the bounty of others, may be reckoned in one or other of these classes. They divide amongst them all the wealth of the community. Public functionaries of all sorts, and the various individuals engaged in what are called liberal or learned professions, exchange their services for valuable considerations. The whole subsistence of such persons, so far as they depend upon their employments, is derived from wages; and they are as evidently labourers as if they handled a spade or held a plough. “Every man,” says Paley, “has his work. The kind of work varies, and that is all the difference there is. A great deal of labour exists besides

that of the hands ; many species of industry besides bodily operation—equally necessary, requiring equal assiduity, more attention, more anxiety. It is not true, therefore, that men of elevated stations are exempted from work ; it is only true that there is assigned to them work of a different kind : whether more easy or more pleasant may be questioned ; but certainly not less wanted, nor less essential to the common good.”<sup>1</sup> Hence it is that the inquiry into the distribution of wealth among the different orders of the society, resolves itself into an investigation of the laws which regulate wages, rent, and profit, and of the best methods of providing for the exigencies of the poor, or of those who are unable to provide for themselves. We shall begin by endeavouring to lay before the reader a view of the circumstances which determine the wages of labour in different employments.

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<sup>1</sup> “ Assize Sermon,” 29th July 1795.

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## CHAPTER I.

*Wages in the different Departments of Industry—Causes of their Apparent Discrepancy—Really approach very near to Equality.*

THE wages paid to the labourers engaged in different employments differ so very widely, that, at first sight, it may seem to be impossible to lay down any principles that should be applicable to them all. Such, however, is not the case. The differences in question are apparent rather than real; and when the various favourable and unfavourable circumstances connected with different employments are taken into account, it will be found that the wages or earnings of those engaged in them are very nearly the same.

If all employments were equally agreeable and healthy; if the labour to be performed in each was of the same intensity; and if each required the same degree of dexterity and skill on the part of those employed, it is evident, supposing industry to be unfettered, that there could be no permanent or considerable difference in the wages of labour. For if those employed in a particular business were to earn either *more or less* than their neighbours, labourers would, in the former case, leave other businesses to engage in it; and in the latter they would leave it to engage in others, until the increase or diminution of their numbers had lowered or elevated wages to the common level. In point of fact, however, the intensity of the labour to be performed in different employments, the degree of skill required to carry them on, their healthiness, and the estimation in which they are held, differ exceedingly; and these varying circumstances necessarily occasion proportional differences in the wages of the workmen engaged in them. Wages are the price paid

for the exertion of the physical powers, skill, and ingenuity of the labourer. They, therefore, necessarily vary according to the severity of the labour, and the degree of skill and ingenuity required. A jeweller or engraver, for example, must be paid higher wages than a common farm-servant or scavenger; for, a long course of training being necessary to instruct a man in the art of jewelling and engraving, were he not indemnified for its cost by a higher rate of wages, others, instead of learning so difficult an art, would addict themselves, in preference, to such employments as hardly require any instruction. Hence, the discrepancies that actually obtain in the rate of wages are confined within certain limits—increasing or diminishing it only so far as may be necessary fully to countervail the unfavourable or favourable peculiarities attending different employments.

The following, according to Adam Smith, are the principal circumstances which make the rate of wages in some employments fall below or rise above the *medium* or *average* rate of wages:—

1st, The agreeableness or disagreeableness of the employments:

2d, The facility and cheapness, or the difficulty and expense, of learning them:

3d, The constancy or inconstancy of the employments:

4th, The small or great trust that must be reposed in those who carry them on:

5th, The probability or improbability of succeeding in them.

*First*, The agreeableness of an employment may arise either from physical or moral causes—from the lightness of the labour, its healthiness or cleanliness, the degree of estimation in which it is held, &c.; and its disagreeableness from the opposite circumstances—that is, from the severity of the labour, its unhealthiness or dirtiness, the degree of odium attached to it, &c. The rate of wages must obviously vary

## WAGES IN DIFFERENT EMPLOYMENTS.

with the variations of those circumstances which exert so powerful an influence over the labourer. It is out of the question to suppose, that any individual should be so blind to his own interest, as to engage in an occupation considered as mean and disreputable, or where the labour is severe, if he obtain only the same wages he may get by engaging in employments in higher estimation, and where the work is comparatively light. The labour of the ploughman is not unhealthy, nor is it either irksome or disagreeable; but being more severe, and requiring greater skill than that of the shepherd, it is uniformly better rewarded. The same principle holds universally. Miners, gilders, typefounders, smiths, distillers, and all who carry on unhealthy, disagreeable, and dangerous businesses, invariably obtain higher wages than those who, with equal skill, are engaged in more desirable employments. The unfavourable opinion entertained respecting certain businesses operates on wages as if the labour to be performed in them were unusually unhealthy or severe. The trade of a butcher, for example, is generally looked upon as low and discreditable; and this feeling occasions such a disinclination on the part of young men to enter it, as can only be overcome by the high wages that butchers are said to earn, notwithstanding the lightness of their labour: this, also, is the reason that the keeper of a small inn or tavern, who is never master of his own house, and who is exposed to the brutality of every drunkard, exercises one of the most profitable of the common trades. The contrary circumstances have contrary effects. Hunting and fishing form, in an advanced state of society, among the most agreeable amusements of the rich; but from their being held in this degree of estimation, and from the lightness of their labour, those who practise, them as a trade generally receive very small wages, and are proverbially poor; and the agreeableness and healthiness of the employments, rather than the lightness of their labour, or the little skill which they require, seem to be the principal cause of the redundant numbers, and consequent low wages

of common farm-servants, and generally of all workmen employed in ordinary field labour.

The severe discipline and various hardships to which common soldiers are exposed, and the little chance they have of arriving at a higher station, are unfavourable circumstances, which, it might be supposed, could only be counterbalanced by a high rate of wages. It is found, however, that there are few common trades in which labourers can be procured for such low wages as those for which recruits are willing to enlist in the army. Nor is it difficult to discover the causes of this apparent anomaly. Except when actually engaged in warlike operations, a soldier is comparatively idle; while his free, dissipated, and generally adventurous life, the splendour of his uniform, the imposing spectacle of military parades and evolutions, and the martial music by which they are accompanied, exert a most seductive influence over the young and inconsiderate. The dangers and privations of campaigns are undervalued, while the chances of advancement are proportionally exaggerated in their sanguine imaginations. "Without regarding the danger," says Adam Smith, "soldiers are never obtained so easily as at the beginning of a new war; and though they have scarce any chance of preferment, they figure to themselves, in their youthful fancies, a thousand occasions of acquiring honour and distinction which never occur. These romantic hopes make the whole price of their blood. Their pay is less than that of common labourers, and in actual service their fatigues are much greater."<sup>1</sup>

It is observed by Smith, that the chances of succeeding in the sea service are greater than in the army. "The son of a creditable labourer or artificer may frequently go to sea with his father's consent; but if he enlists as a soldier, it is always without it. Other people see some chance of his making something by the one trade: nobody but himself sees any of his making any thing by the other." But the allurements to

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<sup>1</sup> "Wealth of Nations," p. 49.



enlist in the army are, notwithstanding, found to be much greater than those which prompt young men to enter the navy. The life of a sailor is, perhaps, more adventurous than that of a soldier; but he has no regular uniform, his employment is comparatively dirty and disagreeable, his labour more severe, and while at sea he suffers a species of imprisonment, and cannot, like the soldier, excite the envy of the men, or the admiration of the women where he is quartered. In consequence, the wages of seamen almost invariably exceed those of soldiers, and there is a greater difficulty of obtaining recruits at the breaking out of a war.

In England, the disadvantages and drawbacks naturally incident to a sea-faring life were formerly much increased by the practice of impressment. 'The violence and injustice to which this practice exposed sailors, tended to prevent young men from entering on board ship, and consequently contributed, by artificially lessening the supply of sailors, to raise their wages above their natural level, to the injury both of the Queen's and the merchant service. "The custom of impressment," says Mr. Richardson, "puts a free-born British sailor on the same footing as a Turkish slave. The Grand Seignior cannot do a more absolute act than to order a man to be dragged away from his family, and against his will run his head against the mouth of a cannon; and if such acts should be frequent in Turkey, upon any one set of useful men, would it not drive them away to other countries, and thin their numbers yearly? and would not the remaining few double or treble their wages? which is the case with our sailors, in time of war, to the great detriment of our commerce."<sup>1</sup>

This also was the cause that our sailors were in the habit of withdrawing in large numbers, at the breaking out of hostilities, to Holland, and, more recently, to the United States. Latterly, however, the practice of impressment has

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<sup>1</sup> "Essay on the Causes of the Decline of Foreign Trade," ed. 1756, p. 24.

fallen into desuetude; and though not formally, it may be assumed as having been virtually abolished. The facilities of deserting to America are so very great, that it would have been impossible, seeing that impressment does not exist in the United States, to have maintained it in this country.

The officers of the army and navy, and many of those functionaries who fill situations of great trust and responsibility, receive a very inadequate pecuniary remuneration. The consideration attached to such offices, and the influence they confer on their possessors, form a principal part of their salary.

*Secondly*, The wages of labour, in particular businesses, vary according to the facility with which they may be learned.

There are several sorts of labour which a man may perform without any, or with but little, previous instruction; and in which he will, consequently, gain a certain rate of wages from the moment he is employed. But, in civilised societies, there are many employments which can be carried on by those only who have been regularly instructed in them; and it is evident, that the wages of such skilled labourers should so far exceed the wages of those who are comparatively uninstructed as to afford them a sufficient compensation for the time they have lost, and the expense they have incurred, in their education. Suppose that the education of a skilled labourer—a jeweller, or engraver, for example—and his maintenance down to the period when he begins to support himself, cost 300*l.* more than is required for the maintenance of an unskilled labourer down to the same period: it is plain that, to place these individuals in the same situation, the skilled labourer should earn as much, over and above the wages earned by the one that is unskilled, as may be sufficient, not only to yield the usual rate of profit on the extra sum of 300*l.* expended on his education, but also to replace the sum itself, previously to the probable termination

of his life. If he obtain less than this, he will be underpaid, and if he obtain more he will be overpaid, and there will be an influx of new entrants into his business, until their competition has reduced wages to their proper level.

The policy of most European nations has added to the necessary cost of breeding up skilled labourers, by forcing them to serve as apprentices for a longer period than is commonly required to obtain a knowledge of the trades they mean to exercise. But as the wages of labour are always proportioned, not only to the skill and dexterity of the labourer, but also to the time he has spent, and the difficulties and expense he has had to encounter, in learning his business, it is plain that, if an individual be compelled to serve an apprenticeship of *seven* years to a business which he might have learned in two or three years, he will obtain a proportionally higher rate of wages after the expiration of his apprenticeship. The institution of unnecessarily long apprenticeships is, therefore, productive of a double mischief; it injures the employers of workmen, by artificially raising wages; and it injures the workmen from its tendency to generate idle and dissipated habits, by making them pass so large a portion of their youth without any sufficient motive to be industrious.

The common law of England authorises every man to employ himself at pleasure in any lawful trade. But this sound principle was almost entirely subverted by a statute passed, in compliance with the solicitations of the corporate bodies, in the fifth year of the reign of Queen Elizabeth, commonly called the statute of apprenticeship. It enacted that no person should, for the future, exercise any trade, craft, or mystery, at that time exercised in England or Wales, unless he had previously served to it an apprenticeship of *seven* years at least; so that what had before been a by-law of a few corporations, became the general and statute law of the kingdom. Fortunately, however, the courts were always singularly disinclined to enforce the provisions of

this statute. Though the words of the act plainly include the whole kingdom of England and Wales, it was interpreted to refer to *market towns* only, and to those trades which had been practised in England when the statute was passed, without any reference to such as had been subsequently introduced. This interpretation gave occasion to several very absurd and even ludicrous distinctions. It was adjudged, for example, that a coachmaker could neither himself make, nor employ a journeyman to make his coach wheels, but must buy them of a master wheelwright, this latter trade having been exercised in England before the 5th of Elizabeth. But a wheelwright, though he had never served an apprenticeship to a coachmaker, might either make himself, or employ journeymen to make coaches, the trade of a coachmaker not being within the statute, because not exercised in England at the time when it was passed. The absurdity of these distinctions, and the injurious operation of the statute, were long obvious; but so slow is the progress of sound legislation, and so powerful the opposition to every change affecting private interests, that its repeal did not take place till 1814. The act for this purpose did not, however, interfere with the existing rights, privileges, and by-laws of corporate bodies; but wherever these do not interpose, the conditions in apprenticeships, and their duration, have since been left to be adjusted by the parties.

*Thirdly*, The wages of labour, in different employments, vary with the constancy and inconstancy of employment.

Employment is much more constant in some businesses than in others. Many trades can only be carried on in particular states of the weather and seasons of the year; and if the workmen engaged in these trades cannot easily find employment in others during the time they are thrown out of them, their wages must be proportionally augmented. A jeweller, weaver, shoemaker, or tailor, for example, may, under ordinary circumstances, reckon upon obtaining constant

employment; but masons, bricklayers, paviors, and, in general, all those workmen who carry on their business in the open air, are liable to perpetual interruptions. Their wages must, however, not only suffice for their maintenance while they are employed, but also during the time they are necessarily idle; and they should also afford them, as Smith has remarked, some compensation for those anxious and desponding moments which the thought of so precarious a situation must sometimes occasion.

This principle shows the fallacy of the opinion so generally entertained respecting the great earnings of porters, hackney-coachmen, watermen, and generally of all workmen employed only for short periods, and on particular occasions. Such persons frequently make as much in an hour or two as a regularly employed workman makes in a day; but this greater hire, during the time they are employed, is found to be only a bare compensation for the labour they perform, and for the time they are necessarily idle: instead of making money, such persons are almost invariably poorer than those engaged in more constant occupations.

The interruption to employments occasioned by the celebration of holidays, has a similar effect on wages. There are countries in which the holidays, including Sundays, amount to about half the year; and the necessary wages of labour should there be about double what they would be were these holidays abolished.

*Fourthly*, The wages of labour vary according to the small or great trust which must be reposed in the workmen.

“The wages of goldsmiths and jewellers are every where superior to those of many other workmen, not only of equal, but of much superior ingenuity, on account of the precious materials with which they are intrusted.

“We trust our health to the physician; our fortune, and sometimes our life and reputation, to the lawyer and attorney. Such confidence could not safely be reposed in people of a

very mean or low condition. Their reward must be such, therefore, as may give them that rank in society which so important a trust requires. The long time and the great expense which must be laid out in their education, when combined with this circumstance, necessarily enhance still further the price of their labour.”<sup>1</sup>

*Fifthly*, The wages of labour in different employments vary according to the probability or improbability of success in them.

This cause of variation chiefly affects the wages of the higher class of labourers, or of those who practise what are usually denominated liberal professions.

If a young man be bound apprentice to a shoemaker or a tailor, there is hardly any doubt he will attain to an ordinary degree of proficiency and expertness in his business, and that he will be able to live by it. But if he be bound apprentice to a barrister, a painter, a sculptor, or a player, there are five chances to one against his ever attaining to such a degree of proficiency in any of these callings as will enable him to subsist on his earnings. But in professions where many fail for one who succeeds, the fortunate one should not only gain such a rate of wages as may indemnify him for the expenses incurred in his education, but also for all that has been expended on the education of his unsuccessful competitors. It is abundantly certain, however, that the wages of lawyers, players, sculptors, &c., taken in the aggregate, never amount to so large a sum. The lottery of the law and other liberal professions has many great prizes; but there is, notwithstanding, a large excess of blanks. “Compute,” says Adam Smith, “in any particular place, what is likely to be annually gained, and what is likely to be annually spent, by all the different workmen in any common trade, such as that of shoemakers or weavers, and you will find that the former

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<sup>1</sup> “Wealth of Nations,” p. 47.

sum will generally exceed the latter. But make the same computation with regard to all the counsellors and students of law, in all the different inns of court, and you will find that their annual gains bear but a very small proportion to their annual expense, even though you rate the former as high, and the latter as low as can well be done. The lottery of the law, therefore, is very far from being a perfectly fair lottery; and that, as well as many other liberal and honourable professions, is, in point of pecuniary gains, evidently under-compensated."

But the love of that wealth, power, and consideration, which most commonly attend superior excellence in any of the liberal professions, and the overweening confidence placed by each individual in his own good fortune, are sufficient to overbalance all the disadvantages and drawbacks that attend them, and never fail of crowding their ranks with all the most generous and aspiring spirits.

The pecuniary wages or earnings of scientific and literary men are, with a few rare exceptions, very inconsiderable. This arises from a variety of causes; but principally, perhaps, from the indestructibility, if we may so term it, and rapid circulation of their works and inventions. The cloth of the manufacturer, and the corn of the agriculturist, are speedily consumed, and there is a continued demand for fresh supplies of the same articles. Such, however, is not the case with new inventions, new theories, or new literary works. They may be universally made use of, but they cannot be consumed. The moment that the invention of logarithms, the mode of spinning by rollers, and the discovery of the cow-pox, had been published, they were rendered imperishable, and every one was in a condition to profit by them. It was no longer necessary to resort to their authors. The results of their researches had become public property, had conferred new powers on every individual, and might be applied by any one. The institution of patents does not materially affect what is

now stated. That the progress of the arts may not be checked, their duration is limited to a comparatively short period. And as the invention is known in other countries to which the patent does not extend, if the discoverer were to exact a high price for the produce of his invention, it would be clandestinely imported from abroad.

The condition of purely literary men, in a pecuniary point of view, is still less to be envied. However profound and learned, if a work be not at the same time popular and pleasing, its sale will be but limited. And as principles and theories may be developed in an endless variety of ways, whatever is new and original may be appropriated by others, and served up in what may probably prove a more desirable form.

Hence, though a work should have the greatest influence over the legislation of the country, or the state of the arts, it may redound but little to the advantage of the author. A scientific work is seldom very attractive in point of style; and unless it have this recommendation, it will be read only by a few. It may have a great reputation among those capable of appreciating its merits, but it will not have a great sale. It will be bought, or rather, perhaps, borrowed and consulted by those who are anxious to profit by its statements and discussions; but the generality of readers will know it only by report. It is not, therefore, so much on the depth, originality, and importance of its views, as on the circumstance of its being agreeable to the public taste, that the success, and consequently the productiveness, of a book to the author must depend. The value of the work of a man's hands is generally proportioned to the quantity of labour expended upon it; but in works of the mind no such correspondence can be traced between the toil and the recompense. Many a middling novel has produced more money than the "Principia," or the "Wealth of Nations;" and in this respect, the "Decline and Fall of the Roman Empire" has been far inferior to the "Arabian



Nights!" Works of fancy are at once the most popular and the least easily superseded. Success in them is not, however, common; and except when it is very decided, it rarely confers much celebrity. It is fortunate, therefore, that a few individuals should be at all times captivated by the delights of study, and eager in the pursuit of learned and scientific researches for the gratification resulting from them. Had the taste for study depended only on the pecuniary emoluments which it brings along with it, it may well be doubted whether it would ever have found a single votary; and we should have been deprived, not only of very many of our most valuable and important discoveries in the arts, as well as in philosophy and legislation, but of much that refines and exalts the character, and supplies the best species of amusement.

It is unnecessary to enter upon any further details with respect to this part of our subject. It has been sufficiently proved, that the permanent differences that obtain in the wages paid to those engaged in different employments in countries where industry is perfectly unfettered, are rarely more than sufficient to balance the favourable or unfavourable circumstances attending them. When the cost of their education, the chances of their success, and the various disadvantages incident to their professions, are taken into account those who receive the highest wages are not really better paid than those who receive the lowest. The wages earned by the different classes of workmen are equal, not when each individual earns the same number of shillings, or of pence, in a given space of time, but when each is paid in proportion to the severity of the labour he has to perform, to the degree of education and skill that it requires, and to the other causes of variation already specified. So long, indeed, as the principle of competition is allowed to operate without restraint, or as individuals may employ themselves as they please, we may be assured, that the higgling of the market will adjust the rates

of wages in different employments on the principle now stated, and that they will be, all things considered, nearly equal. If wages in one employment be depressed below the common level, labourers will leave it to go to others ; and if they be raised above that level, labourers will be attracted to it from those departments where wages are lower, until their increased competition has sunk them to the average standard. A period of greater or less duration, according to the peculiar circumstances affecting each employment, is always required to bring about this equalisation. But all inquiries that have the establishment of general principles for their object, either are or should be founded on periods of average duration ; and whenever such is the case, we may always, without falling into any material error, assume that the wages earned in different employments are, all things taken into account, about equal.

It may further be observed, in reference to these principles, that wherever industry is unfettered, and knowledge generally diffused, the talents of all are turned to the best account. Indeed, it may be safely affirmed, that of the myriads of individuals engaged in industrial undertakings in Great Britain, as conductors, overseers, or workmen, the situation occupied by each is, in the vast majority of cases, that which is best suited to his capacity, and his salary or wages such as he is fairly entitled to by his services. Agriculturists, manufacturers, and merchants, whether their businesses be large or small, are always most anxious to give the greatest efficacy to their establishments ; to adapt their means properly to their ends ; and to select the parties that are, all things considered, the most suitable for their purposes. In a society like this, integrity, skill, and industry are sure to be duly prized and appreciated ; and the fund that should feed labour is never (or, if ever, only for a moment,) diverted to the support of idleness. And yet there have been, and still are, persons calling themselves social reformers and friends to the poor, who propose that this admirable system should be subverted, and a meddling despotism substituted in its stead ; that the rewards of

industry should no longer be apportioned according to the fair and equitable arrangement of the parties concerned ; but that the employment and the wages of every man should be determined by agents nominated by government for the purpose ! We should show but little respect for our readers were we to waste their time in refuting such palpable absurdities. The abuses to which the adoption of such a scheme would infallibly lead would be such that it could not be maintained for any considerable period ; if it were, it would fill the land with injustice and ruin.

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## CHAPTER II.

*Circumstances which determine the Rate of Wages.* SECTION I. MARKET OR ACTUAL WAGES—*Depend on the Proportion between Capital and Population—Identity of the interests of Capitalists and Labourers.* SECTION II. NATURAL OR NECESSARY WAGES—*Depend on the Species and Quantity of Food and other Articles consumed by the Labourer. Different in different Countries and Periods—Influence of Fluctuations of Wages on the Condition of the Labourers—Advantage of a High Rate of Wages—Disadvantage of having Labourers dependent for support on the cheapest Species of Food—Circumstances affecting the Condition of Labourers—Education—Piece-work—Limiting the Hours of Labour—High Wages not a Cause of Idleness—Comparative Cheapness of Free and Slave Labour.* SECTION III. DIFFERENCE IN THEIR INFLUENCE OVER WAGES BETWEEN A DEMAND FOR LABOUR, AND A DEMAND FOR ITS PRODUCTS.

IT has just been seen that the wages earned by the labourers engaged in different employments may, when all things are taken into account, be considered about equal; and therefore, without regarding the difference that actually exists in the amount of money, or of commodities, earned by different sets of workmen, and supposing that the wages of all sorts of labour are reduced to the same common rate, we shall now endeavour to discover the principles which determine that common or average rate.

This inquiry, which, as it relates to the means of subsistence of the largest and not least valuable portion of society, is practically one of the most important in the science, will be facilitated by dividing it into three branches; the object in the *first* being to discover the circumstances which determine the *market* or *actual* rate of wages at any given moment; in the *second*, to discover the circumstances which determine the *natural* or *necessary* rate of wages, or

the wages required to enable the labourer to subsist and continue his race ; and in the *third*, to ascertain the difference between a demand for labour and for its products.

SECT. I.—CIRCUMSTANCES WHICH DETERMINE THE MARKET OR ACTUAL RATE OF WAGES.

The capacity of a country to support and employ labourers is not measured by advantageousness of situation, richness of soil, or extent of territory. These, undoubtedly, are circumstances of very great importance, and have a powerful influence over the rate at which a people advances, or may advance, in refinement and civilisation. But it is not on them, but on the amount of its capital applicable to the employment of labour, and on the disposition of the owners of capital so to apply it, that the capacity of a country to support work-people at any given period, and the amount of their wages, wholly depend. A fertile soil may be made to add rapidly to the means of subsistence ; but that is all. Before it can be cultivated, capital must be provided for the support of the labourers employed upon it, as it must be provided for the support of those engaged in manufactures, or other departments of industry.

It is further evident, that the quantity of produce apportioned to each labourer, or his wages rated in commodities, is determined by the ratio which the capital of the country bears to its labouring population. When, on the one hand, capital is increased without an equivalent increase of population, the portions of it that go to individuals, or their wages, are necessarily augmented ; and when, on the other hand, population happens to increase more rapidly than capital, the latter having to be distributed among a greater number of persons, their wages or shares are proportionally reduced.

To illustrate this, let it be supposed that the capital of a country appropriated to the payment of wages, would, if

reduced to the standard of wheat, be equivalent to 10,000,000 quarters, and that it has 2,000,000 labourers: it is evident in such case that the yearly wages of each, reducing them all to the same common standard, would be *five* quarters; and it is further evident that this rate of wages could not be increased, unless the amount of capital were increased in a greater proportion than the number of labourers, or the number of labourers diminished more than the amount of capital. So long as capital and population march abreast, or increase or diminish in the same proportion, so long must the rate of wages, and, consequently, the condition of the labourers, continue unaffected; and it is only when the proportion of capital to population varies, by its being either increased or diminished, that wages sustain a corresponding advance or diminution. The well-being of the labouring classes is, therefore, especially dependent on the relation which they bear to capital. If they increase faster than it, their condition is deteriorated; and if they increase more slowly, it is improved. This oscillation determines "their weal and their woe." There are no means by which the command of labourers over necessities and conveniences can be enlarged, other than by accelerating the increase of capital as compared with population, or by retarding the increase of population as compared with capital; and we may be assured that every scheme for improving their condition which is not bottomed on this principle, or which has not an increase of the ratio of capital to population for its object, must be nugatory and ineffectual.

And yet it has been said, that an increase of capital may be hostile to the working classes, and that their interests and those of the capitalists may be, and in fact are, frequently opposed. But there is no real room or ground for any such statement. Labour and capital are alike dependent upon, and necessary to each other: without the former the latter cannot exist, and without the latter the

former would be valueless. The notion that an increase of machinery, food, and clothing, (for of such articles does capital consist,) can be injurious to the labourer, is too plainly contradictory and absurd to be entitled to any notice. The truth is, that whatever tends to promote accumulation, to increase the desire for and the means of amassing additional wealth, and to give confidence and security to its possessors, contributes in the most effectual manner to advance the interests of the labourers. A capitalist cannot increase his own stock without, at the same time, and to the same extent, increasing the wealth, or the means of subsistence, of the working classes. Hoarding is no longer practised in any country in which property is protected. Wherever this is the case, all savings go to swell, directly or indirectly, the amount of the fund for the employment of labour. Industry is benefited in the same way, though not to the same extent, by the thrift of the poor widow, the savings of the retail-tradesman, and the successful enterprises of the manufacturer and merchant. An increase of capital is but another name for an increased demand for labour; and it is the only way in which it can be really and permanently increased.

But, supposing this to be admitted, it will perhaps be alleged that capitalists endeavour to reduce wages to the lowest possible limits; that, being able to stop their works for a time, they have a great advantage in the deadly struggle which they are always carrying on against the labourers, who can rarely afford to be idle—at least for any considerable period—and that, consequently, the latter are too often reduced to a state bordering on helotism and wretchedness. While, however, we admit that the condition of the labouring class is not such as it were desirable it should be, and that they have not reaped the advantages which it might have been expected they would have derived, from the extraordinary progress in arts and industry since the peace of 1815, we deny that that is in any degree owing to the efforts of the capitalists to reduce wages. These efforts hinder the work-

people engaged in given employments from receiving larger wages, all things considered, than those engaged in other employments—but that is their entire effect. A capitalist has a certain sum of money to expend on wages; and it is, of course, his object to get the largest possible amount of labour in exchange. But thousands of other capitalists are in the same situation; all of them are employers of labour, and have certain sums to expend upon it. Inasmuch, however, as the supply of labour in the market is limited, wages cannot be artificially reduced. All the capital is sure, through the higgling of the market, to be equitably divided among all the labourers; and with every increase of the former, as compared with the latter, wages will necessarily rise.

Suppose that the stock of any single capitalist, or of a number of capitalists, is increased—that increased amount is of no value till it has been made available in the employment of additional labour. And how is that to be effected? Plainly by its owner or owners offering such an increased rate of wages as may suffice to draw the required supply of labour from other employments. But the amount of the labour engaged in the various departments of industry being limited to that which is necessary to carry them on, a heavy loss would be entailed on their undertakers were the numbers of their work-people materially diminished; and, to avert this result, they would, under the supposed circumstances, offer them higher wages. It is idle, therefore, to suppose that the efforts of capitalists to cheapen labour can have the smallest influence over its medium price. The customers of bakers, butchers, grocers, and other tradesmen, are all most anxious to cheapen the articles they buy of them. But every one knows that this anxiety has no effect, save only to keep the prices of different tradesmen at or about, all things considered, the same level; and that the prices of the articles in which they deal depend on wholly different principles. And such, also, is the case with the price of labour. It depends on the



number of labourers seeking employment, compared with the capital or fund which is to pay their wages, and is independent alike of the schemes and combinations of the buyers, and of those of the sellers.

It may, probably, be said, that an increase of capital is not always synonymous with an increase of the means of employing labour; and that, on the contrary, it may consist of machines, by the introduction of which labour may be superseded. But it is unnecessary again to repeat what we have previously stated, perhaps at too great length, in regard to the employment of machinery, (see *ante*, p.p. 142-164). Here it is enough to observe, that its introduction and improvement is in every case advantageous to the labouring classes; that it uniformly increases the aggregate demand of the society for labour and the rate of wages; and that, while it does this, it reduces the cost and price of commodities, and makes indefinite additions to the wealth, comforts, and enjoyments of all ranks and orders of the community.

The wages of labourers being most commonly paid and estimated in money, it may be thought that they will depend more on the amount of money in circulation than on the amount of capital. It is, however, nearly indifferent to the labourer whether the sum of money he receives as wages be great or small. He always receives such a sum as suffices to put him in possession of the portion of capital or produce falling to his share. Men cannot subsist on coin or paper. Labourers whose wages are paid in money, immediately exchange it for necessaries and conveniences; and it is by the quantity of these, and not of the money paid them, that their wages are to be measured. If the money in Great Britain were reduced a half, the rate of wages, estimated in money, would decline in the same proportion; but unless some change were, at the same time, made in the magnitude of that portion of our capital which consists of food, clothes, and other articles consumed by the labourer, he would continue in substantially the same situation. He would carry fewer pieces of gold and

silver to market; but these would exchange for the same quantity of commodities as previously.

Whatever, therefore, may be the rate of money wages—whether they fall to 1s. or rise to 5s. a-day—if capital and population continue the same, or increase or diminish in the same proportion, no real variation will take place in the amount of wages estimated in produce. These never really rise unless the proportion of capital to population be enlarged; and they never really fall unless that proportion be diminished.

The influence of the varying ratios of the increase of capital and population over the lower classes, may be strikingly exemplified by comparing the increase and condition of the people of Great Britain with the increase and condition of the people of Ireland. There can be no doubt that the capital of Ireland increased considerably during the century ending with 1831: though no one, in any degree acquainted with the circumstances, has ever pretended that this increase amounted to a *half*, or even to a *third* part of the corresponding increase of capital in England and Scotland during the same period. But notwithstanding this difference in the increase of their means of supporting inhabitants, the population of Ireland increased, during the century in question, nearly *twice* as fast as that of Great Britain. According to the tables given in the Parliamentary Returns, the population of this part of the empire amounted, in 1731, to about 7,000,000, and in 1831 it amounted to 16,539,318, having increased  $2\frac{1}{2}$  times in the course of the century; while it appears, from the same returns, that the population of Ireland, whose capital had increased so very slowly, amounted to little more than *two* millions in 1731, and to 7,767,401 in 1831; having nearly *quadrupled* in the same time that the population of Britain had little more than doubled. In 1841 the population of Ireland had increased to 8,175,124.

Without entering upon any lengthened inquiries respecting the causes of this difference, it may be observed that, on the

first introduction of the potato into Ireland, in 1610, the peasantry, then very much degraded, and without any elevated notions of what was necessary for comfort or subsistence, eagerly resorted to so cheap a species of food; and, owing to their habitual improvidence, and to the unfortunate circumstances under which they have since been placed, they have never endeavoured to attain to anything higher. Provided they have had sufficient supplies of potatoes, they have been content to vegetate, for they can hardly be said to live, in rags and wretchedness. But whatever may have been the causes which occasioned the disparity in the increase of population in Great Britain and Ireland, as compared with the increase of their capitals, there cannot, we believe, be the shadow of a doubt that its excessive augmentation in the latter was the immediate cause of the limited demand for labour in that country, and of the misery and extreme poverty of the people. The number of persons soliciting employment, contrasted with the means of employing them, was so very great, that wages were reduced to the lowest pittance that would afford a scanty supply of the coarsest and cheapest variety of food capable of supporting human life. The condition of the peasantry was in the last degree wretched. Their cabins, which were of the most miserable description, were mostly unprovided with anything that could be called furniture; many families had no such things as bed-clothes; in some instances, the children had not a single rag to cover their nakedness; the corn which they may have grown, and their pigs, always went to the owners of the soil, as rent: so that whenever the potato crop was even in a slight degree deficient, the scourge of famine and disease was felt in every corner of the island.

This state of things, which had continued for a lengthened period, and had in 1741, 1817, and 1821 overspread the whole island with misery and famine, at length attracted the serious attention of the Legislature, and various efforts were made to prevent that sub-division of the land which was one

of its most powerful causes. They, however, were not very successful, and the evil went on increasing until it was arrested in 1846-47 by the failure of the potato crop. That event produced an unparalleled degree of distress. The food of fully two-thirds of the population suddenly failed; and that food having been the cheapest used in Europe, and the wages of the labouring poor having been accommodated to the low rates required to enable them to obtain supplies of it, they could neither fill its place, when it ceased to be supplied by resorting to cheaper varieties, nor afford to buy those that were more expensive. It is also to be observed that when this failure of the potato took place, it was not in excess anywhere else; and even had such been the case, the cost of conveying so heavy and bulky an article from a foreign country to Ireland, would have added so greatly to its price, as to place it beyond the means of the peasantry. In this emergency it was impossible to estimate how far the ravages of famine and disease might have extended, had not the Government and people of Great Britain made the greatest exertions, by furnishing supplies of Indian corn and other grain, to compensate for the failure of the potato. But however great, even these efforts were inadequate fully to meet the evil, so that considerable numbers of the population suffered the extremity of want, while many more fell a sacrifice to diseases originating in the deficiency and bad quality of their food.

This tremendous visitation having awakened the attention of the peasantry to their perilous situation, an immense emigration began soon after to take place; and this exodus being well fitted to promote the interests of the principal landlords, it has been largely promoted by the bounties of some, and the evictions of others. Hence there has been an extraordinary falling off in the population since 1841, the census of 1851 giving a return of only 6,551,970, and that of 1861 of 5,792,055 souls. And the emigration is still going on. Apprehensions have indeed been expressed in various

quarters of its being carried to excess ; but of this there is not the smallest chance. Ireland is not a country that has any facilities for the successful prosecution of manufactures, and her climate is too moist for the advantageous raising of corn. But she is admirably fitted for a grazing country, and her population is still far in excess of what would be required for the carrying on of that branch of industry. Whenever wages rise to a reasonable height, emigration will cease, and its continuance till then will be advantageous.

It is obvious from these statements, that that degraded state of the Irish peasantry, from which they have only begun of late to escape, is a necessary consequence of their increasing more rapidly than the capital that was to feed and employ them, or than the effectual demand for their services. And such will most likely be the case wherever there is a low standard of comfort, and little prudence or forethought exercised in the formation of matrimonial connexions.

#### SECT. II.—CIRCUMSTANCES WHICH DETERMINE THE NATURAL OR NECESSARY RATE OF WAGES.

Though there are, strictly speaking, no limits to a rise of wages, there are limits, however difficult it may be to specify them, to the extent to which they may be reduced. The cost of producing labour, like that of every thing else, must be paid by the purchasers. The race of labourers would become extinct were they not supplied with the food and other articles sufficient, at least, for their support and that of their families. This is the lowest limit to which the rate of wages can be permanently reduced ; and for this reason it has been called the *natural or necessary rate of wages*. The market, or actual rate of wages, may sink to the level of this rate ; but it cannot continue permanently below it. It is not, as already seen, on the money received by the labourer, but on the food and other articles which that money will buy, that

his ability to maintain himself, and rear children, must depend. Hence the natural or necessary rate of wages is determined by the cost of the food, clothes, fuel, &c., required for the use and accommodation of labourers.<sup>1</sup> And though a rise in the market or current rate of wages be seldom exactly coincident with a rise in the price of necessities, they can never, except when the market rate of wages greatly exceeds the natural or necessary rate, be far separated.

In considering how variations in the rate of wages affect the labourers, it should be stated whether they are rated by the day, week, or other portion of time, or by the piece. In this country they are partly rated in the one way, and partly in the other. And though, from household servants being mostly paid by time, the generality of persons are most familiar with wages so rated, it may be doubted whether the sums paid on their account greatly exceed those paid to labourers by the job or piece. This distinction has been too little attended to; and it may appear immaterial to a careless observer whether work-people are hired in the one way or the other. But a little consideration will suffice to show that this is far from being the case, and that it is indispensable, in reasoning upon such matters, that the distinction in question should be kept steadily in view.

This, however, is not the only distinction to be attended to in these discussions. It is further indispensable, if we would form accurate conclusions respecting the influence of a rise or fall of wages on work-people, to ascertain whether they (however hired) live in the houses of their employers, or in

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<sup>1</sup> "L'ouvrier mineur en Saxe reçoit 10 sols par jour de salaire, tandis que l'ouvrier employé au même genre de travail dans la province de Choco au Pérou reçoit en argent six à sept fois plus. Mais ce dernier paie aussi six à sept plus cher le pain dont il se nourrit, parceque le farine des Etats-Unis y est transportée à dos de mulet à une longue distance des côtes, par des routes montueuses et difficiles. Ce que le maître doit fournir à l'ouvrier c'est la subsistance, et l'argent donné ne peut jamais être que la représentation de cette subsistance."—GARNIER, *Richesse des Nations*, tom. v. p. 351.

lodgings on their own account. It is evident that an increase of the price of the articles consumed by domestic servants does not fall directly on them, but on their masters. Such increase may, no doubt, if it be carried beyond certain limits, make fewer servants be employed; but, except in so far as it may operate in this way, it is wholly borne by those with whom they live. Hence the importance of distinguishing in these investigations between such servants, and labourers who live in cottages or lodgings of their own. The class of domestic servants in England and other advanced countries is very large indeed. And it is apparent, from what has now been stated, that a corresponding share of the taxes laid upon the tea, sugar, beer, and other articles consumed by the lower classes, is neither assessed upon nor paid by them, and in most cases hardly even affects them indirectly.

The opinion of those who contend that the rate of wages does not depend on the cost of the articles consumed by the labourers, but on their number compared with the demand for their services, has obviously originated in such persons confounding the principles which determine the market rate of wages at given periods, with those which determine their natural or necessary rate. No proposition can be better established than that the rate of wages, at any given moment, is determined by the proportion between capital and population. But in every inquiry of this nature, we should refer not only to particular points of time, but also to periods of some considerable duration, and if we do this, it will be immediately seen that the customary rate of wages does not depend wholly on this proportion. It must be such as will suffice to maintain and bring up labourers, that is, if we may so speak, to pay the cost of their production. From whatever point of the economical compass we may set out, this is the principle to which we must always come at last. This cost determines the natural or necessary rate of wages, just as it determines the natural or necessary price of commodities. However

low the demand for labour, still if the price of the articles necessary for the maintenance of the labourer be increased, the natural or necessary rate of wages must, in the end, be increased also. Let it be supposed that owing to a scarcity, the price of bread is doubled. In such a case it is plain, inasmuch as the same number of people would be seeking for employment after the rise as before—and as a rise in the price of bread, occasioned by a scarcity, could not increase the demand for labour—that wages would not be increased. The poor would, in consequence, be forced to economise; and the rise of price, how injurious soever in other respects, would be in so far advantageous, that it would immediately lessen consumption, and distribute the pressure equally over the year. But suppose that the rise, instead of being occasioned by the accidental occurrence of a scarcity, has been occasioned by an increased difficulty of production, and that it will be permanent, the question is,—will wages continue at their former elevation, or will they rise? Now, in this case it is all out certain that they will rise; but this rise will be effected very differently in the cases of labourers hired by time and by the piece. It is plain that the rise of prices will change the situation of both classes for the worse. Among those hired by the day, week, or other portion of time, and supplying themselves with subsistence, if there be any who, previously to the rise, had only enough to live upon, they will be reduced to a state bordering on destitution, and may, perhaps, have to fall back upon the poor rates. Under such circumstances, an increase of mortality will most likely take place among them; while the greater difficulty of providing subsistence will contribute to check matrimonial connections and the increase of population. For, to use the words of Paley, “the same consideration, namely, a view to their *accustomed* mode of life, which is so apparent in the superior order of the people, has no less influence upon those ranks which compose the mass of the community. The kind and quality of food and liquor, the species of habitation,



furniture and clothing, to which the common people of each country are habituated, must be attainable with ease and certainty before marriages will be sufficient to keep up the population to its just extent.”<sup>1</sup> By these means the number of labourers, and the ratio of their increase, or both, will in all probability be diminished; and this diminution will operate to raise wages. Happily, too, there are in most countries but few labourers who are unable to meet a fall of wages, either in whole or in part, by increased frugality and a more judicious outlay of their means. So that what with a slower increase of the more necessitous portion, and greater economy and foresight among the others, wages will be ultimately brought to their natural rate, that is, as Adam Smith has defined it, to such a rate as may enable them to obtain “not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without.”

But the piece-work labourers have another resource in addition to those now mentioned. If A be hired to execute a given work, by which, when using ordinary diligence, he makes 3s. or 3s. 6d. a day, he may, perhaps, be able, by using greater diligence, to make 4s. or 4s. 6d. a day; and may in this way be fully able to meet the increased burden he is called upon to sustain. It is obvious, too, that every fall of wages, however brought about, unless it be so great as to prostrate all their energies, will not merely stimulate the piece-work labourers to redouble their exertions, but will make them exert themselves to discover new and more easy methods of accomplishing their tasks, and occasion fresh displays of industry and ingenuity.

Consistently with what is now stated, those who examine the registers of births, marriages, and deaths, in large and populous cities, will find that there is invariably a diminution

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<sup>1</sup> “Moral and Political Philosophy,” book vi. cap. 11.

of the former, and an increase of the latter, whenever the price of corn, or of the principal necessities, sustains any very material advance. "It will be observed," says Milne, in his "Treatise on Annuities," in reference to the prices of wheat in England, "that any material reduction in the price of wheat is almost always accompanied by an increase both of the marriages and births, and by a decrease in the number of burials; consequently, by an increase in the excess of the births above the deaths. Also, that any material rise in the price is generally attended by a corresponding decrease in the marriages and births, and by an increase in the burials; therefore by a decrease in the excess of the births above the deaths. Thus it appears, that an increase in the quantity of food, or in the facility with which the labouring classes can obtain it, accelerates the progress of the population, both by augmenting the number of births and diminishing the rate of mortality; and that a scarcity of food retards the increase of the people, by producing in both ways opposite effects." And in proof of the correctness of this statement, Milne gives, among others to the same effect, the following account of the number of births and deaths within the London bills of mortality in 1798, 1800, and 1802 :—

	Births.	Deaths.	Price of Wheat.
1798	19,581	20,755	£2 10 3 per qr.
1802	21,308	20,260	3 7 5 „
Medium of these two years, .	20,445	20,508	2 18 10 „
1800	18,275	25,670	5 13 7 „
Differences, . .	2,170	5,162	2 14 9 „
	Decrease.	Increase.	Increase. <sup>1</sup>

The reports of the Registrar-General abound in similar instances; and they are found wherever authentic accounts of births, deaths, and prices, have been kept for a few years together.

<sup>1</sup> Milne on Annuities, vol. ii. p. 402.

And yet it has been alleged, in contradiction of what has previously been stated, that there is no such connexion between wages and the price of necessaries as has been supposed; and that, so far from their varying in the same way, wages are generally found to be lowest in years of scarcity, or when the price of corn is highest. But it is not difficult to explain the causes of this apparent anomaly. The truth is, that the number of labourers, which is in no case immediately reduced, is, in most cases, immediately increased by a rise of prices. In dear years, an increased number of females, and of such poor children of both sexes as are fit to work, are obliged to quit their homes to engage in some sort of employment; while the labourers who work by the piece, endeavour, by increasing the quantity of their work, to obtain the means of purchasing a greater quantity of food. Inasmuch, therefore, as the *immediate* effect of a rise of prices is to increase the supply of labour, it is natural that it should lower wages. But it is the greatest imaginable error to suppose that, because this is the immediate, it is also the lasting effect of such rise! It is obvious, indeed, that the fall of wages, and the greater exertions which the rise of prices forces the labourers to make, must tend, as well by lessening their supplies of food as by adding to the severity of their labour, to decrease marriages and increase mortality; and thus, by diminishing their numbers, will hasten that rise of wages that is sure to take place in the end, if prices continue high.

In endeavouring to show that the market rate of wages cannot be permanently reduced below their natural or necessary rate, it is not meant to represent the latter as fixed and unvarying. If, indeed, a specified quantity of certain articles were absolutely necessary to enable labourers to subsist and continue their race, such quantity could not be diminished. But such is not the case. By the natural or necessary rate of wages, is meant only, such a supply of food and other accommodations as the custom of the country requires for the decent support of ordinary labourers. And such being the case, it is

plain there can be no exact standard of natural or necessary wages. It is impossible to say what articles are required for subsistence, inasmuch as they in great measure depend on the physical circumstances under which every people is placed, and on custom and habit. The differences of climate, for example, by giving rise to different physical wants in the inhabitants of different countries, occasion corresponding variations in the necessary rate of wages. In cold climates, where people must be warmly clad, and cottages built of solid materials and heated with fires, labourers could not subsist on the wages that suffice to supply all the wants of those who inhabit more genial climates, where clothing, lodging, and fire are of inferior importance. Humboldt mentions, that there is a difference of nearly a *third* part in the cost of maintaining individuals and consequently in necessary wages, between the hot and temperate districts of Mexico; and there is a still greater discrepancy in the rates of necessary wages in distant quarters. The food, too, of the labourers in different countries differs very widely. In some it is both expensive and abundant, compared to what it is in others. In England, for example, they principally subsist on bread and to a considerable extent on butchers' meat, in Ireland on potatoes, and in China and Hindostan on rice. In many parts of France and Spain, an allowance of wine is considered indispensable to existence; and in England, the labouring class entertain nearly the same opinion with respect to beer; whereas the Chinese and Hindoos drink nothing but water. In Ireland the peasantry live, for the most part, in mud cabins, no better than the wigwams of the American Indians, without, in many instances, either a window or a chimney; while in England the cottages of the peasantry have glass windows and chimneys, are pretty well furnished, and, though defective in various respects, are, for the most part, as much distinguished for their neatness, cleanliness, and comfort, as those of the Irish for their filth and misery. In consequence of these different habits, there is in these countries an extreme difference, not

in the rate of necessary wages merely, but in their actual or market rate—so much so, that while the average market price of a day's labour in England may be taken at from 2s. to 2s. 6d., it cannot be taken at more than 9d. or 10d. in Ireland, and 4d. in Hindostan ! The customs of the people of the same countries, and the standard by which the natural rate of wages is determined at different periods, have been equally fluctuating and various. The habits of the English and Scotch labourers of the present day differ as widely from those of their ancestors in the reigns of Elizabeth, James I., and Charles I., as they do from those of the labourers of France and Spain. The standard of necessary wages has been raised ; there has been a greater prevalence of moral restraint ; the proportion of capital to population has been increased ; and the poor have happily learned to form more elevated opinions respecting the amount and species of the necessaries and conveniences required for their subsistence.

The natural or necessary rate of wages is not, therefore, fixed and unvarying ; and though it be true that the market rate of wages can never sink for considerable periods below its contemporary necessary rate, it is no less true that the latter has a tendency to rise when the market rate rises, and to fall when it falls. The reason is, that the supply of labourers is neither speedily increased when wages rise, nor speedily diminished when they fall. When wages rise, a period of eighteen or twenty years must elapse before the influence of the increased stimulus given by the rise to the principle of population can be felt in the labour market. During all this period, therefore, work-people have an increased command over necessaries and conveniences ; their habits are improved ; and as they learn to form higher notions of what is required for their support, they exercise a greater degree of moral restraint, so that the necessary rate of wages is augmented. But, on the other hand, when wages decline, either through a diminution of the capital appropriated to their payment, or of a disproportionate increase of population,

no corresponding diminution takes place in the number of labourers, unless they have previously been subsisting on the smallest quantity of the cheapest species of food required to support mere animal existence. If the labourers have not been placed so very near the extreme limit of subsistence their numbers will not be immediately reduced when wages fall by an increase of mortality; but they will be gradually, reduced, partly, as has been already shown, in that way, and partly by a diminished number of marriages and births; and in most countries, unless the fall were both sudden and extensive, it would require some years to make the effects of increased mortality, in diminishing the supply of labour in the market, sensibly felt; while the force of habit, and the ignorance of the people with respect to the circumstances which determine wages, would prevent any effectual check being given to the formation of matrimonial connexions, and to the rate at which fresh labourers had previously been coming into market, until the misery occasioned by the restricted demand on the one hand, and the undiminished supply on the other, had been generally and widely felt.

It is this circumstance—the impossibility which usually obtains of speedily adjusting the supply of labour proportionally to variations in the rate of wages—that gives to these variations their peculiar and extraordinary influence over the well-being of the labouring classes. Were the supply of labour suddenly increased when wages rise, the rise would be of little or no advantage to the labourers. It would increase their number, but it would not enable them to mount in the scale of society, or to acquire a greater command over necessities and conveniencies; and, on the other hand, were the supply of labourers suddenly diminished when wages fall, the fall would merely lessen their number, without having any tendency to degrade the habits or to lower the condition of those that survived. But, in the vast majority of instances, before a rise of wages can be countervailed by the increased number of labourers it may be supposed to

bring into the market, time is afforded for the formation of new and improved tastes and habits. After the labourers have once acquired these tastes, population advances in a slower ratio, as compared with capital, than formerly; and the labourers are disposed rather to defer the period of marriage, than, by entering on it prematurely, to depress their own condition and that of their children. But if the number of labourers cannot be suddenly increased when wages rise, neither can it be suddenly diminished when they fall; their fall has, therefore, a precisely opposite effect, and is, in most cases, as injurious to the labourer as their rise is beneficial. In whatever way wages may be restored to their former level after they have fallen, whether it be by a decrease in the number of marriages, or an increase in the number of deaths, or both, it is never suddenly effected. It must, generally speaking, require a considerable time before it can be brought about; and, in consequence, an extreme risk arises, lest the tastes and habits of the labourers, and their opinions respecting what is necessary for their comfortable subsistence, should be lowered in the interim. When wages are considerably reduced, the poor are obliged to economise, or to submit to live on a smaller quantity of necessaries and conveniences, and those, too, of an inferior species; and the danger is, that the coarse and scanty fare which has thus been, in the first instance, forced on them by necessity, should in time become congenial from habit. Should this, unfortunately, be the case, the condition of the poor would be permanently depressed. There would be nothing left that could raise wages to their former level—for, the labourers would no longer have a motive to exercise an increased degree of moral restraint; and unless they did this, they would have but little chance of again emerging from their depressed condition. Under the circumstances supposed, the cost of raising and supporting labourers would be reduced; and it is by this cost that the natural or necessary rate of wages, to which the market rate is generally propor-

tioned, is always regulated. This lowering of the opinions of the labouring class with respect to the mode in which they should live, is perhaps the most serious of all the evils that can befall them. Let them once become contented with a lower species of food, and an inferior standard of comfort, and they may bid a long adieu to any thing better. And every reduction in the rate of wages, which is not of a very transient description, will most likely have this effect, if its debasing influence be not countervailed by an increased prevalence of moral restraint, and a diminished increase of population, or by the opening of new markets, or the discovery of new and improved processes by which the cost of necessities and conveniences may be reduced. Should any such reduction take place, the condition of the labourers may not be injuriously affected by the fall of wages; but if nothing of this kind occur, the labourers can only regain their former command over necessities and conveniences by the exercise of additional economy and forethought.

The example of such individuals, or bodies of individuals, as submit quietly to have their wages reduced, and who are content if they get only mere necessities, should never be held up for public imitation. On the contrary, every thing should be done to make such apathy be esteemed discreditable. The best interests of society require that the rate of wages should be kept at a high elevation—that a taste for comforts and enjoyments should be widely diffused, and, if possible, interwoven with national habits and prejudices. Very low wages, by rendering it impossible for increased exertions to obtain any considerable increase of advantages, tend to hinder them from being made, and are a powerful cause of that idleness and apathy that contents itself with what can barely continue animal existence.

Under such circumstances it is fortunate that in all moderately intelligent and reasonably well-governed communities, the efforts of the bulk of the people to preserve their place in society are usually sufficient or more for that purpose. In



such countries the labourers are always in the enjoyment of various conveniencies and luxuries, and when wages fall or the prices of necessaries increase, they generally contrive, partly by lessening their consumption of the least necessary articles, and partly by becoming more provident and industrious, to hinder the fall from having any permanently injurious influence over their condition, and frequently, indeed, advance themselves to a higher place in society.

It may, indeed, be said, in relation to the influences now referred to, that we exaggerate their beneficial effect. We are told that, though the more intelligent labourers may see, when they have to face privations, what is the line of conduct most for the advantage of their order, yet, that being only a small minority, they cannot but know that all which they could do would be of no moment in bringing about a general result; that if they be industrious and frugal many more will be idle and dissipated, and trust only to the workhouse; that "others will swamp the market with their children, though they live childless;"<sup>1</sup> that it is to no purpose to insist on people generally abstaining from matrimonial connexions that they may, at some future period, limit the supply of labour, and raise wages; that the wish to realize such remote and doubtful results is too visionary ever to become a principle of popular action, or, in fact, to have the slightest influence; that, though it were otherwise, no sensible effect could be produced without the co-operation of immense numbers; and that it is needless to add that combination for such a purpose is quite chimerical.

But, though plausible, these statements proceed on an entire misapprehension of the circumstances; for this happily is a case in which co-operation is as unnecessary as it would be impracticable. Every man who acts prudently and discreetly is sure to improve his own condition, irrespective altogether of the behaviour of others. He knows he is labouring for him-

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<sup>1</sup> Newman's "Lectures on Political Economy," p. 110.

self; and that he will reap all the advantage of whatever frugality, diligence, and foresight he may manifest in his calling or his behaviour. And there can be no question that this knowledge powerfully influences, or rather determines, the conduct of the great majority of all intelligent communities. "Men will not marry to sink their place or condition in society, or to forego those indulgences which their own habits, or what they observe among their equals, have rendered necessary to their satisfaction."<sup>1</sup> This principle is universally applicable. It makes marriages be deferred to a much later period in old settled countries than in colonies, and it prompts all classes to exert themselves to ward off the depressing influence of taxes on necessities, scarcities, political convulsions, and so forth, by the exercise of additional foresight, economy, and enterprise. The teaching of adverse circumstances may be quite as advantageous in politics as in morals. And what was at first supposed to threaten a decrease of wealth and enjoyments is frequently found to occasion an increase of both.

The previous statements are sufficient to show the paramount importance, with a view to the well-being of the community, of the increase of population being subordinate to that of capital. But, how desirable soever, legislation can do but little to bring about this result. When government has secured the property and the rights of individuals, and has given that freedom to industry which is so essential, it has done nearly all it can to promote the increase of capital. If it interfere in industrial undertakings, its proceedings will be productive only of injury. The reliance of individuals on their own efforts, and their desire to advance themselves, are the only principles on which any dependence can be safely placed; and it has been fully shown, in the previous parts of this work, that, except in a few peculiar cases, all interference

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<sup>1</sup> Paley's "Moral and Political Philosophy," book vi. cap. 11.

with these fundamental principles, either by government undertaking to carry on certain branches of industry, or to assist those engaged in them, must necessarily, in so far as the influence of its measures extends, weaken the industry, enterprise, and forethought of its subjects; occasioning, at one and the same time, a waste of capital and a diminution of its produce.

It is needless, therefore, to expect any advantageous results from the efforts of government directly to increase capital. It may, however, exercise a considerable indirect influence. Notwithstanding what has been done of late years to give greater scope to enterprise, by opening new channels of trade, and by relieving industry from oppressive burdens, there is still room for additional efforts of the same kind; and it may be hoped that they will be made. But supposing them to be made, and that they are completely successful, it is problematical whether the results will be of a very decided character, and whether they will have any very material influence over wages, by increasing the proportion of the national capital to the labouring classes.

But if there be but slender grounds for anticipating an improvement in the condition of the labourers, from measures having an increase of capital for their object, it may be inquired whether their improvement may not be expected from a change in their habits, and, consequently, in the progress of population?

Much has been expected in bringing about these results from the establishment of a comprehensive and well-devised system of national education. Were it brought universally, as it should be, within reach of the poor, and made a means of explaining those principles on which their well-being really depends, a good deal, though less, we fear, than is commonly supposed, would most probably be done to strengthen forethought and check improvidence. If you point out the quicksands and pitfalls that encumber a path, a greater or less number of those who pass along it will try to avoid them.

The duty of postponing marriage till the parties be in such a position that they may reasonably expect to be able to discharge the duties which they owe to their children, should be clearly set forth; and it should be shown that a man's situation is in all cases mainly dependent on his own conduct; that industry and economy may always be practised, and can never be without their reward; that the most prosperous state of things is of little service to the lazy or dissolute; whereas the laborious, provident, and frugal workman is able to avail himself of every advantageous circumstance, and to maintain a successful struggle with difficulties that would overwhelm every one else. The establishment of a system of education that should impress these doctrines on the minds of the young would, at all events, seem to be the duty of government, and is perhaps as necessary, with a view to its security, as to the welfare of the majority of its subjects.<sup>1</sup>

Wages are frequently, as already stated, paid by the piece or job—that is, by the quantity of work done. Domestic servants are usually hired in the other mode or by time; but large amounts of manufacturing, agricultural, and other labour are performed by the piece, and wherever it can be adopted, it is the preferable mode of hiring workpeople. Their strength, skill, and assiduity are widely different. When they are hired by time, it is often impracticable, and is always a difficult, troublesome, and invidious task to arrange them in classes, and adjust the wages of each according to their real deserts. And supposing them to be so adjusted, the labourer is without any sufficient motive to exert himself. The custom of most trades establishes, indeed, certain rough standards, by which the work of individuals is estimated; and those who wish to secure their continued employment, or their advancement to the grade of overseers, bailiffs, &c., endeavour to distinguish themselves by the regularity of their attendance,

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<sup>1</sup> For some further remarks on National Education, see *post*.

their efficient work, and so forth. But such persons can only hope, do what they will, to recommend themselves to others by whom their efforts may be overlooked or not properly appreciated. This, however, is never the case with piece-work labourers. They work for themselves, reap the entire advantage of increased exertion and industry, and are in great measure their own masters. Piece-work has the immense advantage of exactly apportioning the reward to the amount of labour that has been performed. It prompts workmen to put forth all their energies, and makes their own immediate interest, and not their duty to their employers, the main-spring of their exertions. Those that are laborious and skilful are no longer under-paid, as compared with those that are slothful and unskilled. The system admits of no partiality on the part of the masters, and of no pretence or shirking on the part of the employed. It is thoroughly honest and equitable. Wages under it may be low or high; but whatever may be their amount, those who execute twice the work that is executed by others, receive double wages, and so in proportion.

The stimulus which this plan of hiring gives to exertion is so very powerful, that in some cases it has been thought necessary, in the view of preventing the labourers from overworking themselves, to limit the sums which they could earn in a given time. But this ultra zeal is not manifested, except in the case of parties engaged for short periods only, or when they first begin to work under this system. Regular task-work labourers, though distinguished by their industry and perseverance, do not overwork themselves. They are also much more at liberty than those engaged for certain terms. They are, in truth, at once contractors and labourers. And provided they execute their work within the term stipulated (if such stipulation be made) they may choose their own time for working, and begin and leave off when they please.

Piece-work is also by far the most likely, if it be not the only means, by which the mere labourer can expect to advance himself to a higher station. A man undertakes to cut down

corn at so much an acre, to make roads and drains at so much a rood, to weave cloth at so much a yard, in short to execute a certain amount of work for a certain price. Sometimes he restricts his undertaking to what he thinks he can execute himself, with, perhaps, the assistance of his family. But whether he do this, or employ others (sometimes in the way of sub-contractors) to assist him, it is his object to finish his task as expeditiously as possible, and to employ his profits as a means of extending his business. In this way he gradually rises in the scale of society, till, having ceased to work with his own hands, he becomes a contractor on a large scale, or engages in some other occupation. And it is plain that the training and experience he has had, and the habits he has formed, must make him at once a vigilant and a discerning master. The foundations of thousands of middling, and of very many large fortunes, have been laid in the way now stated. It is, in truth, the broadest, easiest, and safest of the various channels by which diligent, sagacious, and frugal individuals emerge from poverty and attain to respectability and opulence. Those who thus rise to distinction may be emphatically said to be the architects of their own fortunes. They owe nothing to interest, to favour, or to any unworthy means. They stood originally on the same level with their fellow workmen, and they owe their elevation to the judicious exercise of talents common to them all.

There cannot, therefore, be any reasonable doubt that the introduction of the practice of piece-work, or of hiring by the job, has been, and that its further extension would be, a great advantage to all classes, but especially to the labourers. It appears to be the best, if not the only plan, by which a man's earnings are made to depend upon, and are exactly proportioned to his labour, skill, and ingenuity; while it has the further advantage of enabling prudent and enterprising individuals to advance themselves, by comparatively easy steps, to a superior condition, and in the end to merge the character of labourer in that of employer.

Much has of late been said in regard to the advantages that labourers have been supposed to derive from engaging in co-operative associations. This, however, being a subject that could not be conveniently discussed in treating of wages, we shall devote to it the following chapter.

The number of hours during which labourers are employed in the day is usually fixed by custom; and in countries where the term is left to be agreed upon by the parties concerned, the hours of labour may be taken, *cæteris paribus*, as a pretty fair test of the condition of the lower classes—short hours being indicative of high, and long hours of low wages. Whenever the demand for labour is brisk and increasing, the hours of work are gradually lessened; and whenever, on the contrary, the demand for labour is slack and diminishing, they are gradually lengthened; work-people endeavouring, under these circumstances, to avert the fall of wages that would otherwise take place, by undertaking to extend the term of their employment, or, which is the same thing, to give a greater quantity of work for the same amount of wages. Occasionally, however, governments have not left the hours of work to be settled by the free competition of the parties interested, but have interfered to fix a maximum limit, beyond which it should not be lawful for the individuals engaged in certain branches of industry to be employed in them. And in so far as this rule applies to children and women, the former of whom are naturally, and the latter have been rendered, through custom and the institutions of society, unable to protect themselves, it appears, when not carried to an extreme, to be alike expedient and proper. But it is otherwise when government interferes in behalf of the labourer who is *sui juris*. And where women and young persons are extensively employed, as in the cotton and other factories, a restriction on their labour may be, and in practice occasionally is, equivalent to a restriction on the entire body of labourers.

Under these circumstances, a compromise of some sort or other had better be effected; such, for example, as that carried out by the Acts 3 & 4 Will. IV. c. 103, and 7 & 8 Vict. c. 15, which, amongst other things, limited the labour of young persons under eighteen years of age, and of women, to twelve hours a-day. This arrangement seems, on the whole, to have satisfied the claims of humanity on the one hand, and to have been consistent, on the other, with the interests of the manufacturers, and the circumstances under which the labourers are placed. But we doubt whether so much can be truly said in favour of the provision of the Act 10 & 11 Vict. c. 29, limiting the working hours of women and of young persons under eighteen years of age, to ten hours a-day. Had it been practicable to confine the operation of the act to the parties now specified, we should have hesitated before we questioned its policy. But such is not, and could not be the case; and in truth it has limited the labour of all, or of almost all, the workpeople engaged in a great variety of factories, about as effectually as if a restriction had been laid on the power by which their machinery is set in motion. And we must, therefore, regard the measure not as applying to a class, but as really reducing most sorts of factory labour to ten hours a-day.

In remarking upon this important subject, it is needless to inquire whether eight, ten, or twelve hours be the more proper period during which labourers should be employed. If, however, the longer be introduced by the custom of the country, in preference to the shorter period, it is a proof that there is, if not an excess, at all events an extremely copious supply of labour; and that the labourers are, in consequence, obliged to submit to the drudgery of lengthened service.

Now, such being the case, the question is, will their condition be really improved by the legislature interfering to reduce the hours of labour? To this question an answer must, we apprehend, be given in the negative. A



deduction of a fourth, a fifth, or a sixth part from the hours of labour would no doubt be a signal boon to the labouring classes, provided no corresponding deduction were made from their wages; but, if the latter should be the case, the shortening of the hours may be not a little injurious to them. It is difficult, however, to perceive how the hours of work—of those labourers, at least, who are engaged by time and not by the piece—should be lessened by a legislative enactment, without, at the same time, and by the same act, reducing wages. It is true that, in the event of the trade and capital of the country rapidly increasing, wages might not be perceptibly affected by reducing the period of employment from 12 to 10, or even 8 hours. But if such should be the case, the increased demand for labour would, without the interference of government, have enabled the working classes, had they thought fit, to shorten the hours of labour. But in the event of a law having this object in view, not being accompanied or followed by any decided increase of trade or capital, the results would be different. In such case, capitalists would, most probably, endeavour to carry on their employments by relays of workpeople, that is, by getting one set to succeed another; and if that should be impracticable, and they should be obliged by the influence of the law to pay the wages of 12 or 11 hours' work for only 10 hours, they will, it is plain, be placed in a most unfavourable position compared with their foreign rivals engaged in the same businesses, and compared, also, with their fellow-subjects at home, whose businesses are not subject to the limitation. These, however, it is needless to say, are circumstances of grave import, and such as may endanger the loss of the branch of industry in which the limitation is enforced; and, though it should continue to be carried on, there can be little doubt that the capital vested in it will, in the end, be adjusted so that the workpeople shall only be paid in proportion to the time during which they are engaged. It is idle, indeed, to suppose it should be otherwise. Parlia-

ment can do many things, but it cannot take a fifth or sixth part from the time during which day labourers are employed, and secure for them their former wages. This is as impossible as it is to make degraded coins exchange for the same quantities of produce as those of the standard weight and purity.

With labourers employed by the piece or job, the results of the limitation will be different. They will endeavour, by increased exertion, to accomplish in ten hours the same amount of work which had previously occupied them for twelve hours; and where this can be done, the consequence to the masters and to the public will be comparatively immaterial. And such is said to be the practical effect of the measure in weaving factories, and generally in those departments which are principally or wholly carried on by piece-work. But it may well be doubted whether, even under these circumstances, the restriction of the hours of labour be advantageous; and whether the greater exertion for ten hours be not more severe upon the labourer, than a less degree of exertion extended over eleven or twelve hours.

But, admitting the truth of these statements, still it may be contended that, on the whole, the interests of the community will be promoted by the labouring class having a little more time at their disposal, though it should be purchased by a sacrifice of wages or of labour. This, however, is a matter for the consideration of the parties. Where labourers may employ themselves for longer or shorter hours, some will prefer the one and some the other; and the fair presumption is, that they will, in so doing, form a more correct estimate of what is most conducive to their interests, than can be formed by any one else.

It is not by shortening by acts of parliament the hours of labour, nor by any measures of that description, that the condition of the lower classes can be really improved. Nothing, as already seen, can do this, unless the proportion of capital to population be increased; and this result is not very likely to

be facilitated by interfering with and abridging the labour by which capital is produced ! The great length of the hours of labour is, we willingly admit, an evil much to be deplored. It is a proof and a consequence of the excess of labourers as compared with capital ; and till the former be diminished, or the latter increased, it is not possible to shorten the hours of work, and to maintain wages at their old level. Those who really desire to bring about this desirable result should exert themselves, by giving new vigour to industry, and opening new markets, on the one hand, and by furthering emigration, and restraining the increase of population on the other, to enlarge the amount of capital and the field for employment, as compared with the number of labourers. This is the only mode in which wages can be really increased, the hours of work reduced, and the condition of the workpeople permanently improved. All measures not founded on these principles, and contributing to these results, how benevolent soever the motives in which they have originated, and how much soever their real operation may be concealed, merely aggravate existing evils. They do not touch the sources of the disease, and only tend, by disguising and perverting its symptoms, to make the public believe that it is being cured, when, in fact, this very treatment may be giving it new strength and virulence.

It has been contended by Dr. Franklin, and by many very intelligent persons, of whose benevolence no doubt can be entertained, and to whose opinions on most subjects great deference is due, that high wages, instead of encouraging industry, and improving the habits of the labourers, usually become a fruitful source of idleness and dissipation, and are, in fact, injurious alike to themselves and their masters. Nothing, however, can be more entirely incorrect than these representations—more completely opposed both to principle and experience. It is true, indeed, that we meet, in every country and situation of life, with individuals careless of the future, and intent only on present enjoyment ; but these

always form a small and mostly even an inconsiderable minority of each particular class. Whatever may be the case with a few persons, the principle of accumulation always predominates in numerous bodies over the passion for expense. Where wages are so low as to render it impossible for any ordinary increase of exertion to add materially to their amount, the labourers are apt either to sink into idleness or to become factious and discontented. As soon, however, as labour is rendered more productive, as an increase of industry brings a visible increase of comforts and enjoyments along with it, indolence uniformly gives place to exertion; a taste for improved accommodations is diffused; increased exertions are made to obtain them; and, in the end, the workpeople consider it discreditable to be without them, and are less disposed to be factious.

"The liberal reward of labour," says Adam Smith, "as it encourages the propagation, so it increases the industry of the common people. The wages of labour are the encouragement of industry, which, like every other human quality, improves in proportion to the encouragement it receives. A plentiful subsistence increases the bodily strength of the labourer; and the comfortable hope of bettering his condition, and of ending his days, perhaps, in ease and plenty, animates him to exert that strength to the utmost. Where wages are high, accordingly, we shall always find the workmen more active, diligent, and expeditious, than where they are low—in England, for example, than in Scotland—in the neighbourhood of great towns, than in remote country places. Some workmen, indeed, when they can earn in four days what will maintain them through the week, will lie idle the other three. This, however, is by no means the case with the greater part. Workmen, on the contrary, when they are liberally paid by the piece, are very apt to overwork themselves, and to ruin their health and constitution in a few years. A carpenter in London, and in some other places, is not supposed to last in his utmost vigour above eight years. Something of the same kind happens in many other trades,

in which the workmen are paid by the piece; as they generally are in manufactures, and even in country labour, wherever wages are higher than ordinary. Almost every class of artificers is subject to some peculiar infirmity, occasioned by excessive application to their peculiar species of work. Ramazzini, an eminent Italian physician, has written a particular book concerning such diseases. We do not reckon our soldiers the most industrious set of people amongst us: yet when soldiers have been employed in some particular sorts of work, and liberally paid by the piece, their officers have, frequently, been obliged to stipulate with the undertaker, that they should not be allowed to earn above a certain sum every day, according to the rate at which they were paid. Till this stipulation was made, mutual emulation, and the desire of greater gain, frequently prompted them to overwork themselves, and to hurt their health by excessive labour. Excessive application during four days of the week is frequently the real cause of the idleness of the other three so much and so loudly complained of. Great labour, either of mind or body, continued for several days together, is, in most men, naturally followed by a great desire of relaxation, which, if not restrained by force, or by some necessity, is almost irresistible. It is the call of nature, which requires to be relieved by some indulgence, sometimes of ease only, but sometimes, too, of dissipation and diversion. If it is not complied with, the consequences are often dangerous and sometimes fatal, such as almost always, sooner or later, bring on the peculiar infirmity of the trade. If masters would always listen to the dictates of reason and humanity, they have frequently occasion rather to moderate than to animate the application of many of their workmen. It will be found, I believe, in every sort of trade, that the man who works so moderately as to be able to work constantly, not only preserves his health the longest, but in the course of the year executes the greatest quantity of work.”<sup>1</sup>

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<sup>1</sup> “Wealth of Nations,” p. 37.

We may add, that as labourers have the same common sense, and are actuated by the same principles, passions, and feelings as other men, it seems a contradiction to pretend that, if they be able to earn, by an ordinary degree of labour, more than is sufficient for their support, they only, of all the various ranks and orders of the community, will spend the surplus in riot and debauchery. There is, no doubt, in many places much intemperance; and, besides its other mischievous consequences, the poor spend a great deal of money on gin, that would be better spent in providing improved accommodations for themselves and their families. But it is an error to suppose, that the mere desire to indulge a vitiated appetite is the only, or even the principal cause, that sends so many people to gin shops. Ardent spirit is really, as Burke has stated, in very many cases, a medicine both for the mind and the body,<sup>1</sup> and is, in truth, abused only by the dregs of the populace—by those who, if they could not intoxicate themselves with gin, would most likely resort to opium, or some other stupifying drug. It would indeed be easy, were this a proper place for such investigations, to show that, notwithstanding its prevalence, gin-drinking, as compared with the population, is less diffused now than formerly, and that the bulk of the labouring poor have become more sober and temperate. A taste for reading and political discussion is now furnishing amusement and excitement for the working-classes, to a much greater extent than in bygone times. We can, however, merely indicate the fact; it would be premature to attempt, with our limited experience, to estimate the influence of so important a change over their interests, and those of the other classes of society.

But, laying aside general reasoning, the state of industry in countries where wages are low, compared with its state in those where they are high, proves all that we have said in favour of the liberal reward of labour. Have the *low* wages of the

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<sup>1</sup> "Thoughts and Details on Scarcity," p. 42.

Irish, Poles, and Hindoos, made them industrious? or the *high* wages of the English, Americans, and Hollanders made them lazy, riotous, and profligate? Just the contrary. The former are as proverbially indolent as the latter are laborious and enterprising. This is not a point about which there can be any doubt. The experience of all ages and nations proves that high wages are at once the most powerful stimulus to exertion, and the best means of attaching the people to the institutions under which they live. It was said of old "*nihil lætius est populo Romano saturo;*" and the same may be said of the English, the French, and indeed of every people. *Dans aucune histoire, on ne rencontre un seul trait qui prouve que l'aisance du peuple par le travail a nui à son obéissance.*<sup>1</sup> It is not when wages are high and provisions abundant, but when wages are low, the harvest less productive than usual, and food deficient, that the manufacturing and thickly-peopled districts are disturbed by popular clamour and commotions. It is, indeed, quite visionary to suppose that security and tranquillity should ever exist in any considerable degree, in countries where wages are very much depressed, and the mass of the people sunk in poverty and destitution. Those who have little or no property of their own, and little or no prospect of acquiring any, will never entertain any very sincere respect for that of others; nor can any country be so ripe for revolution as that where the mass of the people may hope to gain something, while they feel they can lose nothing, by subverting the existing institutions. Nothing, therefore, can be so signally disastrous as a permanent depression in the rate of wages. It is destructive alike of the industry of the people, and of that security which is indispensable to the advancement of society.

These statements sufficiently show that it is as much for the interest of government, with a view to their own security, as it is their duty, with a view to the happiness

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<sup>1</sup> Forbonnais, "*Recherches sur les Finances,*" i. 109.

of their subjects, to make every exertion to improve the condition of the labouring classes, by adopting such measures as may be most favourable to the increase of capital as compared with population, and as may contribute most, by elevating the tastes and opinions of the people, to raise the standard of wages. It will be found, too, on taking an enlarged view of the subject, that the well-being of the capitalists will be best promoted by their adopting a similar course. At first sight, indeed, it does appear as if their interests were opposed to those of the labourers; but such is not the case. The interests of both are at bottom identical; and it has been already seen that all the wealth of the country, applicable to the payment of wages, is uniformly, in all ordinary cases, divided among the labourers. It is true that, when wages are increased, a less portion of the produce of industry remains to the capitalists, and that profits are in so far reduced or prevented from rising; but it does not therefore follow that the capitalists would be in a preferable situation were wages to fall and profits to rise. The rate of profit, how important soever, is not the only thing to which they have to look: security and tranquillity are still more indispensable than high profits to the successful prosecution of industrial undertakings. And these are never found in countries where wages are low, and the mass of the people immersed in poverty and destitution. In such countries, the poor are deterred by nothing save the fear of the law from engaging in all sorts of dangerous projects; and are always ready to listen to those who tell them that their unhappy condition is a consequence of misgovernment, and of the misconduct of their employers. Under such unfortunate circumstances, industry and enterprise are paralysed; and the condition of the capitalists is, if anything, worse than that of the labourers.

Hence, while it is hardly possible for the employers of labour artificially to reduce the rate of wages, it is farther obvious that such reduction, could it be effected, would



rarely, if ever, be for their advantage : for unless wages were at an extraordinarily high elevation, it would necessarily be followed by a diminution of that security which is so essential to their interests. The conduct of those who pretend to wish for the improvement of the poor, and who, at the same time, complain of high wages, is, in fact, contradictory ; and must be ascribed to hypocrisy, or folly, or both. An increase of wages, if not the only, is at all events the most effectual and ready means by which the condition of the poor can be really improved ; and high wages, by indisposing the poor to agitation, are the best defence and safeguard of the estates and property of the rich.

But, supposing the conduct of government and of the wealthier classes, as regards the poor, to be all that could be wished for, still, as has been already seen, it usually has but little influence over the condition of individuals. Whatever may be the character of the administration and of the public institutions, every man is always, in great measure, responsible for his own situation. And this is most especially true of the labouring classes, the great majority of whom can owe nothing to patronage or favour. Industry, frugality, and forethought are their only friends ; but, happily, they are all-powerful ; and how unpromising soever their situation, those who avail themselves of their willing assistance, are never disappointed, but secure in the end their own comfort, and that of their families. Those, on the contrary, who neglect their aid, though otherwise placed under the most favourable circumstances, inevitably sink into a state of misery. The contrast between a well-cultivated field, and one that is neglected and over-run with thorns and brambles, is not greater than the contrast between the condition of the diligent and slothful, the careful and the wasteful labourers. The cottages of the former are clean, neat, and comfortable, their children well clothed and well instructed, whereas the cottages of the latter are slatternly and uncomfortable, being often little better than pig-styes, and their children in rags

and ignorant. No increase of wages can be of any permanent advantage to the one class, while the smallest increase conduces to the well-being of the other. *Vigilando, agendo, bene consulendo, prospere, omnia cedunt.* But, on the other hand, *ubi socordix te atque ignavix tradideris, nequicquam Deos implores; irati infestique sunt.* "If," says Barrow "wit or wisdom be the head, if honesty be the heart, industry is the right hand of every vocation; without which the shrewdest insight and the best intention can execute nothing."<sup>1</sup>

In making these statements, we have not been actuated by any desire to apologize for, or palliate the faults or errors of governments. But, how well soever they may be governed, those who are deficient in industry and forethought can never be well off. The eternal law of Providence has decreed, that the hand of the diligent shall alone make rich. Wherever indolent habits prevail, wherever the poor grasp at immediate gratifications, without regard to the consequences—wherever they rely on others, rather than on themselves, and depend more on the wretched resource of agitation than on labour and frugality—they will unavoidably sink into the abyss of poverty, and become objects, not of pity, but of contempt.

A controversy has been carried on with respect to the cheapness and efficiency of free and slave labour, upon which it may be proper to offer a few remarks. In so far, indeed, as regards the labour of freemen and slaves, supposing them to be indiscriminately engaged in the same employments, and that both are natives of, or belong to the countries in which they are employed, and are equally well fitted for the labour carried on in them, there is little room for controversy. In such cases, the widest experience has proved that the labour of freemen is cheapest; the apathy, idleness, and carelessness of slaves being, in all cases, more

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<sup>1</sup> " 2d Sermon on Industry."

than sufficient to countervail the lower rates at which their services may sometimes be procured. This, however, is not the point of view under which the inquiry with respect to free and slave labour is commonly regarded in this country. Here we generally consider it with reference to the West Indies, or some other intertropical region; the question being—whether the products peculiar to such regions, and more especially sugar, may be more cheaply raised by free or by slave labour? Now, in this case, we apprehend that slave labour will be found to be the cheaper of the two—at least if the question be restricted to the growth of sugar. We doubt, indeed, whether any considerable quantity of sugar could be raised in the intertropical regions of the western hemisphere without the aid of slaves, or of compulsory labour of one sort or other. The inhabitants of these countries have few wants. Many articles indispensable in cold or temperate climates, would be there an encumbrance. The *curis acuens mortalia corda*, so powerful among the nations of Europe, is but feebly felt by the blacks. Their necessities and desires are of a very limited description; and are generally, indeed, fully supplied by the produce of a small patch of land, requiring but little labour in its cultivation. Hence it would be contradictory to suppose that they should voluntarily employ themselves in the hard labour necessary to produce sugar. Consistently with what is now stated, we find that Hayti or St. Domingo, the most fruitful of the West Indian islands, though it furnished when a colony of France immense supplies of sugar, no longer exports a single ton! And what ground have we for supposing that the result would be different in Brazil or Cuba, were the blacks emancipated, and were they able easily (which is not the case in Jamaica and most of our islands) to obtain patches of land? The possession of the latter is requisite, to enable them to exist without engaging in laborious service; and in the event of their not being able to obtain land, they may be forced to employ themselves in the culture of sugar—though, as it is against

their inclination, they will withdraw from their work on the first opportunity, and will, while employed, indulge as much as possible in idleness. It therefore appears that the question with respect to the cheapness and efficiency of free and slave labour is one that depends, in great measure, on circumstances—that is, on the locality where, and the parties by whom, it is to be carried on, and whether the labour be of that description in which freemen would be disposed voluntarily to engage. It is impossible to bring whites into competition with blacks, in field labour in tropical countries, the constitution of the former not being suited to such an employment in hot climates; and as there are no good grounds for thinking that really free blacks will ever, of their own accord, undertake the drudgery of sugar-planting, it would seem that slave labour is not the cheapest only that can be so employed, but that it is really all but indispensable to the prosecution of the business. We do not state this as any vindication of slavery, but as being the only legitimate solution of the question at issue. We are, indeed, strongly impressed with the conviction that, in the end, the culture of the sugar-cane, on a large scale, will have to be abandoned in all those parts of the New World in which slavery, or compulsory labour, is suppressed.

SECT. III.—DIFFERENCE IN THEIR INFLUENCE OVER WAGES  
BETWEEN A DEMAND FOR LABOUR AND FOR ITS PRODUCTS.

It is very generally supposed that the influence of a demand for labour, and of a demand for the products of labour, over the rate of wages and the condition of the labouring class, are all but equivalent; and most generally, indeed, they are used as synonymous expressions. There is, however, no such identity between them. A demand for labour always differs in a less or greater degree from a demand for commodities—the extent of the difference depending principally on the description of commodities for which there is a demand.

It is plain that an increased demand for labour in general, or for a particular variety of labour, necessarily makes a proportional addition to the wages, and, consequently, to the comforts and conveniences of the labouring class. If the increased demand comprise all sorts of labour, the improvement occasioned by it will be immediately experienced by all sorts of labourers; and if it be for one or a few sorts only, its beneficial influence will be gradually diffused over the whole class, in the way previously pointed out.

But the influence of an increased demand for commodities, or for the produce of labour, is by no means identical with an increased demand for labour, and would depend partly on whether the commodity was wholly or in part the produce of labour or of machinery, and partly on its being suited or unsuited to the employment and subsistence of work people.

1. If a sum be expended on commodities wholly produced by labour, its influence will, in so far, be nearly the same as if it were directly expended upon labour. It is contended, indeed, that if the commodities be partly produced by the aid of machinery or capital, the result will be different; and that the sum expended upon them will not, in such case, wholly go to replace labour, but will partly go to replace the wear and tear of the capital employed in their production, and the profits of the capitalist. But though this be true, the difference is of little importance; for, capital being itself the result of antecedent labour, whatever is expended upon it really goes to replace labour, and in the end is identical in its effects with a direct expenditure upon the latter.

2. The influence of an increased demand for commodities over the wages and condition of the labouring class depends materially on their nature, and the uses to which they may be applied.

(a.) Suppose an individual has 100*l.* or 1,000*l.* to expend, and that he lays it out in the purchase of pictures, statues, mirrors, books, jewellery, or some such articles; in such case, it is plain that the 100*l.* or 1,000*l.* so expended can afford

no farther employment or means of subsistence to any one. The articles for which it has been exchanged yield, no doubt, a gratification to their owner, and their accumulation and diffusion may, and most probably will, improve the public taste. But they cannot do more than this; they cannot serve as capital, or as food, or clothes, for the farther employment or support of the labouring classes. They supply moral and intellectual, not physical wants.

(b.) But suppose that, instead of expending his 100*l.* or 1,000*l.* upon pictures, statues, &c., the owner expends it upon food and clothes, and brings these into his house; in this case he may employ a number of individuals, either as menial servants, or as manufacturing or agricultural labourers, giving them portions of his stock of food and clothes in return for their services. Hence it results that the influence of a demand for commodities over the condition of the labourers depends to a considerable extent on the description of commodities in demand. This, we think, must be already sufficiently obvious; but, to set it in a clearer point of view, let it be supposed that two capitalists, A and B, go to market with equal sums, and replace by their purchases equal amounts of previous labour, or expenditure. Thus far they both give the same encouragement to the employment of labour. But suppose, farther, that A buys articles that can neither be used as food nor as capital in industrial undertakings, and that B buys articles that may be and are intended to be so used, it is evident their means of employing labour will henceforth be different. A has his books, his pictures, his cabinets, vases, gems, and so forth, which he shuts up, enjoys himself, and exhibits to his friends; but how much soever this may purify or refine the taste, the possession of the greatest amount of such articles does not give him the means of supporting or employing a solitary individual. B, on the contrary, who bought provisions, or machinery, or both, has it plainly in his power to employ an additional number of menials, or of manufacturing or agricultural work-people, occasioning in either case an immediate demand for

labour, and providing, in the latter, for its continued extension. The expenditure of the latter must, therefore, have a different effect upon wages, and be more beneficial to the labouring class, than the expenditure of the former.

Precisely the same effects would follow were those who buy food and clothes, and assign portions thereof to menials or other dependants, to buy the services of such parties directly with money, leaving it to them to supply themselves with necessaries. Thus, suppose that an individual who has 500*l.* or 1,000*l.* to expend, employs it in paying the wages of labourers, the latter will carry the sums paid to them to market, and buy food and clothes with them, exactly as the owner would have done had he carried the amount there himself, and subsequently employed the produce in boarding the parties in his house.

It therefore results—should there be a preference among the more opulent classes for fine houses, costly furniture, or generally for the products of the fine arts—that any circumstance that should tend to change such fashion, or should lessen the demand for these articles, and increase that for gardeners, grooms, footmen, and other servants, would add proportionally to the employment of the labouring class. And upon this ground Ricardo has concluded that the produce of the additional taxes imposed upon the richer classes during war, being mostly expended upon soldiers and sailors, affords subsistence to a greater number of persons than it would have done had it been left with its original owners—the probability in such case being that it would have been, partly at least, expended on unconsumable articles. And the preceding statements show that there can be no reasonable doubt that Ricardo is well founded in his conclusion.<sup>1</sup>

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<sup>1</sup> Mr. Senior has attempted (art. Political Economy, "Encyc. Metropolitana") to show the error of this conclusion. But his statements and reasonings on this subject seem to be in no ordinary degree fallacious. It is singular, indeed, that so clear-sighted a writer should have supported a doctrine so erroneous.

But in showing the greater influence of expenditure upon certain descriptions of articles than upon others, over the demand for labour, we should not wish to be understood as expressing any opinion in favour of expenditure upon menial services over expenditure upon articles of virtue, or of luxurious accommodation. It is much better, we think, for the interests of the public, as well as of the wealthier classes, that there should be an excess of expenditure upon houses, pleasure grounds, costly furniture, &c., than upon footmen and menials. The latter are the true *fruges consumere nati*; and though their services, when confined within due limits, be necessary to the well-being of society, any excess of expenditure upon them is the most wasteful imaginable. As a class they are proverbial for want of industry, enterprise, and foresight; and the circumstances under which they are placed go far to preclude the expectation of their being considerably improved. Unnecessary expenditure upon them tends merely to nourish idleness and improvidence; whereas an expenditure upon houses, ornamental grounds, works of art, and costly furniture, enriches and beautifies the country, improves the tastes and habits of the people, and contributes to the progress of civilization.

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## CHAPTER III.

*Constitution and Influence of Co-operative Associations—Limited Liability—  
Considerations on the Joint Stock Associations principally carried on by  
the Labouring Classes.*

WE have seen the powerful influence of the division and combination of employments<sup>1</sup> in increasing the efficiency of industry. But in addition to that co-operation which is universally practised, a great variety of undertakings are carried on by means of companies, or numbers of individuals, associated for specific purposes. Whenever, indeed, the capital required for the prosecution of any undertaking exceeds what an individual could or would be disposed to furnish, it is indispensable, if the project is to go on, that an association should be formed for its prosecution. In all cases, too, in which the chances of success are doubtful, or where a lengthened period must necessarily elapse before an undertaking can be completed, an individual, though ready enough to contribute a small sum in connection with others, would, generally speaking, be very little inclined, even if he had the means, to encounter the whole responsibility of such enterprises. Hence the necessity and advantage of companies or associations. It is to them that we are indebted for the railways and canals by which every part of the country is intersected, for the formation of so many docks and warehouses, for the institution of our principal banks and insurance offices, and for many other establishments of great public utility, carried on by the combined capital and energies of large bodies of individuals.

To ensure a rational prospect of success to a company, the undertaking should admit of being carried on according to a

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<sup>1</sup> Page 37.

regular systematic plan. The reason of this is sufficiently obvious. The business of a great association must be conducted by factors or agents, and unless it be of such a nature as to admit of their duties being clearly pointed out and defined, the association ceases to have any effectual control over them, and is, in great measure, at their mercy. An individual who manages his own affairs reaps all the advantage derivable from superior skill, industry, and economy; but the agents, and even directors of joint stock companies, labour, in most cases, entirely or principally for the advantage of others, and have not, therefore, however conscientious, the same powerful motives to act with energy, prudence, and economy. "Like," says Adam Smith, "the stewards of a rich man, they are apt to consider attention to small matters as not for their master's honour, and very easily give themselves a dispensation from having it. Negligence and profusion, therefore, must always prevail more or less in the management of the affairs of such a company." It also not unfrequently happens that they suffer from the bad faith, as well as the carelessness and extravagance of their servants; the latter having, in many instances, endeavoured to advance their own interests at the expense of their employers. Hence the different success of companies whose business may be conducted according to a nearly uniform system,—such as dock, canal, railway, gas lighting, water supply, insurance, and banking companies,—and those whose business does not admit of being reduced to any regular plan, and where much must always be left to the sagacity and enterprise of those employed. Not one of the latter has been able to withstand the competition of private adventurers; they cannot subject the agents they employ to buy and sell in distant countries to any effectual responsibility; and from this circumstance, and the abuses that usually insinuate themselves into every department of their management, no such company has ever succeeded, unless when it has obtained some exclusive privilege, or been protected from competition.

And even with these advantages, such is the negligence, profusion, and speculation inseparable from the management of great commercial companies, that those that have had the monopoly of the most advantageous branches of commerce have rarely been able to keep out of debt. To buy in one market; to sell with profit in another; to watch over the perpetually occurring variations in the prices, and in the supply and demand of commodities; to suit with dexterity and judgment the quantity and quality of goods to the wants of each market; and to conduct each operation in the best and cheapest manner, requires a degree of unremitting vigilance and attention, which it would be visionary to expect from the directors or servants of a great joint stock association. Hence it has happened, over and over again, that branches of commerce which proved ruinous to companies, have become exceedingly profitable when carried on by individuals.

"The spirit of monopolists," to borrow the just and forcible language of Gibbon, "is narrow, lazy, and oppressive. The work is more costly and less productive than that of independent artists; and the new improvements so eagerly grasped by the competition of freedom, are admitted with slow and sullen reluctance in those proud corporations, above the fear of a rival and below the confession of an error." (*Miscellaneous Works*, i. p. 49. ed. 1814.)

These observations have been confirmed by the experience of this and all other countries. All associations for purely commercial or manufacturing purposes, unless when they have commanded adventitious assistance, have uniformly been defeated by individual traders or manufacturers, or by such small companies or partnerships as are really equivalent to individuals. But the superiority of the latter is in great measure lost whenever businesses may be satisfactorily conducted on a system of routine; and these are cases especially suited to joint stock companies. The object in such cases is to carry them on in a beaten track. And hence, supposing their managers and directors to be possessed of ordinary intel-

ligence, industry, and honesty, it may be anticipated that joint stock associations will succeed if they engage only in undertakings that may be wholly or principally conducted on a routine plan, and that they will fail if the undertakings be of a different character.

Down to a late period the partners in Joint Stock Associations, with the exception of the few incorporated by charter, were individually liable for the debts of the association, how large soever these might be. And such would seem to be the only sound rule to be followed in such cases. Whether a man contracts debts personally, or in company with others, he is responsible for them, and is bound to pay them. And it has not yet been shown how it is possible to lessen this responsibility without at the same time making people less careful or cautious in the incurring of debts, and less disposed to exert themselves to effect their extinction.

It has, however, been successfully contended that it was desirable to encourage the formation of Joint Stock Companies by limiting the liability of the partners, and making them responsible only, in the event of the bankruptcy of their companies, for the amount of the stock held by them. But it is doubtful whether there was any sufficient ground for seeking to encourage the formation of companies, and least of all by a device of this sort. The principle which it establishes appears to be fraught with mischief. It proclaims that the gains and losses of parties shall no longer be associated, and that while the entire profits made by Joint Stock Associations may go to the partners in them, their losses may wholly or in part have to be borne by the public. It were idle, under an arrangement of this sort, to look for much care or solicitude among the partners. It would be contradictory to suppose that a partner in a limited liability concern, in which, perhaps, not  $\frac{1}{10}$ th or  $\frac{1}{40}$ th part of his fortune is engaged, and for which only he is bound, should take the same interest in its management that he would do

were he liable for the entire debts it may incur. A practice of this sort enables a man to escape from that responsibility which naturally attaches to all his actions, and is the grand security for their being fair and honourable. It tempts him to engage in desperate adventures, of which, if successful, he reaps all the advantage, and of which, if unsuccessful, he eludes most part of the loss. It is not easy to see how such a system can be productive of any good result. Something, perhaps, might be found to say in its favour had individuals been with difficulty found to engage in partnerships accompanied with more than the usual risks. But there was no such difficulty. On the contrary, every outlet, whatever may be the hazard attending it, that opened any field for the employment of capital with the prospect of even a moderate return, was immediately filled up. Why, then, should we offer such parties a bonus? Why relieve them of their natural responsibility to make them engage in pursuits into which they were ready and willing to engage without any extraordinary stimulus?

It is needless to say more with respect to this description of companies. The expectations of advantage from their formation will most likely be wholly disappointed. Inasmuch, however, as vast numbers of them have been set on foot, experience will in no very lengthened period finally decide in regard to their merits and demerits.

Hitherto, the funds of joint stock companies have been mostly derived from the contributions of the richer, or well-to-do portion of society. Of late years, however, the principle of association has begun to be extended among the lower or labouring classes. This has been effected by the establishment among these classes of what are called Co-operative Societies, the members of which are usually very numerous, their pecuniary contributions to the common stock being in most instances of small amount. Many conflicting statements have been made in regard to the practical working of these

societies, and very sanguine opinions have been expressed in regard to the benefits that may be expected to result from their extension. They may be said, speaking generally, to be of two classes; first, for the purchase and sale, and second, for the production and sale of commodities.

1st. In the first class the subscribers to the association select parties in whom they have confidence to buy the articles with which they are to be supplied from its stores, and they bind themselves to resort to these stores for the required articles, paying for them, generally in ready money, such a price as may be needed to defray their cost, with a per-centage for the expense of their purchase, storeage, sale, &c., including, in most cases, a profit for the concern. And it is obvious, when the subscribers to such associations are numerous, and their affairs moderately well managed, that they can hardly fail to be successful. Their object is to get rid of the profits of the retail dealer, and to enable the subscribers to get the articles they want at, or nearly at, the prices charged by the producers or importers. The rule of paying in ready money, which is usually enforced upon those who deal with the society's stores, is one of their distinguishing features, and is of itself highly beneficial. It is a great check upon unnecessary purchases, or such as may be dispensed with, and gives a powerful stimulus to forethought and to habits of thrift. Wherever such a practice is diffused, the peasantry are *cæteris paribus* distinguished by their superior prudence and conduct; and if the beneficial influence of the establishment of public stores were limited to the extension of the practice of trading for ready money, it would not be easy to over-rate its importance.

But, besides its advantages, the supply of the society's stores involves a good deal of expense and risk. Their success or failure depends in great measure on the skill with which purchases are made; and there are always considerable difficulties, especially in regard to rapidly perishable commodities, in adjusting their supplies to the demands of the subscribers.

Sometimes, however, these associations succeed, at least for a while, and occasionally divide more than average profits. On the whole, however, it is questionable whether they are ever productive of any real advantage to the members. Were the latter to deal with respectable retail tradesmen for ready money only, they would be quite as well and cheaply accommodated; at the same time, that they would avoid all risk of loss by the mismanagement or failure of the concern. Where competition is so keen as in this country, the profits of the retailers will not generally do more than yield them a fair return for their trouble; and they have every motive to execute their work in the most economical manner.

2d. In the second case, or when Co-operative Societies undertake the production of commodities, they differ in few respects from joint stock companies for the same purpose. Much, or rather everything, then depends on the managers. Where these are properly selected, and left without any needless or improper interference to follow out their own views, there is no reason why they should not succeed as well as other associations of the same class. But the chances are, that the managers will not be properly selected, and that they will be too much interfered with. When they are chosen by numerous individuals, who have no very great interest in the businesses to be carried on, and no special knowledge of the acquirements necessary for their successful prosecution, it is all but certain that they will be selected on quite different grounds from their fitness,—on the suitableness of the place for them, rather than on their suitableness for the place, on their being known by and belonging to the electors, and such like considerations. And should it happen, despite these opposing influences, that a really good manager is selected, it most commonly results that his free action is impeded, and that he is frequently even unable to avail himself of the subordinate officers he is anxious to select. The partners in the concern have sons, brothers, and connexions for whom they wish to provide, and of whose fitness to fill any vacant situation in the association they have no doubt. They

press their claims on the manager, who, to conciliate their interest, too often overlooks the defects of their protégés, and sanctions their appointment. The most serious injury may in this way be inflicted on the association, for while ignorant or incompetent individuals are selected to fill important situations, they trust for support to those who forced them forward without exerting themselves to repair their original defects. It is not to be supposed that this is necessarily and uniformly the case. But the circumstances now alluded to are almost always in operation; and they have in various instances had the specified results, and brought ruin on the establishments in which they were manifested.

It would therefore appear as if but little advantage can result to the labouring classes from the spread amongst them of the co-operative principle. When they engage in productive undertakings, they incur risks which involve not only the loss of the capital they have embarked in the association, but the chance of their being overwhelmed with debt. No good can result to them from such hazardous projects. Work-people have neither time nor opportunities for making themselves acquainted with the knowledge required in the conduct of great joint stock associations; and it is idle to expect that establishments over which they have a control should be able to maintain a successful competition with establishments managed by individuals wholly devoted to the business, and having their fortune and position in society dependent on the skill and economy with which they carry it on. They are no friends of the poor who recommend them to engage in so unequal a struggle. There may be a few businesses in which it may be possible to make the remuneration of the labourers depend in some degree on the success of the undertaking. These, however, are of rare occurrence; and their interest will in all cases be best promoted by procuring for them steady employment, substituting, when practicable, piece work for labour by the day, and providing them with safe, convenient, and profitable places of deposit for their smallest savings.



## CHAPTER IV.

*Impotent Poor should be provided for by a Poor's Rate—Question as to the best Means of providing for the Able-bodied Poor—Arguments in favour of a Compulsory Provision—Objections to it—May be so administered as to obviate most of these Objections—Operation of the English Poor Laws—New Poor Law.*

How prosperous soever the condition of the bulk of the inhabitants, still it is found, even in the most favoured countries, that poverty and destitution are the lot of a considerable number of persons; and the questions whether, and to what extent, the public should interfere to relieve those in this unfortunate condition, are among the most important that the legislature has to resolve.

The poor and destitute may be divided into two great classes; the *first* comprising impotent and maimed persons, or those whom natural or accidental infirmities disable from working; and the *second*, those who, though able and willing to work, are unable to find employment, or do not receive wages adequate for their own support and that of their families. There is a wide difference between these classes; and the same means of relief that may be advantageously afforded to the one, may not, in various respects, be suited to the other.

I. With respect to the first class, or the impotent poor, there does not seem to be much room to doubt the policy, as well as humanity, of giving them a legal claim to relief. It may, indeed, be contended, that by affording relief to those who are unable, from age or the gradual decay of their bodily powers, to provide for themselves, the motives that prompt individuals, while in health, to make a provision against

future contingencies, are weakened; so that, in attempting to protect a few from the effects of their own improvidence, an injury is done to the whole community. This statement is, probably, true to a certain extent; though it is difficult to imagine that any considerable portion of a moderately intelligent population will ever be tempted to relax in their efforts to save and accumulate, when they have the means, from a knowledge that the workhouse will receive them in old age!<sup>1</sup> But whatever may have been the faults or follies of individuals, it would be abhorrent to all the feelings of humanity to allow them to suffer the extremity of want. An individual is unfortunate, perhaps, or he may not have been as thrifty or as prudent as he ought—but is he, therefore, to be allowed to die in the streets? It is proper, speaking generally, to do nothing that may weaken the spirit of industry; but if, in order to strengthen it, all relief were refused to the maimed and impotent poor, the habits and feelings of the people would be degraded and brutalised by familiarity with the most abject wretchedness; at the same time that, by driving the victims of poverty to despair, a foundation would be laid for the most dreadful crimes, and such a shock given to the security of property and of life, as would very much overbalance whatever additional spur the refusal of support might give to industry and economy. It does, therefore, appear sufficiently clear, that this class of poor should be supported in some way or other; and that, when paupers are without relatives or friends, or when these do not come voluntarily forward to discharge this indispensable duty, the necessary funds should be provided by a tax or rate, made equally to affect all classes; for, if they are not so raised, the poor will either not be provided for, or the burden of their support will fall wholly on the benevolent, who should not, in such a case, be called upon to contribute more than their fair share.

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<sup>1</sup> Mr. Howlett has some forcible observations on this point in his Tract on the Poor Laws, p. 6.

II. The only question, then, about which there seems to be any real ground for doubt or difference of opinion, is—whether any legal claim for relief should be given to the able-bodied poor, or to those who, though able and ready to work, cannot find employment, or cannot earn wages adequate for their support? Now this, it must be confessed, is, abstractly considered, rather a difficult question, and does not, perhaps, admit of any very satisfactory solution. But, whatever theoretical objections may be alleged against it, the necessity of the case not unfrequently overwhelms every other consideration, and compels the institution of a compulsory provision for this class of paupers. This necessity may not probably be felt, and is always comparatively gentle in agricultural countries, like Austria, Prussia, or Russia; but it seldom fails to manifest itself, in its most unreasoning and sternest form, in countries far advanced in manufactures and commerce: a compulsory provision for the able-bodied poor may, indeed, be regarded as an indispensable part of their domestic economy.

In the first place, it may be observed that, owing to changes of fashion, to variations in the supply and value of money, to the miscalculation of producers and merchants, and to unforeseen political events, those engaged in manufacturing employments are necessarily exposed to many vicissitudes. And when their number is so very great as in this country, it is quite indispensable that a resource should be provided for their support in periods of adversity. In the event of no such provision being made, and of the distress being at the same time extensive and severe, the public tranquillity would, most likely, be seriously endangered. "Of all rebellions," says Lord Bacon, "those of the belly are the worst;" or, as Seneca has it, *Cum ventre humano tibi negotium est, nec rationem patitur, nec æquitate mitigatur, nec ulla prece flectitur populus esuriens*.<sup>1</sup> It would be

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<sup>1</sup> "De Brevitate Vitæ," cap. 18.

visionary indeed to imagine, that those who have nothing should quietly submit to suffer the extremity of want without attacking the property of others. And hence, if we would preserve unimpaired the internal peace and prosperity of the country, we must beware of allowing any considerable portion of the population to fall into a state of destitution. But without the establishment of a compulsory provision for the support of the unemployed poor, it is difficult to see how they could avoid occasionally falling into this state. Through its instrumentality, however, they are sustained in periods of adversity, without being driven by necessity to commit outrages. It is, no doubt, true that a provision of this sort is extremely liable to abuse. Means have, however, been devised for checking this tendency; and whatever imperfections may, after all, attach to it, it has not yet been shown how security and good order could be maintained in periods when either employment or food is deficient, were it abolished.

In the second place, supposing it were possible (which it is not) to maintain tranquillity without making a legal provision for the support of the unemployed poor, the privations to which, under such circumstances, they would be forced to submit, would, in all probability, lower their estimate of what is required for their comfortable and decent subsistence, and exert a most pernicious influence over their conduct and character. It is perhaps unnecessary, after what has been advanced in the chapter on wages, to enter into any further statements to show the importance of endeavouring to guard against any such results. But the observations of Mr. Barton on this point are so striking and conclusive, that we cannot forbear laying them before the reader. "It is to be remembered," says he, "that even those who most strongly assert the impolicy and injurious tendency of our poor laws, admit that causes wholly unconnected with these laws do, at times, depress the condition of the labourer. Poor families are often thrown into a state of severe necessity by long-continued

illness or unavoidable misfortunes, from which it would be impossible for them to return to the enjoyment of decent competence, if not supported by extraneous means. It is well known, too, that a general rise in the price of commodities is seldom immediately followed by a rise in the wages of country labour. In the mean time, great suffering must be endured by the whole class of peasantry, if no legislative provision existed for their relief; and when such a rise of prices goes on gradually increasing for a series of years, as sometimes happens, the suffering resulting from it must be proportionally prolonged. The question at issue is simply this—whether that suffering be calculated to cherish habits of sober and self-denying prudence, or to generate a spirit of careless desperation?

“During these periods of extraordinary privation, the labourer, if not effectually relieved, would imperceptibly lose that taste for order, decency, and cleanliness, which had been gradually formed and accumulated in better times, by the insensible operation of habit and example. And no strength of argument, no force of authority, could again instil into the minds of a new generation, growing up under more prosperous circumstances, the sentiments and tastes thus blighted and destroyed by the cold breath of penury. Every return of temporary distress would, therefore, vitiate the feelings and lower the sensibilities of the labouring classes. The little progress of improvement made in happier times would be lost and forgotten. If we ward off a few of the bitterest blasts of calamity, the sacred flame may be kept alive till the tempest be past; but if once extinguished, how hard is the task of rekindling it in minds long inured to degradation and wretchedness!”<sup>1</sup>

In the third place, it will, we suppose, be admitted that, when a considerable number of destitute poor persons are thrown out of employment, a provision of some sort or other

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<sup>1</sup> “Inquiry into the Causes of the Depreciation of Agricultural Labour,” p. 32.

should, or rather must, be made for their support. Suppose now that it is made, not by a compulsory rate, but by the voluntary contributions of the benevolent—it is contended that such a mode of relieving their distress tends to nourish the better feelings of the poor; and that many would rather submit to the greatest privations than solicit a share of these contributions, who yet would make no scruple of claiming relief had the state legalised their right to support. But, admitting the truth of this statement, it has been already seen that it is not for the advantage of society that the poor should be forced to submit to extraordinary privations. It is, besides, abundantly certain that many would not be influenced by the motives alluded to; and in the event of the distress being either very severe or long-continued, those most disinclined to become a burden on others might be forced, if they did not resort to outrage, to beg a pittance. And it is pretty obvious, notwithstanding all that has been said to the contrary, that the necessary result of such a state of things would be far more prejudicial to the character of the poor—that it would do more to prostrate their pride and independence, and to sink them in their own estimation, than the acceptance of relief from a poor's rate. It is idle, indeed, to talk about the independence of a man who is receiving charity; but, it may be doubted whether an individual supported by the poor's rate can fairly be regarded as being in such a predicament. He is merely sharing in a public provision made by the state; and as all property has been acquired with the knowledge that it is responsible to this claim on the part of the poor, it cannot justly be considered as entailing any burden on any particular individual. It may, therefore, be fairly presumed, that the decent pride and independence of the poor will be more likely to be supported under a system of this sort, than if they were obliged to depend, in periods of distress, on the bounty of others. Wherever, in such periods, the poor have not, either *de jure* or *de facto*, a claim for support, they must unavoidably be allowed to beg. But of the scourges that afflict and disgrace humanity, there is,

perhaps, none more destructive than the prevalence of mendicity. A common beggar is the most degraded of beings ; and the experience of France,<sup>1</sup> Italy, Spain, and, in short, of all countries where there is no established provision for the

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<sup>1</sup> A committee of the National Assembly, appointed to inquire into the state of the poor of France, described our poor laws as *la plaie politique la plus dévorante de l'Angleterre*—an expression that has been often quoted on this side the Channel. There are, however, pretty good grounds for thinking that the condition of all classes in France would have been decidedly improved had she been subjected to the operation of a similar code. Very large sums have been expended by government, and by individuals in that country, in efforts to relieve the distresses of the poor ; but as the burden of their support was removed from those who could, by their interference, have prevented the misapplication of the funds, and the undue increase of the poor, the efforts in question have been of very little use. In despite of the repeated enactment of laws of the most extreme severity, mendicity has been at all times the scourge and disgrace of France. It is stated, in a valuable communication addressed by one of the ministers of Orleans to Mr. Howlett, immediately before the Revolution, that no season of "uncommon scarcity occurs but vast numbers of entire families, especially in the country, perish for want, being literally starved and frozen to death!"—(HOWLETT'S "Tract," p. 18.) At the Revolution, the property of the hospitals, and other establishments for the support of the poor, was confiscated ; and the seductive, but dangerous and inapplicable principle laid down, that the care and support of the poor was the duty of government, and not of municipalities. Practically, indeed, owing to the confusion of the times, this declaration had no effect. When, however, order was again restored, the attention of the government was forcibly drawn to the wretched condition of the poor, who had for some years been wholly neglected. In consequence, *dépôts de mendicité*, and *bureaux de bienfaisance*, were established, and the prefects being at present authorised, in the event of the funds derived from charitable contributions being inadequate for their support, to levy in aid thereof, *octrois municipaux*, or duties on some of the principal articles conveyed into the towns where they are established. This is plainly a species of poor's rate ; but it is a most objectionable one, inasmuch as it does not lay the burden upon those who alone have power to prevent the multiplication of the poor. But this new system has only been introduced into the more considerable towns ; so that, in the country, pauperism and mendicity are still prevalent, licences to beg being frequently granted even by the public authorities. It is affirmed by the Baron Dupin, ("Secours Publics," p. 460,) that "in the country, in the dead season, want and misery abound, and *there are no means of relief*." Whenever, therefore, there is a deficient crop, famine and disease prevail to a frightful extent. Farther information as to the state of the French poor will be found in the work just quoted of M. Dupin, entitled, "*Histoire de l'Administration des Secours Publics*;" in the "*Visiteur de Pauvre*" of M. Degerando ; and in the comprehensive and elaborate work of the latter, "*Sur la Bienfaisance Publique*."

support of the poor, shows, that wherever they are compelled to depend on so precarious a resource as charity, we look in vain for that manliness and independence of character which distinguish the poor of England, and find in their stead all the degrading vices which beggary is sure to produce.

But whatever may be the disadvantages incident to charitable contributions for the support of the able-bodied poor, it is contended by some who admit them fully, that they are the only means that can be resorted to without leading to still worse consequences than any previously pointed out. A regard for their own interest, were there no other motives to be depended upon, will, it is affirmed, teach those who possess property the expediency of providing for the really necessitous, and will consequently prevent the outrages to which allusion has been made. Such contributions will, however, cease with the necessity which gives them birth. When the pressure has passed away, they will not remain to tempt the idle and dissipated to linger on in their vicious courses. It is alleged that the labouring class would, under such circumstances, feel that they had nothing real to depend upon but their own efforts; and that no one would hesitate about saving a little stock when in his power, by trusting to the precarious and humiliating resource of mendicancy. But such, we are assured, is not the case with an established compulsory provision; and granting all that has been urged in its defence, it is contended, that the evils inseparable from it outweigh its advantages. It is acknowledged by all parties to be in most cases quite impossible to discriminate between the poverty and misery which has originated in accidental and uncontrollable causes, and that which has originated in folly or ill conduct. And yet it is said to be obvious, that, unless this be done, the establishment of a provision on which every pauper has a legal claim, must, by placing the industrious and the idle, the frugal and the dissipated, on the same footing, powerfully tend to weaken the motives to good con-



duct in the virtuous part of the community, and to strengthen the vicious propensities in those that are bad.

But supposing that it were possible to organise a system which should prevent all poor persons, except the really deserving, from participating in the parish funds, still its operation would, it is affirmed, be most objectionable. We are desired to remember that no man loves exertion and industry for their own sakes; that every one has some end or object in view, the accomplishment of which is to repay the toils and privations to which he submits in bringing it about; that the desire to provide subsistence, and to amass a little capital for the support of old age and infirmity, are the principal motives that impel the great body of mankind to industry and economy; and that whatever tends, like the establishment of a poor's rate, to weaken or rather to destroy these motives—whatever tends to make a man trust to others instead of himself must, so far, paralyse his exertions, and render him less industrious and economical. "*Languescet industria, intendetur socordia, si nullus ex se metus aut spes, et securi omnes aliena subsidia expectabunt, sibi ignavi, nobis graves.*"<sup>1</sup>

But, though apparently formidable, it will be found, on a little examination, that the objections to a compulsory provision for the support of the able-bodied poor are not really entitled to much weight. And though they were, no one acquainted, in any degree, with the perilous situation in which a large portion of the population of England is placed, can doubt that here, at least, such provision is altogether indispensable. Without it the peace of society could not be preserved; and those who possess property would, every now and then, have to defend it, at the point of the sword, against myriads of paupers, impelled by necessity, and made desperate by despair. Under such circumstances, it is fortunate that the inconveniences supposed to be inherent in

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<sup>1</sup> Taciti "Annal." lib. ii. cap. 38.

the principle of compulsory provision may be obviated by regulations in respect to its management, and that its advantages may be secured without any material alloy.

A statutory provision, for all who cannot support themselves, has been established in this country for nearly three centuries; and we are bound to avail ourselves of this experience, and to decide with respect to its effects, not upon theoretical grounds, or conclusions drawn from imagining what the conduct of the labouring class will be when they have a recognised claim to public support in seasons of difficulty, but by looking to what that conduct really has been during this lengthened period of probation. Now the fact is, that there was no considerable increase of pauper population in England from the period when the poor laws were established down to the middle of last century; and it is alleged, that its subsequent increase was wholly owing to the prodigious extension of manufactures and commerce, and did not exceed its increase in Scotland, where the system of compulsory provision had made very little progress. It is farther affirmed, that the labouring population of England have never discovered any want of forethought and consideration; that in bygone times they were eminently distinguished for these virtues; and that, notwithstanding the unfavourable influence of the rise of prices, and the growth of manufactures, since the commencement of the war of 1793, they will still bear an advantageous comparison in these respects with the people of any other country: and in proof of this, we are referred to returns obtained under authority of the House of Commons, which show that in 1815 there were no fewer than 925,439 individuals in England and Wales, being about *one-eleventh* part of the then existing population, members of friendly societies formed for the express purpose of affording protection to the members during sickness and old age, and enabling them to subsist without resorting to the parish funds; and that the sums deposited by individuals, exclusive of those deposited by charitable and friendly societies, in

savings' banks, amounted, in England and Wales, on the 20th November 1844, to 23,987,749*l*. It is alleged, that no such unquestionable proofs of the prevalence of a spirit of providence and independence are exhibited in any other European country. If the poor have in some districts become degraded, this, it is affirmed, has not been owing to the poor laws, but to extrinsic and adventitious causes, such as an increased dependence on the potato, and an influx of paupers from Ireland, a country where, till very recently, there were no poor laws ; and the condition of which affords, it is said, a decisive proof of the fallacy of the complaints of their injurious operation.

Independently, too, of these considerations, the circumstance of a legal provision existing for their support, by binding the poor to the state, and giving them, as it has been termed, a *stake in the hedge*, interests them in the public tranquillity, and inspires them with an attachment to their country and its institutions, which they could not otherwise feel. In densely-peopled manufacturing districts, where the poor have nothing but their wages to depend upon, and where hardly one in a hundred can reasonably hope to attain to a more elevated situation, the poor laws are their only security against falling a sacrifice to absolute want. They constitute a bulwark raised by the state to protect its subjects from famine and despair ; and while they support them in seasons of calamity, and prevent their being driven to excesses ruinous alike to themselves and others,<sup>1</sup> they do not degrade them by making them depend on what is often the grudging and stunted charity of others. A wise statesman will pause before attempting to pull down so venerable

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<sup>1</sup> It was stated in the debates in the House of Commons on the corn laws, in 1846, that Mr. Canning had, more than once, expressed his conviction that the poor laws had preserved this country from revolution. And though this may, perhaps, be ascribing too great an influence to them, there can be no manner of doubt that they have, on various occasions, preserved it from being a theatre of outrage, crime, and disorder.

and so useful an institution ; and will prefer exerting himself to repair the defects that have been discovered in its structure, and to make it effectual to its truly benevolent object of affording an asylum to the really necessitous, without at the same time becoming an incentive to sloth and improvidence.

Such, in a few words, is the substance of the statements that have been or may be put forth by the apologists of the poor laws ; and it is impossible to deny that they are well founded. From the period (1601) when the act of the 43d of Elizabeth, the foundation of the existing poor laws, was promulgated, to the commencement of the late French war, there was scarcely any increase of pauperism ; and few or none of those pernicious consequences had resulted from their operation which we might suppose, looking only to some of the principles they involve, they must have necessarily produced. This apparent anomaly may, however, be satisfactorily explained. A compulsory provision for the support of the poor would, undoubtedly, have the effects commonly ascribed to it, *unless it were accompanied by some very powerful countervailing checks*. But a very little consideration will show that the establishment of such provision can hardly, unless some formidable barrier be thrown in the way, fail of speedily producing these checks. The error into which the opponents of the poor laws have universally fallen, does not consist so much in their having made any false estimate of their operation on the labouring classes, as in their having fixed their attention exclusively on it, without adverting to their operation on others. It is plain, however, that the rates affect the payers as well as the receivers ; and that no sound conclusion can be drawn as to their real operation, without looking carefully at the circumstances under which both parties are placed, and at the conduct which they respectively follow.<sup>1</sup> If the object of the

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<sup>1</sup> Public attention was, we believe, first directed to this view of the subject by Mr. Black, the late learned and able editor of the "Morning Chronicle."

one party be, speaking generally, to increase the rates to the highest limit, that of the other is to sink them to the lowest ; and it not unfrequently happens that the latter is the more powerful of the two. The act of the 43d of Elizabeth laid the burden of providing for the poor on the landlords and tenants of the country ; but (unlike the new poor law) it wisely left them to administer that relief in the way they thought best ; and it stimulated them to take measures to check the growth of a pauper population, which not only prevented it from increasing in an unnatural proportion, but which, there are good grounds for thinking, confined it within decidedly narrower limits than it would have attained had the poor laws not been in existence.

The truth is, the act of the 43d of Elizabeth has not been *bonâ fide* carried into execution. The act says, that employment and subsistence shall be found for all who are unable to find them for themselves. But those who had the interpretation of the act were long in the habit, when they suspected fraud and imposture, of tendering relief in workhouses ; and there are very many needy persons who would be eager to claim assistance from the public if it could be had at their own residences, who would yet reject it when coupled with the condition of imprisonment in workhouses, and of submitting to the rules enforced in such establishments.

In 1723 the workhouse system was placed on a greatly improved footing by the act 9 Geo. I., cap. 7, which authorised parishes to unite for building workhouses, and also gave them power, if they saw cause, to refuse relief except in a workhouse. This act formed, during the next half century, a principal bulwark against the progress of pauperism. It is stated by Sir F. M. Eden, that when workhouses began to be generally erected, after the above-mentioned act, great numbers of persons, who had previously received a pension from the parish, preferred depending on their own exertions rather than take up their abode in them ; and the aversion of the poor to these establishments was so great, that we

are told, by the same excellent authority, of some whose humanity seems to have exceeded their good sense, proposing, by way of weakening this aversion, "*to call workhouses by some softer and more inoffensive name.*"<sup>1</sup>

But of all the circumstances which have contributed to retard the growth of pauperism in England, the most powerful, perhaps, has been, that the system of compulsory provision made their opposition to the too rapid increase of the labouring population the obvious policy of the landlords and occupiers of lands. They saw that if, by the erection of cottages, the splitting of farms, or otherwise, the population upon their estates or occupancies was augmented unnecessarily, they would, through the operation of the poor laws, be burdened with the support of all who, from old age, sickness, want of employment, or other cause, might, at any future period, be unable to provide for themselves. The wish to avoid incurring such an indefinite responsibility, not only made landlords and farmers cautious about admitting new settlers upon their estates and farms, but it farther stimulated them to take vigorous measures for diminishing the population, wherever the demand for labour was not pretty brisk and constant. The complicated system of laws with respect to settlements owed its origin to this principle; and, until relaxed, it opposed a formidable barrier to the increase of population. There is, indeed, great reason to doubt whether the rural population of England was not rather diminished than increased in the interval between the Revolution and 1770. And it is to the operation of the poor laws, more than to any thing else, that we find so few small occupancies in England, and that she has been saved from that excessive subdivision of the land that has been, and is, the curse of Ireland. Considering, indeed, the high rents that cottagers will offer for slips of land, and the circumstance that the law of England, by granting the elective

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<sup>1</sup> "State of the Poor," vol. i. p. 235.

franchise to all persons possessed of a cottage and a piece of land valued at 40s. a-year, gave a strong stimulus to the increase of cottages, we must be satisfied that it required some powerful countervailing principle to render their multiplication so inconsiderable. Political influence is as dear to an English as to an Irish gentleman ; but the former, had he manufactured voters by the hundred or the thousand, would have made himself directly responsible for their maintenance ; and he was, therefore, determined by a motive which had no influence over the latter, to abstain from so ruinous a practice. Most landlords early saw the consequences that would in the end result, unless they adopted the necessary precautions, from their being bound to provide for the settlers on their estates who, through misfortune or misconduct, could not provide for themselves ; and since they could not subvert the principle of the compulsory system, they exerted themselves to prevent its abuse, by adopting every device for checking the undue increase of population, and by administering relief in such a mode as might hinder any but the really indigent from having recourse to it.

The truth is, that down to 1795 it was not said that the poor laws had increased population and lowered wages, but that they had diminished it and raised wages. A host of authorities, some of which are referred to below,<sup>1</sup> might be quoted in proof of this statement, and explanatory of the means by which so singular a result was brought about ; but the following passage from Young's "Farmer's Letters" will probably be deemed sufficient.

"The law of *settlement*," says Young, "is attended with nearly as many ill consequences as that of *maintenance*. I

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<sup>1</sup> "Britannia Languens, or a Discourse of Trade," &c., p. 155. Lond. 1680. Alcock's "Observations on the Effects of the Poor Laws," pp. 19, 20. Lond. 1752. Burn's "History of the Poor Laws," p. 211. Lond. 1764. Arthur Young's work, quoted in the text. Brown's "Agricultural Survey of the West Riding of Yorkshire," p. 13. Lond. 1793, &c. Debates in the House of Commons, 28th April 1773.

have said enough to prove of how great importance our labouring poor are to the public welfare: the strength of the state lies in their numbers; but the prodigious restrictions thrown on their settlements tend strongly to prevent an increase. One great inducement to marriage is the finding, without difficulty, a comfortable habitation; and another, nearly as material, when such requisite is found, to be able to exercise in it whatever business a man has been educated to or brought up in. The first of these points is no easy matter to be accomplished; for it is too much the interest of a parish, both landlords and tenants, to decrease the cottages in it, and, above all, to prevent their increase, so that, in process of time, habitations are extremely difficult to be procured. There is no parish but had much rather that its young labourers would continue single: in that state they are not in danger of becoming chargeable, but when married the case alters; all obstructions are, therefore, thrown in the way of their marrying; and none more immediately than that of rendering it as difficult as possible for the men, when married, to procure a house to live in; and this conduct is found so conducive to easing the rates, that it universally gives rise to an open war against cottages. How often do gentlemen who have possessions in a parish, when cottages come to sale, purchase them, and immediately raze them to the foundation, that they may never become the *nests*, as they are called, of *beggars' brats*! by which means their tenants are not so burdened in their rates, and their farms let better; for the rates are considered as much by tenants as the rent. In this manner cottages are the perpetual objects of jealousy, the young inhabitants are prevented from marrying, and population is obstructed." <sup>1</sup>

It may perhaps be said, had the poor laws never existed—had they not tempted the poor to place a deceitful trust in parish assistance—their natural sagacity would have

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<sup>1</sup> "Farmer's Letters to the People of England," 3d ed. vol. i. pp. 300–302.



led them to act with prudence and consideration, and prevented the multiplication of their numbers beyond the demand. That such would have been, in some measure, the case, is perhaps true; though, considering the state of depression in which the poor have usually been involved, and their ignorance of the most efficient causes of poverty, there are but slender grounds for thinking that the influence of the prudential check would have been very sensibly felt. A man must be in what is called a comfortable situation before he is likely to be much influenced by prospective considerations. The pressure of actual, not the fear of future want, is the great incentive to the industry of the poor. Those who have speculated upon the operation of the poor laws over the prudential virtues, have usually belonged to the upper classes, and have supposed that the lower classes are actuated by the same motives that actuate those to whom they belong. But the circumstances under which these classes are placed are so very different, that, in questions of this sort, it is difficult to draw any accurate conclusion in regard to the conduct of the one, from observations made upon the conduct of the other. A man who is in easy circumstances, must, if he would not lose *caste*, and secure a continuance of the advantages which he enjoys, exercise a certain degree of prudence; but those who possess few comforts, who are near the extreme verge of society, and have but little to lose, do not act under any such serious responsibility. A want of caution, and a recklessness of consequences, are in their case productive of comparatively little injury, and are less guarded against. The widest experience proves that this is the case. The lower we descend in the scale of society, the less consideration and forethought do we find to prevail. When we either compare different classes in the same country, or in different countries, we invariably find that poverty is never so little dreaded as by those who are most likely to become its victims. The nearer they approach it, the less is it feared by them. And that generally numerous

class who are already so low that they can fall no lower, scruple not to plunge into excesses that would be shunned by others, and often indulge in gratifications productive of the most injurious consequences.

On the whole, therefore, there seems little reason for thinking that the fear of being left destitute in old age, had a compulsory provision not existed, would have operated with any thing like the same force, in deterring the lower classes from entering into improvident unions, as the formidable restraints that grew out of the poor laws. "A labouring man in his youth," it has been justly observed, "is not disposed to look forward to the decline of life, but listens to the impulses of passion. He sees the picture through the deceitful mirror which his inclinations hold up to him. Hence those restraints which persons of property, interested in keeping down poor rates, will certainly impose upon him, are more likely to be efficacious than those which he will impose on himself."

It may be inferred, from the statements of contemporary writers, that the poor's rates amounted to about a million at the commencement of last century.<sup>1</sup> In 1776, they amounted, according to the official returns, to 1,720,316*l.*; and at an average of the years 1783, 1784, and 1785, being those immediately subsequent to the American war, they amounted to 2,167,748*l.* This, when we consider the rise in the price of food, the great increase of population, and the distressed situation of the country at the termination of a disastrous contest, if it be really an increase, is certainly a very small one, and shows that the checks that had grown out of the system were quite sufficient to hinder the growth of factitious pauperism.

But notwithstanding the unanswerable evidence that was thus afforded of the advantageous working of the old system, some of its strongest bulwarks were unfortunately removed

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<sup>1</sup> Sir F. M. Eden, on the "State of the Poor," vol. i. p. 403.

in the interval between 1782 and 1795, and a door was consequently opened for the growth of abuses under which the country still suffers. At the first of the epochs now referred to, the act (commonly called Gilbert's Act from the name of its author) 22 Geo. III., cap. 83, repealed the salutary statute of 1723, authorising parishes, if they thought fit, to refuse relief except in workhouses; and enacted, that in future no able-bodied paupers should be obliged to resort to those establishments, but that work should be provided for them at or near their own houses! This throwing down of one of the principal barriers that had hitherto prevented the growth of factitious pauperism, could hardly have failed, under any circumstances, to be in the end productive of the worst consequences; but its injurious operation was accelerated by accidental occurrences, and by the folly of the magistrates.

The price of wheat, which, at a medium of the three years ending with 1794, averaged 48s. 2d., rose, in 1795, to 75s. 2d. As wages continued stationary at their former elevation, the distress of the poor was very great; and many able-bodied labourers, who had rarely before applied for parish assistance, became claimants for relief. Instead of meeting this emergency, as it should have been met, by temporary expedients, and grants of relief proportioned to the exigency of each case, a uniform system was adopted. The magistrates of Berks, and some other southern counties, issued tables, showing the wages which, as they affirmed, every labouring man should receive, according to the number of his family, and the price of bread; and they accompanied these tables with an order directing the parish officers to make up the deficit to the labourer in the event of his wages falling short of the tabular allowance!

As might have been expected, this practice did not cease with the temporary circumstances which gave it birth, but continued to be acted upon down to the passing of the Poor Law Amendment Act. It was, in fact, very generally established in the southern half of England, in large districts

of which there were no longer any independent labourers to be found ; and produced an extent of artificial pauperism, and moral degradation, that could hardly have been conceived possible.

Under these circumstances, the necessity of making a vigorous effort for the extirpation of the abuses that had been ingrafted on the system of compulsory provision, became obvious ; and the previous statements show that the desired reform might have been brought about with but little difficulty. No doubt it is always unsafe, in matters of this sort, to trust wholly to general principles, how well soever they may appear to be established. But, in this case, we had the safe and solid ground of a lengthened experience, whence to conclude that the abuses, of which we have briefly traced the growth, might have been extirpated, by reverting to the system which obtained previously to their origin, or to 1782 ; the efficacy of which might also, it is generally admitted, have been very greatly increased by amending the constitution of vestries, so as to give their due influence to people of property, and by lessening or suppressing the interference of the Justices of the Peace. Nothing, in fact, is ever required to insure the economical administration of a compulsory provision for the poor, beyond vesting its management in the hands of those by whom it must be wholly or principally paid. We may be quite sure that, if this be done, relief will be furnished with the greatest economy. Those who have to be generous at their own expense, are usually models of circumspection, and have seldom, indeed, injured their fortunes by their liberality to the unfortunate. In this, as in most other things, we may safely trust to the judgment and interest of individuals. In Scotland, where this system has been long established, the complaint was, not that the poor got too much, but that they got too little ; that the funds intended for their support were too economically laid out ; that in many cases, relief was altogether withheld from necessitous individuals ; and that, when granted, the allowances were

generally too small. Had the English poor laws been amended in the way now suggested, it would have been necessary, to prevent the too great reduction of their allowances, to give the poor a right of appeal, from the parochial authorities, to some easily accessible and less interested tribunal. Under the supposed circumstances this would have been the only danger to provide against.

But *Diis aliter visum!* Anything so simple as this, so consistent with experience and the plainest principles, did not suit the taste of the day, or the prevalent rage for innovation. In 1832 a Commission was appointed to inquire into the operation and administration of the laws for the relief of the poor; and the commissioners-in-chief employed a number of sub-commissioners, who proceeded to different parts of the country to collect information. The reports of these functionaries, and the evidence taken before them, fill several folio volumes, and contain a curious medley of authentic, questionable, and erroneous statements. The commissioners, with but few exceptions, appear to have set out with a determination to find nothing but abuses in the old poor law, and to make the most of them. Hence the exaggeration, partiality, and quackery so evident in most of their reports. But, such as they were, they became the foundation of, or pretext for, a measure of the most sweeping description, by which, with few exceptions, every vestige of the old system for managing the affairs of the poor was wholly abolished. It is, however, much easier to subvert what is established than to construct anything better in its stead; and the statute 4 and 5 Will. IV. c. 76, commonly called the Poor Law Amendment Act, is a striking example of this; no statute ever having been passed more contradictory of the best established principles, or more likely to be productive of mischievous results.

Down to this period, it had been generally supposed that individuals would take better care of their estates and

interests than any one else, and that these could nowhere be so safe as in their own keeping. But the Poor Law Amendment Act is bottomed on the assumption, that a regard to self-interest is not a principle on which any stress can safely be laid; and that the interests of individuals will be best protected by salaried officers appointed by Government, and responsible to it only! To carry this principle, if we may so call it, into effect, in the administration of the poor laws, a Central Board of three commissioners was established in London, empowered to control and direct parishes and unions (collections of different parishes) in the mode of relieving the wants of the poor. For this purpose the commissioners were authorized to decide upon the kind and amount of pauper relief; to issue rules and regulations with respect to the treatment of the poor, which all inferior officers are bound to obey; to determine in regard to the erection and government of workhouses, and the education of parish children; to form unions of parishes for the better administration of the law, &c. Boards of guardians, consisting for the most part of people of property and respectability, are chosen in the different unions for superintending the workhouses and administering relief. But these functionaries to whom, from their local knowledge, and their interest in the proper administration of the rates, much power might have been safely conceded, are, in fact, rendered all but ciphers; they cannot, however well satisfied of their expediency, adopt any rules or modes of relief not sanctioned by the Central Board in London; and are substantially mere tools or instruments in the hands of the latter and its officers. Justices of the Peace have been properly prohibited from interfering, in any way, with the rules laid down by the Central Board, or with the proceedings of the various parties acting under its orders.

It would be to no purpose to enter into any lengthened inquiries with respect to the working of this system. It has been the subject of many well-founded complaints, and has been productive of much irritation. But what else could any

rational person anticipate? Adam Smith has said, that it is the highest impertinence in kings and ministers to pretend to instruct private people how they should employ their capital and industry. But this pretension, like every other put forward by the advocates of the mercantile system, appears to be modesty itself compared with the pretensions put forward by the authors and abettors of the new poor law. They take for granted that the country gentlemen, and people of property in England, are simpletons, incapable of managing their own affairs; that they are wholly unfit to take care of their estates and most obvious interests; and unable to do that which every kirk-session in Scotland is admitted to have done admirably well! It may be questioned whether, in the whole history of the legislation of the least enlightened and most despotically-governed nations, any instance can be pointed out in which the rage for interference (inflamed no doubt by the scent of the patronage it was to bring along with it) has been carried to such an extreme, not to say offensive, extent.

Neither has the administration of the act been very successful. Differences of opinion, in regard to some fundamental points, speedily manifested themselves between those functionaries who were inclined to proceed cautiously and prudently, and those who were inclined to carry out the principles of the measure with less regard to circumstances. These differences, having attained to a most unseemly height, were at length fully investigated, and brought under the notice of the public, by a committee of the House of Commons, appointed to inquire into alleged abuses in the Andover Union. Some of the disclosures made by the committee were of a very revolting description; and, having roused the public indignation, led to a reconstruction of the Central Board, and to some other changes, effected by the act 10 and 11 Vict. c. 109. But though this act embodies some improvements, it touched none of the principles on which the Poor Law Amendment Act was founded. But the functionaries employed under it,

profiting by the errors of their predecessors, have acted with greater discretion, and deferred more to public opinion.

Among other consequences, the Poor Law Amendment Act may be truly said to have given birth to a new political power of a very dangerous description. Previously to its being passed the management of the poor belonging to the different parishes was the private affair of the parties resident in them, and interested no one else ; so that, if the poor of a particular parish felt themselves aggrieved, they had nothing for it but to appeal to the parochial authorities, or to the courts, for redress. But the present state of things is totally different. The poor, no doubt, are distributed over different unions ; but these being all subject to similar rules and regulations, enforced by government agents, the interests of the poor in them, and in the kingdom generally, are substantially identified. Instead of the authorities, in any single parish, having to deal with some twenty or fifty paupers, the Central Board, or rather the government, by whose orders it is directed, has to deal with all the paupers in the kingdom. It has made itself their dry-nurse and foster-mother ; is responsible for every real or fancied abuse that may anywhere exist in their treatment, and must stoop to interfere in every work-house squabble ! Had the framers of the measure wished to bring government into contempt, by loading it with impracticable and odious duties, they could not have adopted any course more likely to be successful. People of property on the spot, acquainted with the peculiar circumstances of every case, and interested in the judicious and economical treatment of the poor on their estates and in their neighbourhood, are the only parties to whom the administration of workhouses, and of the public charity, can be safely intrusted. Government and its agents are as completely unfit for any such duty, as they are for managing the private affairs of individuals. In a country like England, with an immense manufacturing population exposed to the greatest vicissitudes, could any one imagine that the agents of the Central Board would be permitted, in



periods of difficulty, to carry its repulsive theories into effect? The suppression of out-door relief was announced as one of the grand objects of the new law ; and this was to be effected by making workhouses "tests of destitution," and refusing assistance to all who did not choose to accept it in them. But it admits of demonstration that relief may, in very many cases, be more economically afforded otherwise than in workhouses; and, in such cases, where is the advantage of compelling really necessitous parties to resort to them? Waiving, however, all considerations of this sort, and admitting that the rule now referred to might be enforced in thinly-peopled country parishes, what sane person could suppose that this could be so much as attempted in populous towns, in seasons of commercial or manufacturing distress? Any government that should have endeavoured to carry such a regulation into effect, under such circumstances, would have been overthrown in six weeks. The truth of this statement was, indeed, admitted by the warmest advocates of the new system, who boasted, during the discussions in 1844, on the act 7 and 8 Vict. c. 101, for amending the poor laws, that relief was everywhere administered, to a vast extent, out of workhouses, and that it never had been intended it should be otherwise! And such is uniformly the case when attempts are made to enforce impracticable regulations. The moment any difficulty arises, we hear little or nothing of the "stern path of duty;" but, on the contrary, are told that, *tempori cedere, id est necessitati parere, semper sapientis est habitum*. And, when once begun, occasions for fresh relaxations are never wanting. The new poor law could not be, and has not been, honestly acted upon. No government will incur the odium of seriously attempting to carry out its provisions. In such matters, present convenience is sure to outweigh every other consideration. It is not often that we have a Timoleon at the head of the home department; and we may be pretty well assured that this, like every similar project attempted to be carried into effect by salaried agents, in the teeth of

public opinion, will terminate by being made a screen for all sorts of mal-practices.

The smaller, speaking generally, the divisions into which a country is parcelled, and the more directly the burden of providing for the poor is brought home to the door of those upon whom it must fall, the greater will be the security against the mismanagement of the rates, and the less room will there be for imposture, menace, and cabal, on the part of the poor. But the authors of the new poor laws treat such considerations with contempt! They say, in effect, it matters not how well the affairs of the poor in one parish may have been administered, or how badly they may have been administered in another; we shall combine these and a dozen more parishes into the same union, and subject them to the same rates and mode of management! This is taking away, in as far as can be done, every motive to the prudent and economical treatment of the poor by parishes and individuals, who are no longer to profit by it, and giving a corresponding encouragement to abuse. Under the old system, parishes might, if they thought it would be for their interest, join together, and erect workhouses, managing their poor in common. But it was reserved for the legislators of the nineteenth century, who pique themselves upon their devotion to free principles, to make such junctions imperative—to force ill-omened unions between well-managed and badly-managed parishes, between prudence and folly, economy and waste!

It has been said that, without the supervision of a Central Board, it would be impossible to introduce any sort of uniformity into the treatment of the poor; and this, perhaps, is true. But why should there be any uniformity? Any one who reflects for a moment on the subject, must see that the treatment of the poor should vary in different parishes and parts of the country, and that it would be the climax of folly to treat the poor of a manufacturing and of an agricultural district in the same way. Why should it not be left to those who pay the rates, and are, consequently,

most interested in their proper outlay, to decide upon the best means of maintaining the poor? It is, if anything can be, an insult to common sense to pretend that any three, or any three hundred individuals, resident in London, should be able to instruct private parties resident in the different parishes of England, how the poor in them may be best and most economically provided for!

It is needless to inquire into the abstract merit of the various rules and regulations framed by the Central Board; though it seems rather difficult to discover the wisdom or possible utility of the greater number. But the treatment of the poor is, obviously, a matter in which the most carefully drawn up general rules can, speaking generally, be of little or no service: it is one in which we have to deal with conflicting interests and opinions, conflicting and perpetually varying circumstances, in which expediency must be allowed quite as much weight as right or principle, and in which most cases have something peculiar. And when such is the fact, can there be a doubt that all attempts to apply the same rules to so many different and opposite interests and cases are fraught alike with injustice and danger?

It is sometimes said, by way of apology for the new system, that, under its influence, the rates have been materially reduced, and that, therefore, it must at least be in so far advantageous. While, however, we admit the fact, we deny the inference. All changes in the public economy of a great nation, and especially those which deeply affect the interests of the poorer classes, should be brought about gradually and slowly. Had the charge of providing for the poor been committed, as it should have been, to the people of property in the different parishes, without any interference on the part of the justices, under the regulations established previously to 1782, it is probable that the reduction of the rates, though more effectual in the end, would have been less rapid at first than under the new system. At the outset of all projects of this description, the officers have an extra-

ordinary anxiety to discover their zeal; and seldom, indeed, hesitate about availing themselves of any means, however questionable, to evince their desire to be useful to their employers, and to prove the value of their services. But this ultra zeal very soon cools down to something like apathy, or, it may be, connivance at abuse; whereas the watchful care individuals take of their own interests, is a principle which no fancied security can ever relax, or time wear out; so that while reforms, effected by the agency of those to whom they are profitable, are usually introduced with caution, they are invariably carried out to the fullest extent, and enforced with untiring vigilance.<sup>1</sup>

Such are some of the contradictions that appear to be involved in the amended poor law, and of the mischievous consequences of which it has been and will, most likely, continue to be productive. It would be inconsistent with the plan and objects of this work to subject it to a more lengthened examination. We do not presume to cast its horoscope, to conjecture how long it is destined to be the law of the land, or to measure the degree of rigour with which its provisions may be enforced; but we have seen that it is opposed to sound doctrine; that it makes that a public and national, which is essentially a private and local affair; and that it is an uncalled-for interference with the rights and duties of individuals. Should it be permitted to run its full course, without some material modifications, the presumption is that, in the end, it will be found to be as expensive and disastrous in its practical results, as it is vicious in its principles, and audacious in its pretensions.

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<sup>1</sup> The sums paid for the relief and maintenance of the poor of England and Wales, during the years ending the 25th March 1839, 1840, and 1841, were respectively 4,421,714*l.*, 4,576,965*l.*, and 4,760,928*l.*, and during 1844, 1845, and 1846, they were 4,976,003*l.*, 5,039,703*l.*, and 4,954,204*l.* In 1847, the expenditure amounted to 5,298,787*l.*; and in 1863 to 6,527,036*l.*

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## CHAPTER V.

*Education of the Poor—Importance of a National System of Education—Difficulties in the way of its Establishment—Influence of Friendly Societies and Savings' Banks.*

Of the various means for providing for the permanent improvement of the poor, few, if any, promise to be so effectual as the establishment of a really useful system of public education. Poverty is, probably, the principal source of misery and crime; and ignorance, or a want of the knowledge of the laws or circumstances that determine the condition of the great bulk of mankind in society, is, indirectly at least, an efficient source of poverty, and, therefore, of crime. It is now, indeed, very generally acknowledged, that the providing of elementary instruction for all classes of its subjects is one of the most pressing duties of government; and during the last half-century, and especially since the termination of the late French war, some of the principal Continental states have taken every means in their power to ensure the efficient discharge of this important duty. But, except in Scotland, no plan of national instruction has been organized in any part of the United Kingdom. And though much has been done to supply this deficiency by benevolent individuals and societies, and more recently by government, a great deal remains to be accomplished, both as respects the diffusion of instruction, and the improvement of its quality. In this country, those who have laboured to promote the education of the poor seem, generally speaking, to be satisfied, provided they succeed in making them able to read and write. But, though this much be a material gain, the education that stops at this point omits those parts that are, perhaps, most important. A knowledge

of the arts of reading, writing, and arithmetic, may, and indeed very often does, exist along with the grossest ignorance of all those principles with respect to which it is most for the interest of all classes, and especially of the poor themselves, that they should be well informed. To render education productive of all the utility that may be derived from it, the poor should, in addition to the elementary instruction now alluded to, be made acquainted with the duties enjoined by religion and morality, and with the circumstances which occasion that gradation of ranks and inequality of fortunes that usually exist; and they should be impressed, from their earliest years, with a conviction of the important truth, that every man is, to a great extent, the arbiter of his own fortune; and that the most tolerant and economical government, and the best institutions, can shield none from poverty and degradation, who do not exercise a reasonable degree of industry, forethought, and good conduct. That the ultimate effect of such a system of education would be most advantageous, appears abundantly obvious. Neither the errors nor the vices of the poor are incurable: they investigate all those plain practical questions which affect their immediate interests with the greatest sagacity and penetration, and do not fail to trace their remote consequences; and if education were made to embrace objects of real utility—if it were made a means of instructing the poor in the circumstances which elevate and depress the rate of wages, and which, consequently, exert the most powerful influence over their condition, there can be little doubt they would endeavour to profit by it. It would be unreasonable, indeed, to expect that it should produce any very immediate effect on their habits; and we are not of the number of those who expect that any system of education will ever insure tranquillity in periods of distress, or that it will obviate the vicissitudes and disorders inherent in the manufacturing system. But though the harvest of sound instruction may be late, and not so extensive as many suppose, it would, notwithstanding, be most valuable. By raising the intelligence

of the poor, and enabling them the better to appreciate the worthlessness of the quacks on whom and on whose nostrums they are so often called upon to depend,<sup>1</sup> and to estimate the more remote, as well as the immediate consequences of their actions, it could hardly fail to contribute materially to their advantage.

It has been well observed, in reference to the diffusion of education, that—"Of all obstacles to improvement, ignorance is the most formidable; because the only true secret of assisting the poor is to make them agents in bettering their own condition, and to supply them, not with a temporary stimulus, but with a permanent energy. As fast as the standard of intelligence is raised, the poor become more and more able to co-operate in any plan proposed for their advantage, more likely to listen to any reasonable suggestion, more able to understand, and therefore more willing to pursue it. Hence it follows, that when gross ignorance is once removed, and right principles are introduced, a great advantage has been already gained against squalid poverty. Many avenues to an improved condition are opened to one whose faculties are enlarged and exercised: he sees his own interest more clearly, he pursues it more steadily, he does not study im-

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<sup>1</sup> The agitation in Ireland for a repeal of the Union is one of the most striking examples in modern history of the influence of the continued iteration of unfounded assertions, and of the merest quackery, in deluding and misleading a people. Those who set on foot the clamour for repeal were much too clear-sighted to imagine it could succeed; and it is doubtful, perhaps, whether they really wished that it should. They knew, however, that by pandering to the prejudices of a susceptible and confiding people, and assuring them that they were nowise to blame for their low and depressed condition, which, they affirmed, was wholly a consequence of their ruinous connexion with England, they would make themselves be regarded as patriots *par excellence*: and that, having in this way acquired great popular influence, they might make it subservient to any purpose of personal aggrandisement, and even levy heavy contributions on their unsuspecting dupes! It is not easy to say whether this fraudulent juggle was most disgraceful to its contrivers or to the successive governments by which it was tolerated, and sometimes all but abetted. It did more than anything else to perpetuate prejudices and to retard the improvement of Ireland.

mediate gratification at the expense of bitter and late repentance, or mortgage the labour of his future life without an adequate return. Indigence, therefore, will rarely be found in company with good education.”<sup>1</sup>

We fear, however, that these, and other advantages of sound instruction, can never be fully realised so long as we are left, without any adequate public provision, to depend principally on the efforts of individuals and associations. The country is, no doubt, under great obligations to those who have come forward to provide that instruction for their indigent fellow-countrymen that should have been provided by the state. But while we give every credit to the praiseworthy efforts of the benevolent individuals now referred to, still it would not be difficult to show, that no extension of the system of charity and subscription schools can ever fully compensate for the want of a statutory provision for the education of the public. Something of degradation always attaches to the fact of one's having been brought up in a charity school. The parents who send children to such an institution, and even the children, know that they have been received only because they are paupers unable to pay for their education; and this consciousness has a tendency to weaken that sense of independence and self-respect, for the want of which the best education may be but an imperfect substitute. But no such feeling operates on the pupils of schools established by the state. And in addition to this, the public are entitled to superintend its own schools, to decide upon the qualifications of the masters, and the species of instruction to be afforded to the pupils. But, in the case of private schools, these important matters are left to the discretion of irresponsible individuals; and the masters and the instruction may be alike deficient.

At the same time it must be admitted, that it is an exceedingly difficult matter to suggest any plan for a national

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<sup>1</sup> Sumner's "Records of the Creation," vol. ii. p. 298.



system of education against which many very weighty objections may not be fairly urged. Suppose it were enacted, that a school for the elementary branches of instruction should be founded and endowed by government in every parish, or other convenient district: the knotty questions would immediately occur—Whether shall any, and, if any, what system of religious instruction be introduced into these schools?—To whom shall the drawing up, or choice, of class-books be intrusted?—Shall the same class-books, and the same plan of instruction, be adopted in all the schools, or if not, how, to what extent, and under what circumstances, shall it be varied?—Shall it be compulsory, as in Prussia, on parents to send their children to school, or shall it be optional?—In whom shall the appointment of schoolmasters be vested, and what shall be the test of their qualifications? These, and other questions of the same kind, involving considerations of the highest importance, must all be investigated and disposed of, in one way or other, before any system of national education can be established. But so many and such formidable objections, originating partly in the difficulties inherent in the subject, and partly and principally in the discordant views and prejudices of the different religious sects and political parties amongst us, might be, and no doubt would be, made to every proposal for a national system of education, that, however beneficial, there are certainly but slender grounds on which to hope for its establishment.

Hence we are inclined to think, considering the difficulties by which all educational projects are incumbered, that the system under which the extensive grants of money made by parliament for the promotion of education are now distributed, is, perhaps, on the whole, one of the best that can be devised. It is extremely complex, and is so far objectionable, but this could hardly be avoided. It does not attempt to establish schools, but confines itself to giving assistance under certain conditions to most varieties of extant schools. Probably, however, it has been most advantageous in supplying a class

of better instructed masters, and by providing for the inspection of the schools which it assists. The latter is a point of the greatest importance; and we doubt whether anything would do so much to improve education as to open all schools, whether private or public, to inspectors authorized to visit them at all times when they judged proper, and to publish the unmutilated results of their examination in the papers of the districts to which the schools belong. Such a system would make the continuance of abuses all but impossible, and would do the most that can be done, to make the masters attentive to their duty, and to add to the efficiency of their teaching.

The formation of benefit clubs, or friendly societies, seems to be one of the best devices for enabling the poor to provide for themselves, without depending on the charity of their more opulent neighbours. Friendly societies are formed on a principle of mutual insurance. Each member contributes a certain sum by weekly, monthly, or annual subscriptions, while he is in health, and receives from the society a corresponding pension or allowance when he is incapacitated for work by accident, sickness, or old age. Nothing, it is obvious, can be more unexceptionable than the principle of these associations. Owing to the general exemption from sickness till a rather late period of life, if a number of individuals under twenty or thirty years of age form themselves into a society, and subscribe each a small sum from their surplus earnings, they are able to secure a comfortable provision in the event of their becoming unfit for labour. But, any single individual who should trust to his own unassisted efforts for support, would obviously be placed in a comparatively hazardous situation; for, however industrious and parsimonious, he might be unable to accomplish his object, inasmuch as the occurrence of an accident, or an obstinate fit of sickness, might, by throwing him out of employment and forcing him to consume the savings he had accumulated against old age reduce him to a state of indigence, and oblige

him to become dependent on others. It may, therefore, be regarded as an exceedingly favourable circumstance, that the number of persons in England enrolled in friendly societies is supposed at this moment to exceed a *million*. But, though great, the progress of these societies has hitherto been much counteracted by the ignorance and mismanagement of their officers, and by the real difficulty of establishing them on a solid foundation. The principal error has consisted in their fixing their allowance scales too high. When instituted, they consist for the most part of members in the prime of life, and there is comparatively little sickness and mortality amongst them: in consequence, their funds rapidly accumulate, and they are naturally tempted, from the apparently flourishing state of their affairs, to deal liberally by those members who are occasionally incapacitated. But the circumstances under which the society is placed at an advanced period are materially different: sickness and mortality are then comparatively prevalent; the contributions to the fund decline at the same time that the outgoings increase; and it has not unfrequently happened that the society has become altogether bankrupt, and that the oldest members have been left, at the close of their lives, destitute of all support from a fund on which they had relied, and to which they had largely contributed.

But the defects in the constitution of friendly societies have been, in a considerable degree, amended; various efforts, many of which have been productive of the best effects, having been made by private individuals and associations, as well as by the legislature, to obviate the chances of their failure, and to encourage their foundation on sound principles. Two reports by a committee of the House of Commons, "On the Laws respecting Friendly Societies," printed in 1825 and 1827, contain a great deal of authentic information as to their constitution; and the Report and Tables published by the Highland Society are also valuable. It is true that several important points still remain to be satisfactorily cleared up;

but, in the mean time, enough has been done to enable the legislature to interfere in assisting the formation of friendly societies on a solid foundation. The regulations enacted in that view are embodied in the 17 & 18 Vict. c. 56; 18 & 19 Vict. c. 63; and 21 & 22 Vict. c. 101.

The institution of savings banks deserves also the warmest support of all who are friendly to the improvement and independence of the poor. The want of a safe place of deposit for savings, where they would yield a reasonable interest, and whence they could be withdrawn at pleasure without loss, has formed one of the most serious obstacles to the formation of a habit of accumulation among labourers. The difficulty of investment has led many to neglect opportunities of saving of which they might have availed themselves; and it has frequently happened that those who, in despite of every discouragement, had accumulated a little capital, have been tempted, by the offer of a high rate of interest, to lend it to persons of doubtful characters and desperate fortunes, whose bankruptcy has involved them in irremediable ruin. But this unfavourable state of things has been in great measure obviated by the institution of savings banks. These establishments, which were set on foot a good many years ago, are mostly managed by boards of directors consisting generally of the most respectable persons in the districts where they are established. Sums of 1s. and upwards have been received as deposits, of which the whole, or any portion, may be withdrawn at the pleasure of the depositors: the amounts received were invested in the public funds, and a specified rate of interest (generally about 3 per cent.) was allowed thereon. But this system, though in many respects excellent, wanted that complete security that was indispensable to insure its full success. The management of most savings banks fell, as usually happens with such-like institutions, into the hands of the secretaries, or of certain leading directors; and these parties sometimes made use of the funds

of which they had the control. Hence there have been some very bad cases of bankruptcy among savings banks, which, of course, shook the confidence of the public in the system. It was principally in the view of obviating this inconvenience, that in 1861 the Post Office savings banks were established by the Act 24 Vict. c. 14. An interest of  $2\frac{1}{2}$  per cent. is allowed on the sums received by these banks, and government is responsible for the safety of the deposits. The public seems to have fully appreciated the value of this security; the deposits in Post Office savings banks having, on the 31st December 1862, notwithstanding their recent establishment, amounted to 2,114,917*l.*: those in the older banks amounted at the same time to about 40 millions.

Still, however, it must be admitted, that these banks do not fully remove the difficulty that has always existed in England of profitably investing small sums. They are, in fact, applicable only to the exigencies of servants and labourers, and not to those of little tradesmen, farmers, &c. No depositor can contribute more than 30*l.*, exclusive of compound interest, to a savings bank in any one year; the total amount of the deposits to be received from one individual is not to exceed 150*l.*; and whenever the deposits and the compound interest accruing upon them, standing in the name of an individual, amount to 200*l.*, no farther interest is paid upon such deposit. But it is exceedingly desirable that this system should be extended as widely as possible. In Scotland, it has long been customary for the public banks to receive deposits of such small sums as 10*l.*, or even 5*l.*, and to allow interest upon them at about one per cent. less than the market rate at the time. And perhaps no single circumstance has done more than this to generate and diffuse those habits of foresight and economy by which the Scotch peasantry and small tradesmen are so honourably distinguished. Down to a late period such facilities of accumulation were not afforded in England; and tradesmen in London and other places, who wished to invest a small

sum so as to make it profitable, had either to lend it to a private individual, which was in most cases attended with risk, or buy funded property with it. This latter mode of investment, however, though extensively practised, has several drawbacks; it renders the sum invested liable to be affected by fluctuations of the funds; the investment cannot be made without the assistance of third parties; the money cannot be drawn out at once without any sort of trouble; and some little acquaintance with the nature of stocks and the business of stock-jobbing is required. These inconveniences have now, however, been obviated by the formation of joint-stock banks, which universally grant interest on deposits, in the same way as the Scotch banks. The sums deposited in their hands are now (1863) quite immense.

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## CHAPTER VI.

*Conflicting Opinions with respect to the Origin of Rent—Theory of Dr. Anderson—Nature and Progress of Rent—Not a Cause but a Consequence of the High Value of Raw Produce—Does not enter into Price—Distinction between Agriculture and Manufactures—Rents depend partly on the Extent to which Tillage has been carried, and partly on Situation—Inequality and Mischievous Operation of Taxes on Rent.*

M. QUESNAY and Adam Smith supposed, as has been already seen, that rent was a return to or compensation for the co-operation of natural agents in agriculture ; and that it formed a bonus freely given to the husbandman over and above that part of the produce which served as a recompense for his peculiar work. Others supposed that rent originated in the circumstance of the landlords enjoying a monopoly of the soil, and being, in consequence, enabled to obtain an artificially enhanced price for its produce. The latter contended, of course, that rent entered as an important element into the cost of corn and other agricultural products. But in the system of the Economists, rent, being looked upon as a free gift of nature, was not supposed to affect prices. Smith, though he adopted the opinions of the Economists in regard to the origin of rent, is not very consistent in his statements as to its operation on prices ; on the whole, however, it would seem that he considered it as directly influencing them.<sup>1</sup>

The fallacy of these contradictory statements is sufficiently obvious. Were rent really the recompense of the work of nature, it would always exist, wherever cultivation is practised, and would be equal at all times ; neither of which is the case. To suppose that it is the result of a monopoly,

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<sup>1</sup> "Wealth of Nations," p. 23.

in the ordinary sense of the term, on the part of the landlords, is still more visionary. No combination of any sort exists among them; and at the very moment that some are receiving high rents, the rents of others are so trifling as to be next to nothing—a sufficient proof that they depend on something else than monopoly.

The true theory of rent was, for the first time, satisfactorily unfolded in the year following the publication of the "Wealth of Nations," by Dr. James Anderson. He showed, by an original and able analysis, that rent is not a recompense for the work of nature, nor a consequence of land being made private property; but that it owes its origin to the latter being of various degrees of fertility, and to the circumstance of its being impossible to apply capital indefinitely to any quality of land without, generally speaking, obtaining from it a diminished return. He further showed, that corn is always sold at its natural price, or at the price necessary to obtain the required supply, and that this price is not affected by the payment of rent; and he deduced from this doctrine many important practical conclusions, particularly with reference to the influence of tithes and other taxes over raw produce. These doctrines have since been illustrated and enforced by others. But the subject is not yet exhausted; and we shall endeavour to place it in a somewhat novel point of view, and to obviate some of the objections made to the theory.<sup>1</sup>

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<sup>1</sup> Dr. Anderson was born at Hermandston, in Midlothian, in 1740. He was long engaged in the business of farming in the neighbourhood of Aberdeen. In 1777 he published a pamphlet, entitled, "An Inquiry into the Corn Laws," in which (pp. 45-50) he has explained the theory of rent with a sagacity and discrimination that have never been surpassed. Having left Aberdeenshire, Anderson resided for some time in the neighbourhood of Edinburgh, where he projected and edited the "Bee," a respectable weekly publication. In 1797 he removed to the vicinity of London, where he edited "Recreations in Agriculture, Natural History, Arts," &c. In this work (vol. v. pp. 401-405) he gave a new and able exposition of the nature, origin, and progress of rent. But, notwithstanding these repeated publications, it does not appear that his profound and important disquisitions attracted any attention. And so completely were they forgotten, that when



To acquire correct ideas with respect to the nature and origin of rent, it is necessary to discriminate between the sources whence it arises ; that is, between the portion of the gross rent of an estate or farm which is paid for the use of the natural and inherent powers of the soil, and the portion paid for the use of the buildings, fences, drains, roads, and other improvements (if such there be) made upon the soil. Two farms may be naturally of about equal goodness, and equally well situated ; but, if little or no capital have been expended upon the one, while a great deal has been judiciously expended upon the other, they will let for very different sums. It is usual to call all sums derived by the landlords from land, whatever be their origin, by the name of rent ; but, in an inquiry of this sort, it is necessary to distinguish between the sums paid for the use of the land and those paid for improvements, or for the use of the capital laid out upon the land. The latter are obviously profits ; and their amount, at any given period, must consequently depend on the principles which govern the rate of profit. And hence, to obviate confusion and inaccuracy, we shall, in this inquiry, regard rent as consisting of that portion of the gross sum paid for the land, which is paid for the use of its natural or inherent powers, or which would be paid for it, supposing it were in a state of nature, without any improvement upon it. Whatever the landlords receive beyond this, is profit, not rent.

On the first settling of any country abounding in large tracts of unappropriated land, no rent is paid ; and for this obvious reason, that no person will pay rent for what may be procured in unlimited quantities for nothing. Thus, in colonies where there is an ample supply of unappropriated

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Mr. Malthus and Sir Edward West published their tracts on rent, in 1815, they were universally supposed to be the real authors of the theory ! There is, perhaps, no good reason to doubt their originality ; but it may well be doubted whether they explained the theory as satisfactorily as it had been explained about forty years before. Anderson died in 1808.

land, rent, in the proper and scientific sense of the word, is not heard of until the best lands have become private property and been occupied. Suppose, however, that this comes to be the case, and that the population has increased, so that the demand for raw produce can no longer be supplied by the culture of the best lands; under these circumstances, it is plain that population will become stationary, unless the price of corn and other raw produce rise so as to enable inferior lands to be cultivated. No advance short of this will procure another bushel of corn; and competition will not, as will be immediately seen, allow prices to rise permanently above this level. The inhabitants have, therefore, but one alternative. If they pay a price sufficient to cover the expense of cultivating secondary lands, they will obtain additional supplies; if they do not, they must be without them.

Suppose, now, that the price rises so as to pay the expense of raising corn on soils which, in return for the same expenditure that would yield 100 quarters on lands of the *first quality*, yield only 90 quarters: it is plain it will then be indifferent to a farmer whether he pay a rent of ten quarters for the first quality of land, or farm the second quality, which is unappropriated and open, without paying any rent. If the population went on increasing, lands which would yield only 80, 70, 60, 50, &c., quarters in return for the same expenditure that had raised 100 quarters on the best lands, might be successively brought under cultivation. And when recourse has been had to these inferior lands, the corn rents of those that are superior will plainly be equal to the differences between the quantities of produce obtained from them and the quantity obtained from the worst quality under tillage. Suppose, for example, that the worst quality cultivated yields 60 quarters, then the rent of the *first* quality will be 40 quarters, or  $100 - 60$ ; the rent of the *second* quality will, in like manner, be equal to the difference between 90 and 60, or 30 quarters; the rent of the third quality will be equal to  $80 - 60$ , or 20 quarters, and so on; the produce raised on the

land last cultivated, or by means of the capital last applied to the soil, being all the while sold at its necessary price, or at that price which is merely sufficient to cover the cost of its production, including therein the ordinary rate of profit, on the capital of the cultivators. If the price were above this level, agriculture would be a peculiarly profitable business, and tillage would be extended; whereas, on the other hand, if the price fell below this level, capital would be withdrawn from the soil, and the poorer lands be thrown out of cultivation. Under such circumstances, it is clear that rent would not enter into the price of the produce raised by means of the capital last applied to the soil, that being exclusively made up of wages and profits. The proprietors of the superior lands obtain rent; but this is the necessary result of their greater fertility. The demand cannot be supplied without cultivating inferior soils, the produce of which must necessarily sell for such a price as will afford the ordinary rate of profit to *their* cultivators. This price will, however, yield a surplus, over and above this ordinary rate, to the cultivators of the more fertile lands; and this surplus forms rent.

“In every country,” says Dr. Anderson, “there are various soils which are endued with different degrees of fertility; and hence it must happen, that the farmer who cultivates the most fertile of these can afford to bring his corn to market at a lower price than others who cultivate poorer fields. But if the corn that grows on these fertile spots be not sufficient fully to supply the market, the price will naturally be raised to such a height as to indemnify others for the expense of cultivating poorer soils. The farmer, however, who cultivates the rich spots, will be able to sell his corn at the same rate with those who occupy poorer fields; he will, consequently, receive more than the intrinsic value for the corn he raises. Many persons will, therefore, be desirous of obtaining possession of these fertile fields; being content to give a certain premium for an exclusive privilege to cultivate them, varying, of course, according to the more or less fertility of the soil. It is this

premium which constitutes what we now call *rent*: a medium by which the expense of cultivating soils of very different degrees of fertility is reduced to a perfect equality.”<sup>1</sup>

Rent, therefore, in so far as it is a return for the use of the soil, and not for capital laid out on its improvement, results entirely from the necessity of resorting, as population increases, to soils of a decreasing degree of fertility, or of applying capital to the old land with a less return. It varies inversely as the produce obtained by means of the capital and labour employed in cultivation, increasing when the profits of agriculture diminish, and diminishing when they increase. Profits are at their maximum in countries like Australia, Indiana, and Illinois, and generally in all situations in which no rent is paid, and the best of the good lands only cultivated; but it cannot be said that rents have attained their maximum so long as capital yields any surplus in the shape of profit.

A quarter of wheat may be raised in Kent, Essex, or the Carse of Gowrie, for a *third* or a *fourth* part of the expense necessary to raise it on the worst soils in cultivation in the least fertile parts of the country. The same article cannot, however, have two or more prices at the same time and in the same market. Hence, if the price be not such as will indemnify the producers of the wheat raised on the worst soils, they will cease bringing it to market, and the required supplies will no longer be obtained; while, if the price exceed this sum, fresh capital will be applied to its production, and competition will sink prices to their natural level—that is, to a sum sufficient to afford ordinary profits to the raisers of that portion of the required supply which is produced under the most unfavourable circumstances, or at the greatest expense. The cost of producing this last portion determines the price of the whole crop. And, therefore, it is indifferent

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<sup>1</sup> “Observations on the Means of exciting a Spirit of Industry,” p. 376, published in 1777, the same year as the tract on the Corn Laws, already referred to.

to the public whether, in an advanced stage of society, the excess of return over the cost of production on lands of the first quality, goes to a non-resident landlord or an occupier. It must go to the one or the other. Corn is not high because rent is paid, but rent is paid because corn is high—because the demand cannot be supplied without cultivating soils of a diminished degree of fertility as compared with the best. Suppose there is an effectual demand for ten millions of quarters of corn; that nine millions may be raised upon lands that yield a high rent, but that it is necessary to raise the other million on inferior lands which yield nothing but ordinary profits to their cultivators: under these circumstances, it is clear that the relinquishing of the rents payable by the tenants of the superior lands would be no boon to the tenants of those that are inferior. It would not lessen their expenses; that is, it would not lessen the capital and labour required to raise that portion of the necessary supply which is produced on their lands; and unless it did this, it is impossible, supposing the demand not to decline, that it should lower prices. Hence, though the landlords gave up the whole of their rents, prices would not be influenced. Such an act would turn farmers into landlords, and landlords into beggars; but there its effect would stop. The case, however, is entirely different when the cost of production varies. If it diminish, the competition of the producers will sink prices in the same proportion; while, if it increase, supplies will not continue to be brought to market, unless the price rise to a corresponding level. In no case, therefore, whether the demand be great or small—whether for a thousand or a million quarters—can the price of raw produce permanently exceed or fall below the sum necessary to pay the cost of producing that portion of the supply which is raised on the worst land, or by means of the last capital laid out on the soil.

It has been objected to this theory, that though it may apply in unappropriated countries like Australia, it will not

apply in countries like England, where land is universally appropriated, and where, it is alleged, the worst qualities always yield some small rent to the proprietor.

It may be observed of this objection, that even were it well founded, it would not practically affect the previous conclusions. There are in England and Scotland vast tracts of land which do not let for 6*d.* an acre ; but to cultivate these would require an outlay of many thousands of pounds ; and the rent would consequently bear so small a proportion to the expenses of production, as to become altogether evanescent and inappreciable.

There can be no doubt, however, that there is in this, and most other extensive countries, a great deal of land which yields no rent.<sup>1</sup> In the United States and Russia such is unquestionably the case ; and yet no one presumes to say, that the laws which regulate rent in them are different from those which regulate it in England and France. The poorest lands are always let in immense tracts. If it were attempted to let particular portions of these tracts separately, no one would offer for them ; but they appear to yield rent, because, though they really fetch nothing, the more fertile spots with which they are inter-mixed, may, in most cases, be let for a larger or smaller rent. But although every rood of land in Britain paid a high rent, it might still be truly affirmed, that such rent did not enter into the price of raw produce. Rent consists of the difference, or of the value of the difference, between the produce obtained through the agency of the capital first applied to the land, and that which is last applied to it. It would, as already seen, be indifferent to a cultivator, whether he paid a rent of ten quarters to a landlord

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<sup>1</sup> A noble marquis is the owner of a farm in Ayrshire, consisting of about 10,000 English acres, which is let for about 70*l.* a year ! There is a house upon the farm, and some further capital has been laid out upon it. Perhaps, taking these circumstances into account, it may be truly said that this vast tract fetches no rent properly so called. Several similar instances might be mentioned.

for land yielding, with a certain outlay, 100 quarters of corn, or employed the same capital in cultivating inferior land yielding only 90 quarters, for which he paid no rent. Were it possible always to obtain 100 quarters for every equal additional capital applied to the superior soils, no person, it is obvious, would ever resort to those of inferior fertility; and, under such circumstances, the largest population might be supported on the smallest extent of land. But such is not the law under which food is obtained; and the fact that, in the progress of society, new and less fertile land is invariably brought under cultivation, demonstrates that additional capital and labour cannot be indefinitely applied with the same advantage to the old land. The state of a country may be such, the demand for agricultural produce may be so great, that every quality of land actually yields rent; but it is the same, in respect of this theory, if there be any capital employed in husbandry which yields only ordinary profits, whether it be employed upon old or new land. And that a large amount of capital is every where employed in such a manner, is a fact of which there cannot be a doubt. The owners and occupiers of land are influenced by the same principles, in the employment of their capital, that influence other men. Like them they endeavour, in prosecuting their own interests, so to adjust their capital that the last quantity laid out may yield the ordinary rate of profit, neither more nor less. Suppose, for example, that a landlord occupies a farm which he might let for 200*l.* a year, producing, with a certain outlay of capital, 300 quarters of wheat: If the farm be managed with the requisite skill and attention, the wheat should, at an average, sell for so much money as is equivalent to the rent, the expense of labour, and the profit on the capital employed. Suppose, now, that the landlord finds that, by laying out additional capital on the farm, it may be made to yield 10, 20, 50, or 100 quarters more; he will make the outlay, provided the additional produce yield the ordinary rate of profit. He will not wait to commence the

outlay till prices rise to a still higher elevation. It will be quite enough to make him immediately set about it, if they be such as afford a fair prospect of his realising the usual profits on the capital to be expended. He will, in fact, act exactly as the merchant or manufacturer acts who sends another ship to sea, or builds another cotton-mill, whenever he supposes that the capital so embarked will yield customary profits. And supposing the farm were let to a tenant, he, it is obvious, will do the same as the proprietor, in the event of his being able to obtain so much profit as may suffice, over and above the usual return, to replace the capital itself previously to the termination of the lease. Whether he will employ this additional capital depends entirely on the circumstance of prices being such as will repay his expenses and profits; for he knows he will have no additional rent to pay. Even at the expiration of his lease, the fact of an additional capital being employed would not occasion a rise of rent, unless in so far as some portion of it, by being permanently incorporated with the soil, may increase its inherent powers; and were his landlord to require more rent because a greater moveable capital had been employed, he would cease to employ it; since, by the supposition, he gets only the same profits he might get by employing it in any other department of industry.

If we reverse the previous suppositions, and suppose that the owner of the farm finds that, owing to a fall in the price of corn, the capital employed in its cultivation does not yield the common and ordinary rate of profit, he will then, acting on the same principle that led him in the other case to increase the capital on the farm, begin to withdraw a part of it; and, supposing it to be let, the rent would be proportionally reduced at the end of the lease, or sooner.

It is hardly, perhaps, necessary to state that, in practice, these results do not follow, as here supposed, immediately, and without any difficulty, on a rise or fall of prices: on the contrary, they take place only by degrees; and are often



productive, on the one hand, of peculiar advantages, and, on the other, of peculiar sacrifices. But in purely theoretical inquiries, or such as have the establishment of principles for their object, such accidental circumstances may be overlooked ; and it may, speaking generally, be said, that the last portion of capital laid out on the soil yields only customary profits ; if, on the one hand, it were to yield *more*, fresh capital would be drawn to agriculture, and competition would sink prices to the level that would merely yield this rate ; and if, on the other hand, the capital last applied to the soil yield *less* than customary profits, part of it would be withdrawn, until, by the diminution of produce and consequent rise of price, the last remaining portion of capital left this rate to its owners. Hence it follows, whether the last quality of land taken into cultivation yield rent or not, that the last capital applied to the land yields only ordinary profits, the price of the produce which it yields, and which regulates the price of all the rest, being unaffected by rent.

The intelligent trader will easily perceive, when it is said that superior lands are the first to be brought into cultivation, that the statement is not made absolutely, but with reference to the capacities and views of the cultivators. Lands endowed with a high degree of natural fertility are often, in thinly-peopled countries, either heavily timbered or so very wet as to be totally unfit for tillage ; and wherever this is the case, cultivation is confined at first to open, dry, or down lands. The latter are, in fact, the most fertile which it is in the power of the inhabitants to cultivate. After population has become denser, and capital been accumulated, the neglected lands will most likely be cleared, drained, and brought into tillage. But it by no means follows, though they may yield a greater amount of produce per acre, that they are therefore more fertile than those first cultivated. The presumption indeed is all the other way. Fertility, it is to be remembered, does not depend merely on quantities of produce, but on the quantities compared with the outlays

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required for their production : so that if an acre of a certain description of land produces 50 bushels of wheat to an outlay of 100*l.*, and an acre of a different description produces 35 or 40 bushels to an outlay of 50*l.*, the latter is by far the more fertile of the two ; and when both qualities of land are cultivated, the last will bring a large rent. It is indeed absurd to suppose that men will resort in preference to what is really inferior land. Whatever Mr. Carey\* or any one else may say to the contrary, such folly must be of rare occurrence, and it may be safely laid down that those lands which, all things considered, are the most fertile, will be first brought into cultivation.

It has been said that the previous reasonings involve a contradiction, inasmuch as they account for a rise and a fall of price in the same way, or by an extension of cultivation ! But it is easy to see that they do no such thing. The price of corn will always be low where it is cheaply produced, as in Poland ; and it will occasionally be low where it costs a great deal to produce it, as in England, when a redundant supply is brought to market. Suppose that the effectual demand for corn in Great Britain is such as will enable lands of the third or fourth degree of fertility to be cultivated with the customary return to the cultivators, but that, owing to variable harvests, to injudicious encouragement held out by the legislature, the ardour of speculation, the miscalculation of farmers, or any other cause, inferior lands, or those of the fifth degree of fertility, have been brought under tillage : the increased quantity of produce that will then be brought to market will plainly depress prices to such an extent that instead of yielding average profits to the cultivators of the fifth class, they will not yield them to the cultivators of the fourth class. But they will yield *more* to the cultivators of the fourth than to those of the fifth ; the latter, therefore,

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\* An American, the author of a great many crude and indigested economical works.

will be first driven from their business ; and when they have retired, prices will rise, not indeed to such a height as to enable the fifth class of lands to be cultivated, but so high as to enable the cultivators of the fourth class to continue their business ; that is, as has been already shown, to the sum that will enable the raisers of the last portion of the required supply to obtain ordinary profits. Should the demand, instead of continuing stationary, increase so that it could not be supplied without resorting to still inferior lands, the price of corn would rise in proportion to the greater expense of their cultivation. But to whatever extent the demand might increase, if such improvements were made in agriculture, or in the art of raising corn, as would enable the supply to be obtained from land of the highest degree of fertility, prices would fall to the level required to pay the expenses of its cultivators, inferior lands would be abandoned, and rent would disappear.

It is farther said, by those who have cavilled at this theory, that it represents the cultivation of inferior land as the cause of rent ; whereas it is, they affirm, the growing demand of the population for food that is its cause, it being the rise of price consequent to this increased demand that occasions the cultivation of inferior lands, and the payment of rent for those that are superior. This, however, is at best mere verbal trifling. The demand of the population for corn elevates its price to the height necessary to obtain the required supply, and may, therefore, be truly said to be the cause of its being produced ; but rent originates in the peculiar circumstances under which supplies of corn are produced. Were it not that to obtain an increased supply, it is most frequently necessary to resort to soils of different degrees of fertility, or to apply capital, with a less return, to the old land, rent would be altogether unknown ; nor, though the demand for corn were increased in a tenfold proportion, would prices be permanently elevated. It does, therefore, seem to be logically as well as substantially correct to affirm, that the decreasing

fertility of the soil is the immediate cause of rent ; and that its amount is determined by the extent to which inferior land is cultivated or good land forced.

This analysis of the nature and causes of rent discovers an important distinction between agricultural, and commercial and manufacturing industry. In manufactures, the worst machinery is first set in motion, and every day its powers are improved by new inventions, and it is rendered capable of performing a greater amount of work with the same expense ; and as no limits can be assigned to the improved machinery that may be introduced, as a million of steam or other engines may be constructed for the same, or rather for a less proportional expense than would be required for the construction of one ; competition never fails to reduce the price of the articles produced by their agency to the sum for which they may be produced at the least expense, or with the best machinery.

In agriculture, on the contrary, the best machines, or best soils are brought first into use, and recourse is afterwards had to inferior soils, or those requiring greater outlays to make them yield the same returns. It is true that improvements in the construction of farming implements, the discovery of more efficient manures, the introduction of more prolific crops, and of improved systems of management, increase, in a high degree, the productiveness of the soil, and proportionally reduce the price of raw produce. But that fall of price, which is permanent in manufactures, is temporary only in agriculture. When the price of corn is reduced, all classes obtain greater quantities in exchange for their products or their labour, so that profits, and capital, are both increased ; and this increase, by causing a greater demand for labour and higher wages, leads, in the end, to an increase of population, and, consequently, to a further demand for raw produce and an extended cultivation. Agricultural improvements obviate, sometimes for lengthened periods, the necessity

of having recourse to inferior soils and a rise of prices ; still, however, their influence in this respect is not permanent. The stimulus which they at the same time give to population, and the natural tendency of mankind to increase up to the means of subsistence, seldom fail, in the long run, to raise prices, and, by forcing recourse to poor lands, rents also.

In illustrating this important distinction between agricultural and manufacturing industry, Malthus has set the theory of rent in a striking point of view. "The earth," he observes, "has been sometimes compared to a vast machine, presented by nature to man for the production of food and raw materials ; but to make the resemblance more just, as far as they admit of comparison, we should consider the soil as a present to man of a great number of machines, all susceptible of continued improvement by the application of capital to them, but yet of very different original qualities and powers.

"This great inequality in the powers of the machinery employed in procuring raw produce, forms one of the most remarkable features which distinguishes the machinery of the land from the machinery employed in manufactures.

"When a machine in manufactures is invented which will produce more finished work with less labour and capital than before, if there be no patent, or as soon as the patent is over, a sufficient number of such machines may be made to supply the whole demand, and to supersede entirely the use of all the old machinery. The natural consequence is, that the price is reduced to the price of production from the best machinery ; and if the price were to be depressed lower, the whole of the commodity would be withdrawn from the market.

"The machines which produce corn and raw materials, on the contrary, are the gifts of nature, not the works of man ; and we find by experience that these gifts have very different qualities and powers. The most fertile lands of a country, those which, like the best machinery in manufactures, yield the greatest products with the least labour and capital, are

never found sufficient to supply the effective demand of an increasing population. The price of raw produce, therefore, naturally rises till it becomes sufficiently high to pay the cost of raising it with inferior machines, and by a more expensive process; and, as there cannot be two prices for corn of the same quality, all the other machines, the working of which requires less capital compared with the produce, must yield rents in proportion to their goodness.

“ Every extensive country may thus be considered as possessing a gradation of machines for the production of corn and raw materials, including in this gradation not only all the various qualities of poor land, of which every large territory has generally an abundance, but the inferior machinery which may be said to be employed when good land is further and further forced for additional produce. As the price of raw produce continues to rise, these inferior machines are successively called into action; and as the price of raw produce continues to fall, they are successively thrown out of action. The illustration here used serves to show at once the necessity of the actual price of corn to the actual produce, and the different effect which would attend a great reduction in the price of any particular manufacture, and a great reduction in the price of raw produce.”<sup>1</sup>

It appears, therefore, that in the earlier stages of society, and when only the best lands are cultivated, rent is unknown. The landlords, as such, do not begin to share in the produce of the soil until it becomes necessary to cultivate lands of an inferior degree of fertility, or to apply capital to the superior lands with a diminished return. Whenever this is the case, rent begins to be paid; and it continues to increase according as cultivation is extended over poorer soils, and diminishes according as they are thrown out of cultivation. Rent, therefore, depends exclusively on the extension of tillage. It is high where tillage is widely extended over inferior lands,

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<sup>1</sup> “ Inquiry into the Nature and Progress of Rent,” p. 37.

and low where it is confined to the superior descriptions. But in no case does rent enter into price; for the produce raised on the poorest lands, or by means of the capital last applied to the culture of the soil, determines the price of the entire crop; and this produce yields only the common and average rate of profit.

In estimating rent, difference of situation has in many cases an influence similar to difference of fertility. Lands that are situated in the immediate vicinity of a large town, uniformly bring higher rents than those that are situated some twelve, twenty, or thirty miles off, provided the latter have no other market. The town affords a ready outlet for a great variety of articles for which there is little or no demand in the country; and though each of these may be trifling, yet their aggregate amount is usually considerable. Inasmuch too as the cost of conveying articles varies with the distance and difficulty of the roads along which they have to be carried, the less charge on those raised in the vicinity of markets enables their growers to pay a proportionally greater amount of rent. To preserve this advantage, the landlords of the counties contiguous to the metropolis opposed in 1767 the extension of turnpike roads to those situated at greater distances. But though their selfish policy had been in so far successful, it would not have gained their object unless they had been able to get obstructions laid on the navigation of the Thames. And had these also been imposed, the result would have been, that by checking or preventing the growth of the city, they would not have realised a tenth part of the advantage from their monopoly that they now reap from the all but boundless market which it affords for all the products, whether of the nearest or most distant parts of the empire.

It would, on many accounts, be desirable to be able readily to distinguish between that portion of the *gross* rental of a country, which is to be considered as rent properly so called,

or as the remuneration paid to the landlords for the use of the natural powers of the soil, and that portion which is the return to, or the interest upon, the capital laid out upon houses, fences, drains, roads, and other improvements. But how desirable soever, it is admitted by all practical men, that it is quite impossible to make such a distinction with any thing approaching to accuracy. No two agriculturists, supposing them to be desired to resolve the gross rent of a single improved farm into its constituent parts, would arrive at the same result. Improvements become so much blended with the natural powers of the soil, that the influence of the one cannot be separated from that of the other; and it is merely the joint value of the two that can be estimated. No doubt can, however, be entertained by any one who reflects for amoment on the vast sums—the many hundred millions—that have been laid out upon the soil of England, that the rent paid to the landlords for the use of its natural powers is but inconsiderable compared with what is paid to them on account of improvements. And hence the inequality and mischievous operation of taxes on rent. Two landlords receive equal rents from their estates; but the rent of one is principally a consequence of natural fertility, while that of the other is derived principally from outlays of capital. What, then, could be more unfair than to subject them both to the same equal tax? And yet the amount of their rents is the only criterion to which recourse could be had in fixing the amount of the tax—for all the tax-collectors in the world could not separate between what was really rent, in the scientific sense of the term, and what was interest on capital. Such a tax would oppose the most effectual obstacle to improvements. Instead of carrying capital from other employments to the land, it would henceforth be carried from the land to them. The object would not then be to have an estate look well, but to have it look ill. And it may be said of estates as of individuals,

“ *Pauper videri vult Cinna, et est pauper.* ”



The effects formerly produced by the *taille*, and those now produced by the *contribution foncière* in France, and the fluctuating land taxes imposed in other countries, abundantly confirm the truth of this statement; their influence having been most disastrous.

Before closing this chapter, we may observe that the author of the "Critical Dissertation on Value,"<sup>1</sup> contends that, because the value of the corn raised on lands paying rent is not, after inferior lands are taken into cultivation, proportioned to the cost of its production, it is incorrect to represent the value of the aggregate produce raised in countries where cultivation is extended over inferior lands, as depending on that principle. But those who contend that the value of raw and other products, the quantities of which admit of indefinite increase, is determined by the cost of their production, invariably refer to the labour required to produce that portion of raw produce, or of any required article which is raised under the most unfavourable circumstances. "The exchangeable value of all commodities," says Ricardo, "whether they be manufactured, or the produce of the mines, or the produce of land, is always regulated, not by the less quantity of labour that will suffice for their production under circumstances highly favourable, and exclusively enjoyed by those who have peculiar facilities of production, but by the greater quantity of labour necessarily bestowed on their production by those who have no such facilities; by those who continue to produce them under the most unfavourable circumstances—meaning, by the most unfavourable circumstances, the most unfavourable under which the quantity of produce required renders it necessary to carry on the production."<sup>2</sup>

This is the sense in which we are always to understand the proposition, that the value of commodities depends on the

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<sup>1</sup> P. 194.

<sup>2</sup> "Principles of Political Economy," 3d edit. p.60.

cost of their production, or on the quantity of labour required to produce them and bring them to market. It is not meant to affirm, that the value of every particular hat or bushel of corn or other article offered for sale is determined by the quantity of labour actually expended on *its* production. What is really meant is, that the value of all the hats, as of all the corn required for the supply of the market, is determined by the quantity of labour required to produce that hat, or that bushel of corn, which has been produced with the greatest difficulty.

It is obvious that no error can arise in estimating the value of raw produce, from supposing it to have been wholly raised under the same circumstances as that portion which is raised by means of the capital last applied to the soil; for though portions of it may have been raised under very different circumstances, their value is, notwithstanding, determined by, and identical with, the value of that which is raised by this last applied capital. And hence, when corn is employed as capital in industrial undertakings, we are to consider it as being, in fact, either the actual product, or the equivalent of the product, of some quantity of the labour of those who raise corn on the worst lands under tillage; and the quantity of labour so wrought up in this capital, or represented by it, must plainly determine the cost of the commodities produced by its agency. This principle holds in the case of all commodities, the supply of which may be indefinitely extended. On tracing the cost of any article of this description, we shall find that it is determined, in all ordinary states of the market, by the quantity of labour actually expended on its production, if it be produced under the most unfavourable circumstances, or that is actually expended on a similar article produced under these circumstances.

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## CHAPTER VII.

*Influence of Improvements—Slowness with which they spread—Beneficial to all Classes—Different methods of Letting Lands—Remarks upon those Methods—Increase and Reduction of Rents—Regulations as to Management—Size of Farms—Influence of the Elective Franchise given to Tenants over Agriculture—Profits of Farmers.*

A GOOD deal of misconception has been entertained with respect to the influence of improvements over rent. It has been seen that rent depends on the extent to which tillage has been carried ; and the most common effect of improvements being to enable the same quantity of produce to be obtained from a less extent of land, it would seem, on a superficial view, that they are injurious to the landlord. But there is no such opposition between his interests and those of the rest of the community ; and it will be found, when rightly examined, that improvements are no less advantageous to the owners and occupiers of land than to others.

1. To have a distinct idea of the operation and influence of improvements, it may be proper to consider them (1st) as applying generally to all sorts of land, and (2nd) to some particular sorts only. In the first case, then, let it be supposed, to illustrate the principle, that the following quantities of produce are obtained from the different qualities of land under cultivation, and the following rents paid, viz.

A	B	C	D	E	F	Qualities of Land.
100	90	80	70	60	40	{ Quantities of produce obtained with equal capitals.
40	30	20	10	0	0	Rent.

Now, suppose an improvement is made which enables ten per cent. more produce to be obtained with the same outlay, and

that this improvement extends to all qualities of land, the quantities produced, and the rent, would then be—

110	99	88	77	66	Quantities of produce.
44	33	22	11	0	Rent.

In this case it is plain, provided the demand for corn were increased so as to take off the greater quantity brought to market, that the landlord would sustain no inconvenience whatever from the improvement, but would be immediately as well as permanently benefited by it. He would obtain a greater quantity of corn as rent; and notwithstanding the reduction of its price, it would exchange for the same quantity of other things that the smaller quantity did before. If, however, there were no increase of demand, ten per cent. of the capital at present employed in agriculture would be withdrawn from that business, so that the quantity of produce would be the same as before the improvement; the corn rent would also be the same; though, as corn would, under the circumstances supposed, be ten per cent. cheaper, money rents would fall in that proportion. But it is abundantly obvious that though the demand might not be immediately increased, so as to take off the whole additional quantity brought to market by means of the improvement, it would not remain stationary. It is impossible, indeed, that such should be the case. The consumption of the lower classes, and the quantity of corn given to the horses employed in husbandry, or otherwise, is invariably increased when prices fall; at the same time that the stimulus which the fall gives to population, is sure, in the end, to increase the demand, so as to absorb not only the increased quantity of corn, but to occasion the cultivation of fresh soils.

2. Let it now be supposed that the improvement is partial; that it affects the *superior* qualities of land only; and that the quantities produced after it has been carried into effect are as follow, viz. :—

A	B	C	D	E	Qualities of land.
110	95	82½	70	60	{ Quantities of produce after improvement.
50	35	22½	10	0	Rent after ditto.

Now it is evident, that if the improvement in the productiveness of the qualities A B C increased the produce brought to market, so as merely to lessen the extent of land of the class E under tillage, without causing its cultivation to be entirely relinquished, it would not affect prices; and the money rents, as well as the corn rents of the proprietors of A B C, would rise so as to enable them to gain the whole advantage resulting from the improvement.

If the whole of the class E were thrown out of tillage, corn rents would be as follow :—

A	B	C	D	Qualities of land.
40	25	$12\frac{1}{2}$	0	Rent.

But in this case, as in the former, the contraction of cultivation would be of very short duration: for, owing to the increased cheapness, the demand would very speedily rise so as to require the renewed cultivation of E; so that any inconvenience that might by possibility arise to the proprietors in the first instance, would at most be only trifling and transitory, while the advantage would be great and permanent.

3. In the third and last case, let it be supposed that the improvement is greatest on the *worst* lands, and that it decreases as their fertility improves. Thus suppose

A	B	C	D	E	Qualities of land.
100	90	80	70	60	Quantities before improvement.
40	30	20	10	0	Rent before ditto.
100	90	$82\frac{1}{2}$	75	70	Quantities after improvement.
30	20	$12\frac{1}{2}$	5	0	Rent after ditto.

If the improvement were so great as to throw E out of cultivation, rents would be 25, 16,  $7\frac{1}{2}$ , 0. But as in this case the fall of price, and consequent rise of profits, would be very great, a proportionally powerful stimulus would be given to population; and the increased demand that would, at no distant period, be experienced, would be such as to bring the next qualities of land, or F G, &c., under cultivation; so that in this, as in all other cases, both corn and money rents would be, in the end, very greatly increased by the improvement.

These statements sufficiently show, that, supposing an improvement were introduced so rapidly and widely as to occasion an immediate fall of price, and consequently of money rents, these effects would be of very limited duration ; for the greater cheapness of raw produce, by increasing the demand for it by the existing population, as well as by stimulating its increase, would not fail speedily to raise prices to their old level, and even to carry them beyond it.

But it is material to observe, that these suppositions have been made merely to illustrate principles, and that, practically, they are never realized. In the vast majority of cases, improvements apply pretty equally to all sorts of soil. They take place principally in machinery, in the rotation of crops, in the breeds of stock, the better drainage of wet soils, the composition and application of manures, &c., which, drainage excepted, are generally applicable not to one or a few only, but to almost every description of land. Improvements, too, rarely precede, but most commonly follow, a rise of prices, occasioned either by an increased demand for raw produce, or by some previous scarcity. Neither do they ever rapidly spread over any considerable extent of country ; they make their way by slow, and, indeed, almost imperceptible degrees ; and tend not so much to occasion an actual reduction of prices, as to prevent their rising to an oppressive height. Improvements are at first adopted by a few of the more intelligent proprietors and farmers in different districts, and are thence gradually diffused throughout the country. This progress is, however, much more tedious than one not acquainted with the obstacles by which it is opposed might be inclined to believe. Improvements which effect material changes in long-established customs have always been slowly and reluctantly admitted. The agricultural class is the least of all disposed to innovation, and the most peculiarly attached to ancient customs and routine. " The farmer is not so much within reach of information as the merchant and manufacturer ; he has not,

like those who reside in towns, the means of ready intercourse and constant communication with others engaged in the same occupation. He lives retired; his acquaintance is limited, and but little varied; and unless he is accustomed to read, he is little likely to acquire any other knowledge of his art than what is traditionary—what is transmitted from father to son, and limited in its application to his own immediate neighbourhood.”<sup>1</sup>

So powerful has been the influence of these circumstances, that notwithstanding the advances in agricultural science during the present century, and the efforts made to diffuse it, there is but a comparatively small portion of England and Scotland where the most improved system of husbandry is followed, while in Ireland it can hardly be said to be yet introduced. Even in some of the counties adjoining the metropolis, practices are persevered in that are utterly inconsistent with all the rules of good agriculture. In the rich soil of Essex, the wretched system of fleet ploughing and whole year fallows is still sometimes followed; the agriculture of Sussex is said to be at least half a century behind that of East Lothian or Norfolk; and in some of the midland counties, it is customary to yoke three, four, and even five horses to a plough for the tillage of light land! “Those improvements that are well known and systematically practised in one county, are frequently unknown or utterly disregarded in the adjacent district; and what is to every unprejudiced observer evidently erroneous and injurious to the land, is, in some quarters, persisted in most pertinaciously, though a journey of not many miles would open to view the beneficial effects of a contrary practice.”<sup>2</sup>

Practically, therefore, nothing can be more futile and visionary than to suppose that there is the least chance of improvements ever becoming, even for the shortest period,

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<sup>1</sup> Preface to Rigby's “Translation of Chateauxvieux on the Agriculture of Italy.”

<sup>2</sup> Kenneidy and Grainger “On the Tenancy of Land.” Introd. p. 8.

injurious to the landlords, by their causing a fall of prices. There is not the shadow of a ground for supposing that they can ever be so rapidly diffused as to have this effect; and the most extensive and successful improver may prosecute his patriotic labours, without any apprehension that either his efforts or example will be sufficiently powerful to occasion any glut of the market, or fall of price.

It is unnecessary, perhaps, to say more in illustration of the importance and advantage of improvements. We may, however, observe, that were it not for their influence, it is most probable that the progress of society would have been long since arrested. The nearer that the quantity of produce necessarily consumed in carrying on industrial undertakings approaches to that which is obtained from them, the smaller is the rate of profit, and the slower the advance of society; were the two quantities to become nearly equal, or to balance each other, society would be at a stand; and if, under such circumstances, population increased, the standard of competence would necessarily be lowered. But the inventions and discoveries that are every now and then occurring, prevent the progress of society from being arrested in the way now mentioned. No limits can be set to the inventive powers; and the very moment when cultivation seems improved to the utmost, may be distinguished by discoveries sufficient to give a new aspect to the whole business of husbandry, and to carry society forward for many generations.

For reasons similar to those now stated, we contended that the landlords did not really gain anything by the restrictions imposed on the importation of foreign corn previously to 1846; and that their interests would be best promoted by throwing the ports open to the importation of corn, under such a reasonable fixed duty as might suffice to counter-vail any excess of taxation, if such there were, to which the agriculturists might be subject above what was borne by the manufacturing and commercial classes. We have elsewhere



stated, at some length, the reasons which made us look upon this conclusion as little susceptible of doubt or controversy.<sup>1</sup> Here it is enough to state, that when restrictions on its importation into a comparatively populous and highly manufacturing country like Great Britain, raise the average price of corn considerably above its natural level, they rarely fail, exclusive of their other ill effects, by depressing the rate of profit, to stimulate the transfer of capital to other countries. And it would be folly to imagine, that a system productive of such results could be really beneficial to those who have so deep an interest in the public prosperity as the landlords. Numerous and affluent consumers, or, which is substantially the same thing, flourishing manufactures and commerce, are indispensable to a flourishing agriculture; and those who impose oppressive burdens on the former in the view of promoting the interests of the latter, contradict and defeat the very purpose they are anxious to forward. Perseverance in such short-sighted policy might eventually, by injuring or ruining those on whom the agriculturists must depend for a market, or driving them and their capital to other countries, seriously injure, if it did not ultimately ruin, agriculture itself.<sup>2</sup>

But there are other circumstances connected with the influence of a free corn trade over the tenants and occupiers of land, that are entitled to serious attention. It would be needless to attempt to show, by entering into lengthened details, that the freedom of the corn trade has a strong tendency to equalise prices and to lessen the pernicious effects of deficient harvests. A failure of the crops throughout an extensive kingdom is a calamity of rare occurrence; and there is no instance of a simultaneous failure of the crops throughout the commercial world. Such is the order of

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<sup>1</sup> "Wealth of Nations." Supplementary Note on the Corn Laws.

<sup>2</sup> The question, whether manufactures should, in certain cases, be restrained, in the view of providing for the interests and security of the public, depends on other considerations.—See Part I., cap. 6.

Providence, that when they are deficient in some countries, they are more than usually abundant in others. It is observed by Gibbon, that "those famines which so frequently afflicted the infant republic, were seldom or never experienced by the extensive empire of Rome. The accidental scarcity of any single province was immediately relieved by the plenty of its more fortunate neighbour."<sup>1</sup> Holland, during the days of her greatest prosperity, was chiefly fed on imported corn; and prices in Amsterdam were comparatively moderate, and fluctuated less than in any other market of Europe. The experience, in a word, of all ages and nations proves that freedom is the best antidote to those sudden fluctuations in the price of corn that are so exceedingly ruinous to the great bulk of the community. But it is seldom that, in such matters, we have pure or unmixed advantages. The most beneficial measures have generally some alloy or drawback; and such seems to be the case with the freedom of the corn trade. Formerly, when the crops were deficient, prices rose to a high level, so that the growers of corn were in great measure compensated for the deficiency of their produce. This, however, is no longer the case. If a failure of the crops be now apprehended, additional supplies are immediately poured in from foreign ports, so that the rise of price, that would otherwise have taken place, is either wholly prevented, or confined within comparatively narrow limits. In this respect, therefore, that free corn trade, which is so beneficial to the other classes, appears to be injurious to the agriculturists. But the injury to the latter, through the circumstances now alluded to, will no doubt be obviated by countervailing circumstances; that is, by varying rents, by leading to the occupancy of land by tenants with capital sufficient to meet the contingency of unfavourable seasons, by raising a greater variety of products, and so forth. The last-mentioned resource is the most easy of adoption, and perhaps

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<sup>1</sup> *Decline and Fall*, I., p. 70, edit., 1838."

the most likely to be advantageous. Farmers who depend principally on the culture of grain crops, are always in a precarious situation. But they may generally combine with the raising of corn, the businesses of cattle and sheep feeding; and if they do this, their position will be vastly more secure. The prices of the different varieties of butchers' meat are comparatively steady, while in a country like this they are necessarily high. And experience shows that the imports of such articles are not susceptible of any sudden increase, so that a rise originating in a scarcity, should it occur, is much less likely to be checked by importations, than a rise in the prices of corn occasioned by a deficient harvest. The agricultural history of the last 20 years strikingly confirm the truth of these statements. Such farmers of dry or mixed lands as have applied themselves to the fattening of cattle and sheep, as well as to the raising of corn, have been extremely prosperous; whereas those who have occupied heavy clay lands, principally devoted to the growth of wheat and beans, have been in a comparatively depressed situation.

It would lead us too far from the proper object of this work, were we to attempt to enter, at any considerable length, on an examination of the more interesting questions connected with the letting of land. Perhaps, however, there is no single circumstance that has so much influence over the prosperity of agriculture, and the condition of the agricultural class, as the terms of leases, or the stipulations usually entered into between the landlords and those to whom they let or assign the power of cultivating their estates.

The most important of these stipulations are those which respect the duration of the lease, the payment of the rent, and the mode of management.

Though there may be various opinions as to what should be the duration of a lease, and though it may differ in different cases, there is no room for doubt as to the superiority

of the plan of letting lands for a number of years certain. When a tenant is secured in the possession of his farm for a fixed and reasonable period, he has every inducement to exert himself, and to apply whatever capital and skill he may possess to its improvement. But a tenant at will, or one who may be turned out of his farm at any time, without having any good grounds for affirming that he has been ill treated, dares not venture upon any outlay. Such a tenant is really, in so far at least as the business of farming is concerned, without the security of property. And having no guarantee that he will be allowed to continue in the occupation of his farm for such a period as would give him the means of reaping the advantage of considerable improvements, he seldom thinks of undertaking any. He continues to move on in the accustomed routine of the district to which he belongs ; and if he should be so fortunate as to accumulate a little capital, which is but seldom the case, he either employs it in some other business, or in taking a greater extent of land ; but he generally abstains from laying out any thing on improvements, unless they happen to be such as promise an almost immediate return. There can, therefore, be no question that the granting of leases for a fixed and reasonable number of years has been of the utmost consequence to agriculture ; and those best acquainted with the business affirm, that it has done more for its improvement than all the other encouragements that have been given to it.

The term "tenants at will" is sometimes rather improperly applied to tenants who have no leases, but who, notwithstanding, either from the custom of the estate or district, or the promises of the landlord, have a pretty good security that they will not be capriciously ejected, and that their rents will not be raised because they have improved their farms. Still, however, the security afforded by such a tenure is far short of what is afforded by a lease. Where the rights of both parties are not clearly defined, disputes may unintentionally arise ; the tenant is, in such cases, kept in a state of dependency

upon his landlord ; and however well he may be treated by the individual now in possession of the estate, he cannot foretell what may be the views and objects of his successor. And hence, as Mr. Loudon has observed, "no prudent man will ever invest his fortune in the improvement of another person's property, unless, from the length of his lease, he has a reasonable prospect of being reimbursed with profit ; and the servility which a holding at will necessarily exacts, is altogether incompatible with that spirit of enterprise which belongs to an enlightened and independent mind."<sup>1</sup>

It is, perhaps, needless to add, that the want of leases is, in most cases, as injurious to the interests of the landlord as to those of the tenant. Besides diminishing the value of estates by obstructing improvements, it has the effect, which might not at first be anticipated, of frequently hindering landlords from dismissing indolent, impoverished tenants. There are numerous estates in England without leases, that have been occupied for generations by the same families, the sons succeeding the fathers in an unbroken series. It must, however, unavoidably happen, that several of these occupiers have neither intelligence, enterprise, nor capital sufficient to enable them to farm their lands in the most approved manner ; and the interests of the owners of the farms occupied by such persons, and of the public, would be equally consulted by their removal. But the circumstances under which they hold their lands are such, that they can seldom be removed without occasioning much misrepresentation and abuse of the landlords ; whereas, when a farm is let on lease, the landlord may, at its termination, if he be dissatisfied with the tenant, decline reletting the farm to him without exposing himself to any invidious remarks ; and may, in this way, select the best and most industrious tenants. The marked preference given to tenants of skill and capital wherever leases are granted, has contributed as much, perhaps, as any other circumstance, to

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<sup>1</sup> "Encyclopædia of Agriculture," p. 699.

the extraordinary spread of agricultural improvement in Scotland.

The rent of a farm is sometimes fixed in money, sometimes in a given quantity of produce, sometimes in a proportional quantity of its produce, and sometimes in services.

With respect to money rents it may be observed, that when the lease is only for a few years, during which no great change in the value of money or in the price of corn can reasonably be anticipated, they are, perhaps, the best of any ; but when the lease embraces a period of nineteen or twenty-one years, which is believed to be the most proper for leases of ordinary tillage farms, it would appear that the safer plan is to fix the rent at a certain quantity of produce, making it convertible into money at the current prices of the day. By this means the disturbing influence of changes in the value of money is averted, at the same time that the influence of such as occur in the cost of producing corn is mitigated. This plan is, however, defective, inasmuch as it obliges the tenant to pay more than the fair value of his farm in scarce years ; while, on the other hand, it depresses the landlord's rents in years of unusual plenty below the proper level. A simple device has, however, been fallen upon, which has gone far to remove these defects. This consists in fixing a *maximum* and a *minimum* price ; it being declared in the lease that the produce to be paid to the landlord shall be converted into money according to the current prices of the year ; but that to whatever extent prices may rise above the maximum price fixed in the lease, the landlord shall have no claim for such excess of price. And to prevent, on the other hand, the rent from being improperly reduced in very plentiful years, a minimum price is agreed upon by the parties ; and it is stipulated that, to whatever extent prices may sink below this limit, the landlord shall be entitled to receive this minimum price for the fixed quantity of produce payable to him. This plan has been introduced into some

of the best cultivated districts of the empire ; but the greater steadiness of prices that has followed the freedom of the corn trade, has rendered these and similar devices of comparatively little importance. Still, however, they may occasionally be of service.

The mode of letting lands for proportional rents, that is for a half, a third, a fourth, or a fifth, &c., of the produce, whatever it may be, is the most objectionable of any. The widest experience shows that tenants rarely make any considerable improvements, unless they have a firm conviction that they will be allowed to reap the whole advantage arising from them. It is in vain to contend that, as the tenant knows beforehand the proportion of the increased produce going to the landlord, if the remainder be a due return to his capital, he will lay it out. Not one tenant out of fifty would so act. There are always very considerable hazards to be run by those who embark capital in agricultural improvements ; and if to these were added the obligation to pay a third, or a fourth part of the *gross* produce arising from an improvement, to the landlord, none would ever be attempted by a tenant, or none that required any considerable outlay, or where the prospect of a return was not very immediate. A flourishing and improving system of agriculture cannot be carried on except by enterprising tenants, ready to avail themselves of new discoveries ; and such are only found where they have leases, or are secured in the possession of their farms for adequate periods, and allowed to reap, during their continuance, the entire benefit arising from whatever improvements they may execute. If either of these principles be encroached upon, the spirit of industry will be paralysed. Those who insist upon immediately sharing the benefit resulting from meliorations effected by the capital or labour of their tenants, will effectually prevent them from being undertaken ; and if they do not make agriculture retrograde, will, at least, hinder it from making any advance.

Unluckily, however, it is not necessary to argue this question speculatively. The practice of letting lands by proportional rents, or, as it is there termed, on the *métayer* principle, is very general on the Continent; and wherever it has been adopted, it has put a stop to all improvement, and reduced the cultivators to the most abject poverty.<sup>1</sup>

The method of paying rent by services—the last of those previously alluded to—is also very objectionable. This method, which grew out of the feudal system, was at one time spread over almost all Europe, and is still maintained in many countries; but wherever civilization has made considerable progress, and manufactures and commerce been extensively introduced, it has been superseded by money or produce rents. It is needless to dwell on its inexpediency. The labour of tenants on the grounds, or for the behoof of their landlords, is usually performed in a lazy and slovenly manner. Men do not exert themselves with spirit and effect, unless when they work on their own account, and directly reap all the advantages of superior industry and enterprise. In Great Britain these sort of services are now almost wholly abolished; or if any vestiges of them still exist, they are to be found only in a few Highland counties. Their abolition has been of the greatest service to agriculture, and has redounded, in a very high degree, to the advantage of the landlords. The tenants, relieved from every sort of service, secured in the possession of their farms by leases of a reasonable length, and left to pursue their own interest in their own way, subject only to restrictions preventing the exhaustion of the land, have exerted themselves with a degree of energy and success, and have carried agriculture to a pitch of improvement that could not previously have been supposed possible.

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<sup>1</sup> For an account of the principles and practical working of the *métayer* system, see “Young’s Travels in France,” &c., second edition, i. 404, and ii. 216; and the articles on France, Italy, Tuscany, &c., in the “Geographical Dictionary.”



We have already noticed the injurious consequences resulting from the under-renting of land<sup>1</sup>; and we are well assured that, in very many parts of England, rents might be considerably raised without injury to the tenants, and with great advantage to agriculture. It would, in fact, be among the most effectual means that could be adopted to force the occupiers to profit by those improved processes and modes of management by which the produce of the land is so greatly increased, and the expense of its culture so much diminished. In many extensive districts, especially in the western, southern, and midland counties, a third part of the horses used in husbandry might be advantageously dispensed with. No such useless expenditure could, however, prevail in districts where rents are raised to their proper level; for there every extravagance must be proscribed, and the land be farmed in the most efficient and economical manner. "It is rare," says Arthur Young, "to see land very high let badly cultivated. Indeed, the very circumstance of high rent is a cause of good husbandry; for without it the farmers must be ruined. They are very sensible that, when a great rent is paid, they must either gain good crops or starve; and this general idea is so strong as to make them uncommonly industrious, and to exert all their abilities in cultivating their farms in a masterly manner. When you see a man with a rent of 300*l.* or 400*l.* a year, with not more than as many acres for it, (this was written in 1770,) you may lay it down as a maxim, previously to walking over his farm, that it is well cultivated; that the arable lands are tolerably clean, well manured, drained, and yielding good crops; that the grass is well stocked with a good breed of cattle, and none of it overrun with rubbish. When men pay dearly for their farms, they learn to value land, and let none of it be lost. On the contrary, view the same land let much under value, and twenty to one but the prospect is, in every respect, the

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<sup>1</sup> Part I. cap. 2, § 3.

reverse. A landlord who boasts of his cheap tenures, boasts of living in the midst of slovens, instead of spirited farmers."<sup>1</sup>

Still, however, it is not to be denied that land is sometimes over as well as under rented ; and whenever it is ascertained that such is the case, and that notwithstanding the greatest diligence and economy, a skilful tenant cannot pay his rent and gain a fair return for his outlay and trouble—the landlord, if he consult his own interest, should make an adequate reduction. If he attempt to hold the farmer to the letter of his agreement, he will most likely occasion his ruin ; but in the efforts of the latter to save himself and his family, the farm is sure to suffer. It will not be properly manured or tilled,—scourging crops will be resorted to ; so that though the landlord should succeed in squeezing the stipulated rent out of the occupier during the currency of the lease, the bad state of the farm at its close, and the bad character the landlord will have justly acquired in the vicinity, will occasion a far greater reduction of rent than would have taken place had it been made at the proper period. It appears, also, that when a reduction of rent is necessary, it should be made unconditionally, and for the whole course of the lease, or at least for a reasonable and definite period. Some landlords are in the habit, when their tenants are unable to pay their entire rents, of taking what they can afford, and giving them a receipt for so much on account ; but this is a most pernicious practice, and is not more injurious to the tenant than to the landlord. The fear of being called upon, at some future period, for by-gone arrears, makes the tenant counterfeit poverty, even though he be not really poor ; at the same time that his liability to such claims prevents him from getting assistance from those who might otherwise be disposed to support him. The same effects, though not quite in the same degree, are experienced when the landlord grants an unconditional abate-

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<sup>1</sup> "Northern Tour," iv. 377.

ment only for some short period. The consciousness that the farm is too dear, and that he may be called upon, at the expiration of the specified period, to pay the full rent, cripples the energies of the tenant. In this, as in the former case, his credit is at an end; for no one, how much soever he might otherwise feel disposed, would ever think of accommodating so dependent an individual with a loan. A tenant in this unhappy situation invariably becomes dispirited; instead of zealously exerting himself, as he would do were his rent permanently reduced to the real value of the farm, he strives only to take unfair advantages, to defeat the stipulations in his lease as to management, and is, through poverty and inability to pay, protected from an increase of rent.

As soon, therefore, as it is discovered that a farm, let to an industrious tenant, is really too dear, and that neither skill nor economy can make it pay, the rent should be unconditionally abated, if not at once for the whole lease, at least for a period of not fewer than five or seven years, with a stipulation that it shall not even then be raised unless prices have advanced. The estates of those landlords who act on this sound principle are always in the best order, and, at an average, their rents are decidedly higher than the rents of those who refuse to make any abatements, or make them only from year to year. The policy of the latter is quite destructive of the spirit, credit, and industry of their tenants; and where these are wanting, agriculture must be comparatively degraded, and rents, though nominally high, really low and ill paid.

Much difference of opinion has existed as to the expediency of inserting conditions in leases with respect to management. Those who are adverse to them argue, that being in general framed by the landlord, whose knowledge of the practical business of farming is seldom very accurate or extensive, they are exceedingly apt to proceed on mistaken views, and are for the most part either vexatious or impossible; that the

strict observance of conditions can rarely be enforced; that if it were, it would reduce the occupiers to the condition of mere machines; that it would prevent them from taking advantage of such discoveries as might be made during the currency of their leases; and that, having no means of escaping from the prescribed mode of management, they would cease to interest themselves in the progress of agriculture, and would become indifferent to every sort of improvement. Adam Smith, who has given the sanction of his authority to these objections, proposes that, in the event of a tax being laid upon rent, it should be made somewhat heavier on farms, the tenants of which are bound by their leases to a prescribed mode of management. Such conditions originate, he says, in the ill-founded conceit entertained by the landlord of his own superior knowledge, and uniformly tend to the prejudice of agriculture.<sup>1</sup>

But notwithstanding the plausible nature of some of these objections, and the authority by which they are supported, they seem to be, speaking generally, without any good foundation; and the best practical farmers concur in the opinion, that conditions, when judiciously devised, are of great service to agriculture, and that they should never be dispensed with.

This, it must be observed, is not a question that can be decided on the principle of leaving every one to be regulated by his own sense of what is most advantageous; for here we have two parties, the landlord and tenant, each with separate and often conflicting interests. It is for the landlord's interest that his farm should always be in good order, and more especially that it should be in good order when the lease is about to expire, inasmuch as the rent that it will then bring will depend very much upon that circumstance. But the tenant is in a very different situation: his interest in the farm being limited to the period for which his lease

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<sup>1</sup> "Wealth of Nations," p. 374.

endures, his object naturally is to make the most of it during that period, without caring about the state in which he leaves it. Although, therefore, restrictions as to the mode of cultivation in the early part of a lease of considerable duration may perhaps be fairly objected to, we do not think that any landlord who has a proper sense of his own interest, or who wishes to get his estate restored to him in good order, should ever let a farm without prescribing certain conditions as to its management, which it should be imperative on the tenant to follow during the six or seven years immediately preceding the termination of his lease. These conditions may not, indeed, always be the best that might be devised, but they can hardly be so defective as not to hinder the farm from being over-cropped and exhausted previously to the tenant's leaving it; and if they do this, they must, both in a private and public point of view, be decidedly beneficial.

Much discussion has taken place as to the proper size of farms. This, however, is not a point as to which it is possible to come to any precise conclusions. A great deal must obviously depend on the purposes to which the farm is to be applied. Farms that are to be wholly employed in pasture may be very much larger than those that are to be employed partly only in that way, and partly in tillage; and the latter, again, than those that are to be wholly employed in tillage. And in regard to tillage farms, it is plain that their size must depend on various circumstances, but principally, perhaps, on the amount of the tenant's capital. But supposing that the tenants offering for farms have sufficient capital, their size had best be determined by considering what extent of land an individual may be able to manage in the best and most approved manner. Most practical farmers, in this country at least, seem to think that this size might run from 400 to 600 acres, or 500 at a medium. This conclusion has, however, been strongly denied; and it has been contended that the public interests are best consulted by letting land in small

farms, or in farms of from 15 to 30 or 40 acres. To enter fully into an examination of this question would encroach too much on our limits : it may, however, be observed, that the opinions of the great majority of those who, from their acquaintance with agriculture, are best entitled to decide upon such matters, are exceedingly hostile to the small farming system ; and that their statements as to its inexpediency seem to be founded on the soundest principles, and to be consistent with the most extensive experience. It is plain that that system of occupation must, in all ordinary cases, be the best which gives the greatest scope to improvement, which allows the division of labour to be carried to the farthest extent, and which enables the occupier to avail himself of every new improvement and increased facility of production. But it is almost superfluous to say that these objects can only be attained when the lands of a country are divided into extensive farms occupied by opulent farmers. The produce of a farm of 15, 20, or even 50 acres, cannot, after paying rent, do more than furnish the barest subsistence to its occupiers. To suppose that the latter should accumulate capital, or that they should be in a condition to undertake any considerable improvement, is quite visionary. " In England," says Arthur Young, " there are no persons who work so hard and fare so ill as the small farmers."<sup>1</sup> And " in Scotland it is the rarest thing imaginable to find a small farm, say from 20 to 50 acres, that would not be a disgrace to the cultivators of a century ago."<sup>2</sup>

Perhaps it may be thought that it is superfluous to enforce the propriety of letting land in large farms ; that the occupiers of such farms are able to pay higher rents than those who occupy small ones ; and that, according as capital is accumulated in a country, the size of farms is sure to be augmented. But these statements are by no means so well-

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<sup>1</sup> " *Travels in France*," vol. i. p. 415.

<sup>2</sup> " *Wealth of Nations*," edit. 1838, p. 567.

founded as we might at first be disposed to conclude. Nothing is so much coveted by a poor man as the possession of a small piece of ground. It goes far to secure him, so long as he holds it, against absolute want; it renders him, in some measure, his own master, and relieves him from the necessity of continuous labour. In consequence, there is often a very keen competition for cottages and slips of land. An individual possessed of capital will not engage in farming unless he expect to realize, over and above a remuneration for his trouble in superintending the business, ordinary profits on his capital. But the offerer for a small piece of ground is not influenced by such considerations; he is anxious to get it, not that it may bring him profits and wages, but that he may live. He is willing, indeed, to pay the proprietor all that it can be made to yield over and above his subsistence and that of his family; and this, not unfrequently, amounts to more than would be offered by a tenant possessed of capital, and capable of farming the land in the best manner. But any advantage that a landlord may occasionally gain, in the first instance, by the adoption of such a system as this, is sure to be more than counterbalanced in the end. The small farmer having no means of disposing of his children when they grow up, they naturally look to the land for support; and if his little possession be not divided during his life, it can hardly escape being divided at his death. In this way the country is overspread with a redundant and wretched population; so that, in the end, rents are not paid, and the whole produce of the land becomes barely sufficient for the support of its occupiers. The splitting of farms, in the way now described, has been carried to a very great extent in Ireland, and has been productive of the most mischievous consequences. Instead of increasing, the size of Irish farms rapidly diminished after 1770, and large tracts were parcelled out into patches of the size of potato-gardens, occupied by the merest beggars; and the evil went on increasing till it was arrested in 1846-47 by the potato rot, and the consequent

decrease of the population. Nothing, therefore, should be more cautiously gone about by landlords than a reduction in the size of farms. If they ever allow them to be frittered down into minute portions, they will find that the improvement of their estates is at an end ; that they have no security that their rents will continue to be paid ; that the poor rates will, most likely, be increased ; and that very formidable obstacles will stand in the way of the ejectment of the tenants, and of a return to a better system.

We incline to think, that few things have been more injurious to agriculture than the conferring the elective franchise on tenants. For a lengthened period, most part of the occupiers of land in England and Wales have been entitled to vote in elections for county members ; and it would not be difficult to show, that this circumstance has contributed, in no slight degree, to establish the practice of holding at will, or without a lease. In Scotland, however, down to the passing of the Reform Act, extremely few occupiers of land were possessed of the franchise ; and there leases of 19 or 21 years' duration were nearly universal : farms, instead of being subdivided, were gradually increased in size ; and, provided the tenants paid their rents and managed their lands according to the most approved systems, the landlords rarely or never made any inquiry respecting their political or religious opinions. But since the franchise was, in an unlucky hour, given to the holders of lands worth 50*l.* a-year and upwards, it has been altogether different. The landlords, desirous, like other people, of extending their political influence, endeavour to control the suffrages of their tenants, and to multiply the dependent voters on their estates. In furtherance of these objects, numbers of them have not scrupled to resort to intimidation, and to adopt vindictive measures against such tenants as have voted contrary to their wishes. This, however, though the most prominent at the time, is but the least evil resulting from the new state of things. It has already led, in many



parts, to a change in the mode of letting land ; and there is but too much reason to fear that it may, in the end, go far to subvert that system of giving leases for 19 or 21 years certain, that has been a main cause of the astonishing improvement of Scottish agriculture. It has also occasioned, in numerous instances, a subdivision of farms for the purpose of creating voters ; and there cannot, in fact, be a question that, however well intended, the investing the tenants with the elective franchise has been one of the most fatal blows ever struck at their independence, and at the prosperity of agriculture in Scotland. Nor is there anything in this but what might have been, and indeed was, anticipated from the outset. Tenants, as such, whether they hold farms worth 50*l.* or 500*l.* a-year, under leases of one year or twenty years' duration, are, speaking generally, about the very last description of persons to be intrusted with the franchise. Very many of them are indebted to, and dependent, to a less or greater extent, on their landlords ; and the few who are independent are so because they have accumulated property, and would in consequence have been entitled to the franchise, had it been vested, as it should have been, in those only who possess a certain amount of realised property. Notwithstanding the existing prevalence of long leases, it is at present, in most parts of Scotland, quite enough to know the politics of a landlord to learn those of his tenants. Some few are, no doubt, occasionally found, bold enough and honest enough to assert their independence ; but these, wherever the landlords take an active part in politics, form an inconsiderable minority, not 5 per cent. probably, and certainly not 10 per cent. of the entire number. So complete is their dependence, that instances have occurred of the event of an election having been changed within a few days of its taking place, by the mere purchase of an estate ! Hence, if that be, as it undoubtedly is, the best system of voting that brings the greatest number of independent electors to the poll, and keeps back the greatest

number of those that are dependent, the giving the franchise to the tenants and occupiers of land must be about the very worst system ; for they are, of all classes, that which is most dependent, and most under the command of others.

There can be no doubt, taking every thing into account, that the profits of farmers are upon a level with those of the parties engaged in other businesses. It is generally believed, however, that when estimated in money, they are about the lowest of any. This arises from a variety of circumstances. The healthy and agreeable nature of the business, and the prevalence among the other classes of the unfounded notion, that every man may become a farmer with but little previous learning or education, occasion a very keen competition for land ; while the uncertainty of the seasons, the multiplicity of operations and details to which the farmer has to attend, and the difficulty of giving that attention to each which is so very essential, conspire powerfully to increase the hazard, and to lessen the profit of farming. In many places, indeed, the business is carried on according to a system of routine. But wherever an improved plan of agriculture is practised, or where it is carried on by persons of considerable capital farming for a profit, skill and attention are alike indispensable. The farmer has to decide upon the rotation of crops, and the species of stock best fitted for the soil and situation which he occupies ; he has to fix the number of horses and labourers that he will employ, so that there may neither be too many nor too few ; he has to seize upon the proper moment for performing the various operations of the farm, and to arrange them in such a manner that none may be neglected or cause the neglect of others ; and he has to make himself acquainted with the state of the markets, and decide as well upon the most advantageous period for selling his produce, as upon the quantities he should sell. No business, in short, requires greater sagacity or more constant application. The best laid combinations and plans of the farmer are always liable to be

overturned by changes of weather, or by prices proving different from what he anticipated; and he should be able to act with promptitude and decision in the altered circumstances under which he may, on such occasions, be placed. To suppose that a successful farmer can be unskilful, indolent, or inattentive, argues an entire ignorance of the practice of agriculture. There is, in fact, no employment where intelligence, industry, and that vigilant activity, "which has no such day as to-morrow in its calendar," can be less dispensed with. Those who enter on this business in the view of making it profitable, must be ready to say with the poet,

———— "Steriles transmissimus annos,  
Hæc ævi mihi prima dies, hæc limina vitæ."

And even with the greatest sagacity, attention, and industry, it is but rarely that farmers make a fortune. The great majority merely manage to live respectably, and to bring up their family. "The few," says the ablest agricultural writer of the present day, "who do more than this, will be found to have had leases at low rents; indulgent landlords; to have profited by accidental rises in the market or depreciation of currency, or to have become dealers in corn or cattle; and rarely, indeed, to have realised aught by the mere good culture of a farm at the market price."<sup>1</sup> The opinion of Mr. Burke, who, in the estimation of those most capable of judging, stood high both as a scientific and practical farmer, is to the same effect. "The farmer's trade," says he, "is a very poor trade; it is subject to great risks and losses. In most parts of England which have fallen within my observation, I have rarely known a farmer (I speak of those who occupy from 150 to 300 or 400 acres) who to his own trade has not added some other employment or traffic, that, after a course of the most unremitting parsimony and labour, (such for the greater part is theirs,) "

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<sup>1</sup> Loudon's "Encyclopædia of Agriculture," p. 719.

and persevering in his business for a long course of years, died worth more than paid his debts, leaving his posterity to continue in nearly the same equal conflict between industry and want, in which the last predecessor, and a long line of predecessors before him, lived and died.”<sup>1</sup>

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<sup>1</sup> “Thoughts and Details on Scarcity.” p. 21.

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## CHAPTER VIII.

*Division of the Produce of Industry, under Deduction of Rent, between Capitalists and Labourers—Definition of Profits—Mr. Ricardo's Theory of Profits; Sense in which it is true—Causes which occasion a Rise or Fall of Profits—Accumulation not the cause of a Fall of Profits—Influence of the decreasing Fertility of the Soil, and of Taxation on Profits—Influence of Loans to Government, and of Changes in the Value of Money on Profits.*

BEFORE attempting to investigate the circumstances which determine the rate of profit, it is necessary to be aware of those which determine the proportions in which the whole produce of industry, under deduction of rent, is divided between labourers and capitalists.

This preliminary inquiry may be disposed of in a few words. We have seen that the whole produce of the land and labour of every civilised society is always divided, in the first instance, into *three*, and not more than *three*, portions; the *first* of which goes to the labourers, the *second* to the capitalists or proprietors of stock, and the *third* to the landlords, and we have also seen, that the portion of the produce of industry received by the landlords, as proprietors of the soil, or as rent properly so called, is altogether extrinsic to the cost of production; and that their giving it up would not occasion any change in the productiveness of industry, or any reduction in the price of produce. Supposing, then, that rent is deducted or set aside, it is obvious that all the remaining produce of the land and labour of every country must be primarily divided between the two great classes of labourers and capitalists. And it is further obvious that were there no taxes in a country, or were the rate of taxation stationary, the proportion of the whole produce of industry, under deduction of rent, falling to the

share of the labourers could not be increased except by an equivalent reduction in the proportion falling to the share of the capitalists, and *vice versâ*. Suppose, still better to illustrate this proposition, that the whole produce of industry in Great Britain is represented by the number 1,000: suppose, farther, that the landlords get 200 of this produce as rent, or as the amount paid them for the use of the natural and inherent powers of the soil, and that the remaining 800 is divided, in equal portions, between labourers and capitalists. Under these circumstances, it is obvious that nothing could be added to the share of the produce, or to the 400 falling to the labourers, except at the expense of the capitalists; nor to the share, or 400 falling to the latter, except at the expense of the former.

Whether the 800 were increased to 1,600 or reduced to 400, so long as those between whom it must be divided receive each a half, their *relative* condition must continue the same. And hence the distinction between *proportional* and *real* wages, or between wages estimated in parts of the produce raised by the labourer, and in definite quantities of money or produce. If the productiveness of industry diminish, proportional wages may rise, notwithstanding that real wages, or the quantity of produce received by the labourer, be diminished; and if, on the other hand, the productiveness of industry increase, proportional wages may be diminished, while real wages may, at the same time, be increased.

It is plain, therefore, that were taxation unknown or stationary, the whole produce of industry, under deduction of rent, would be divided between capitalists and labourers; and that the portion falling to either party would vary inversely as the portion falling to the other—that is, the portion falling to the capitalists would be increased when that falling to the labourers was diminished, and diminished when it was increased.

Profits must not, however, be confounded with the produce of industry primarily received by the capitalists. They

really consist of the produce, or its value, remaining to those who employ capital in industrial undertakings, after all their necessary payments to others have been deducted, and after the capital wasted or used in the undertakings has been replaced. If the produce derived from an undertaking, after defraying the necessary outlay, be insufficient to replace the capital expended, a loss will have been incurred: if the capital be merely replaced, and there is no surplus, there will neither be loss nor profit; and the greater the surplus, the greater, of course, will be the profit. Profits are not measured by the proportion which they bear to the rate of wages, but by the proportion which they bear to the capital by the agency of which they have been produced. Suppose an individual employs a capital of 1,000 quarters of corn in the cultivation of a farm, that he expends 700 quarters in the payment of wages, and 300 in seed and other outgoings, and that the return to this capital is 1,200 quarters: Under these circumstances, the proportion of the produce which goes to the labourers as wages will be to that which goes to the capitalist as 7 to 2; for, of the 1,200 quarters that go, in the first instance, to the capitalist, 200 only are profits, 1,000 being required to replace the capital he has expended. In this case, therefore, the *rate* of profit would be said to be 20 per cent.; meaning, that the *excess* of produce belonging to the cultivator, after the capital employed in its production is fully replaced, amounts to 20 per cent. upon that capital.

We have been thus particular with respect to the definition of profits, because, from not keeping it sufficiently in view, Ricardo has been led to contend, that the *RATE* of profit depends on the proportion in which the produce of industry, under deduction of rent, is divided between capitalists and labourers; that a rise of profits cannot be brought about except by a fall of wages, nor a fall of profits except by a corresponding rise of wages. It is evident, however, that this theory is true only in the event of our attaching a radically

different sense to the term profit from what is usually attached to it, and supposing it to mean the cost or real value of the whole produce which goes, in the first instance, to the capitalist, without reference to the proportion which it bears to the capital employed in its production. If we understand the terms in this sense, Ricardo's theory will hold universally; and it may be affirmed, that so long as the proportion in which the produce of industry, under deduction of rent, is divided between capitalists and labourers continues the same, no increase or diminution of the powers of production will occasion any variation in the rate of profit. But if we consider profits in the light in which they are invariably considered in the real business of life,—as the produce accruing to capitalists after the capital expended by them in payments and outgoings of all sorts is fully replaced,—it will immediately be seen that there are innumerable exceptions to Ricardo's theory.

It will facilitate the acquisition of precise ideas respecting the circumstances which determine the average rate of profit in different employments, as that term is commonly understood, if we confine our attention, in the first place, to those which determine profits in agriculture, both because the latter admit of being accurately measured, and because they may be taken as representing profits in other businesses. Agriculture is a branch of industry that must be carried on at all times, and under all circumstances; but it would not be carried on, did it not, at an average, yield as great a return to the capital vested in it as other businesses; nor would these others be carried on, if they yielded a less return than is derived from agriculture. It necessarily follows, therefore, that the returns obtained from agricultural industry, or agricultural profits, may, in ordinary cases, be considered as identical with the returns or profits obtained from other businesses. Whenever, for example, the average return to an outlay of capital or labour worth £100, employed in the cultivation of the soil, amounts to £110, we may safely infer, that £100 employed in manufactures is also yielding £110: for, a regard to their



own interest will not permit those engaged in such departments, to prosecute them for *less* profit than is obtained in agriculture; and the competition of the agriculturists will not permit them to obtain more.

Taking, then, as we are entitled to do, agricultural profits as a standard of other profits, let us suppose that a landlord employs a capital equivalent to 10,000 quarters, or £10,000, in the cultivation of an estate; that he expends 5,000 quarters, or £5,000 of this capital in seed, in the keeping of horses, and in defraying the wear and tear of implements and machines; and 5,000 quarters, or £5,000, in paying the wages of labourers. Suppose, now, that the return obtained by this landlord is 12,000 quarters, or £12,000; of which 10,000 quarters, or £10,000, go to replace his capital, and 1,000 quarters, or £1,000, to pay his taxes, leaving 1,000 quarters, or £1,000 as profits, being 10 per cent. on the capital employed. It is plain from this case, (which is, *mutatis mutandis*, the actual case of all cultivators,) that the rate of profit may be increased in *three*—and only in one or other of three—ways, viz., (1) by a fall of wages, (2) a fall of taxes, or (3) an increased productiveness of industry.

Thus, it is obvious, (1) that if wages were reduced from 5,000 to 4,000 quarters, profits, supposing other things to be stationary, would be increased from 1,000 to 2,000 quarters, or from 10 to 20 per cent.: if (2) the burden of taxation were reduced from 1,000 to 500 quarters, profits would be increased from 1,000 to 1,500 quarters, or from 10 to 15 per cent.: and if (3), owing to the introduction of an improved system of agriculture, the return to a capital of 10,000 quarters were increased from 12,000 to 13,000 quarters, profits, supposing wages still to amount to 5,000 and taxes to 1,000 quarters, would be increased to 2,000 quarters, or to 20 per cent.; and though, in this last case, after the productiveness of industry had been increased, wages would form a less proportion of the whole produce of industry than they did previously, it is to be observed, that this diminished

proportion is the *consequence*, and not the cause of profits having risen; and, therefore, in such cases as this, and they are of very frequent occurrence, it is true to say, that proportional wages fall because profits rise, but the converse of the proposition is not true; for the rise of profits was occasioned by causes that had nothing whatever to do with wages, and which were, in fact, totally independent on them.

It is, indeed, true, inasmuch as the rise of profits is the result of an increased productiveness of industry, that the cost or real value of the 13,000 quarters will not exceed the cost or real value of the 12,000 previously obtained by the same quantity of labour; but profits, in the sense in which they are practically understood, and as we understand them, do not depend on cost, but on the excess of the commodities produced above the commodities or capital expended in their production; and whenever this excess is augmented without any previous depression in the rate of wages, the rate of profit must evidently be increased by the operation of causes extrinsic to variations in that rate.

Nor is this all. The rate of profit may remain stationary, or rise, though the proportion of the produce of industry falling to the share of the labourer be actually increased. Suppose, to exemplify this, that a landlord employs 1,000 quarters of wheat as a capital, 500 of which are expended on seed, keep of horses, &c., and 500 on wages; if the produce be 1,200 quarters, and the taxes to which he is subjected 100, his profits will amount to 100 quarters, or 10 per cent.: suppose now that, owing to the introduction of improved machinery, or improved methods of culture, he only requires to expend 400 quarters on seed, keep of horses, &c., but that wages rise from 500 to 550 quarters, and that the same return is obtained—in this case, supposing taxation to be stationary, the profits of the landlord will be increased from 10 to  $15\frac{1}{4}$  per cent., though proportional wages have risen from  $5\text{-}12\text{ths}$  to  $5\frac{1}{2}\text{-}12\text{ths}$  of the whole produce.

It may perhaps be said, that if this increased productiveness were confined to agriculture, and did not extend to most other important businesses, the price of agricultural produce would fall, while that of other produce would remain stationary; and that, in such case, the profits of agricultural industry, if estimated in money, or in any commodity other than corn, would be diminished in consequence of the rise of wages. This is true; but Ricardo made no exception, in laying down his theory, in favour of those possible, and indeed frequently occurring cases, when, from any single circumstance, or combination of circumstances, industry becomes generally more productive, and when, consequently, profits, estimated in money, corn, cloth, or any commodity in extensive demand, would have risen, without their rise having been occasioned by a fall of wages. And it is also true, that an increased productiveness of agricultural industry, whether it has been caused by the introduction of an improved system of agriculture, or by the repeal of restrictions on the importation of corn, most commonly extends itself to other businesses, and brings about, in the end, a universal rise of profits: for, as raw produce forms the principal part of the labourer's subsistence, and as he obtains a larger quantity in exchange for the same amount of money, after it has fallen in price, his condition is in so far improved; and a stimulus being, in this way, given to population, and the supply of labour increased, wages are reduced, and the rate of profit proportionally raised.

When industry, instead of becoming more, becomes less productive, the opposite effects follow. Profits then fall, without any fall having previously taken place in the rate of wages.

It is evident, therefore, that the proposition that a rise of profits cannot be brought about otherwise than by a fall of wages, or a fall of profits otherwise than by a rise of wages, is true only in those cases in which the productiveness of industry and the burden of taxation remain stationary

So long as this is the case, or, which is the same thing, so long as the same capital is employed, and the same quantity of produce has to be divided between capitalists and labourers, the share of the one cannot be increased without the share of the other being equally diminished: and it is also true, that if profits depended on the *proportion* in which the produce of industry is divided between capitalists and labourers, they could not be affected by variations in its productiveness, but would be determined wholly by the state of proportional wages. But profits depend, as already seen, on the proportion which they bear to the capital by which they are produced, and not on the proportion which they bear to wages. Suppose an individual employs a capital of 1,000 quarters, or £1,000 in cultivation, that he lays out half its amount in the payment of wages, and obtains a return of 1,200 quarters, or £1,200; in this case, assuming he is not affected by taxation, his profits will amount to 200 quarters, or £200, being at the rate of 20 per cent., and will be to wages in the proportion of 2 to 5. Suppose, now, that the productiveness of industry is *universally doubled*, and let it be farther supposed that the additional 1,200 quarters, or £1,200, is divided between the capitalist and his labourers in the former proportion of 2 to 5, or that the capitalist gets 343 quarters, or £343 of additional profits, and the labourers 857 quarters, or £857, of additional wages: in this case, both parties will still obtain the same proportions of the produce as before; and if we look only to them, we must say that neither profits nor wages have risen. But when we compare, as is invariably done in estimating profits, the return obtained by the capitalist with the capital he employs, it will be found, notwithstanding the constancy of proportional wages, that the *rate* of profit has increased from 20 to 54 per cent.

Thus, then, it appears, as was previously stated, that profits *rise* in one or other of the three following ways, viz., (1) from a fall of wages, or (2) from a fall of taxes directly or indirectly affecting capitalists, or (3) from an increased productiveness

of industry ; and they *fall*, (1) from a rise of wages, or (2) from an increase of taxes, or (3) from a diminished productiveness of industry. But they can neither rise nor fall, except from the operation of one or more of the causes now stated.

In the previous observations we have, to simplify the subject, considered profits as arising from the employment of capital by persons of ordinary skill and intelligence in the usual pursuits of industry. But, in addition to these, very considerable amounts of capital are employed by parties who possess superior knowledge and ability in the callings in which they engage, and who, in consequence, obtain proportionally large returns. It has been disputed whether these extraordinary returns should be considered as profits or wages. And we are disposed to think that, in as far as they result from the better training and instruction of those who superintend the employment of the capital, they should be considered as the profit upon, or return to, the extra outlay on their education. But in cases where the parties possess, as they sometimes do, any peculiar talent or genius, by which they are enabled to strike out new and better methods of production, the results must be considered as the fruit of natural gifts, of which they are the exclusive possessors. The profits realized by such parties are not subject to any ordinary rule or law. Everything depends on the peculiar genius and intelligence with which they are endowed. If it be far above the common level, and applicable to the production of articles or services for which there is a great demand, their gains will be proportionally great, and may far exceed, even when the things they supply have little intrinsic worth, those realized by ordinary people.

But though these extra profits are always being made, and amount in the aggregate to a very great sum, yet there are no good grounds for thinking that they bear any very large proportion to the vast amount of profits produced in businesses and professions conducted in the ordinary way, and with

ordinary talent and attention. And it is also to be borne in mind that if there be, on the one hand, individuals who, by dint of superior skill and ability, make large profits and accumulate fortunes, there are, on the other hand, a great number of individuals who, from want of the requisite capacity or care, make little or no profit, and not unfrequently sink into the abyss of bankruptcy. The losses incurred by the latter class go far to balance, if they do not exceed, the extraordinary gains of the other. And though fortunes made, like those of Arkwright and Watt, by the exertion of genius and invention, attract and fix the public attention, yet there can be no manner of doubt that the great bulk of the public wealth is the result of ordinary skill and industry, backed up and assisted by the general disposition to save and amass. For one fortune that owes its existence to superior talent, ten owe theirs to a long-continued course of economy. But having already seen that parsimony is the main source of national riches, it is needless to enlarge further on this topic.

It is consistent with universal experience, that profits are invariably higher in colonies and thinly-peopled countries, than in those that have been long settled, or where the population is comparatively dense; and that (referring to periods of average duration) their tendency is to fall in the progress of society. This sinking of profits in rich and populous countries has been ascribed by Smith to the competition of capitalists. He supposes that, when capital is augmented, its owners endeavour to encroach on each other's employments; and that, in furtherance of their object, they offer their goods at a lower price, and give higher wages to their workmen; which has a twofold effect in reducing profits. This theory was long universally assented to. It has been espoused by Say, Sismondi, and Storch, by the Marquis Garnier, and, with some trifling modifications, by Malthus. But, notwithstanding the deference due to these authorities, it is easy to see that competition can never bring about a general fall of profits.

It prevents any individual, or set of individuals, from monopolizing a particular branch of industry; and reduces the rate of profit in different businesses nearly to the same level; but this is its whole effect. It has no tendency to lessen the productiveness of industry, or to raise wages or the burden of taxation; and if it do none of these things, it cannot lower profits. So long as an individual employing a capital of 1,000 quarters, or £1,000, obtains from it a return of 1,200 quarters, or £1,200, of which he has to pay 100 quarters, or £100, as taxes, so long will his profits continue at 10 per cent., whether he has the market to himself, or has 50,000 competitors. It is not competition, but the increase of taxation, and the necessity under which a growing society is placed of resorting to soils of less fertility to obtain supplies of food, that are the principal causes of that reduction in the rate of profit which usually takes place in advanced periods. When the lands last taken into cultivation are fertile, there is a comparatively large amount of produce to be divided between capitalists and labourers; and both profits and *real* wages may, consequently, be high. But with every successive diminution in the fertility of the soils to which recourse is had, the quantities of produce obtained by the same outlays of capital and labour necessarily diminish.<sup>1</sup> And this diminution obviously operates to reduce the rate of profit—(1) by lessening the quantity of produce divisible between capitalists and labourers, and (2) by increasing the proportion falling to the share of the latter.

The effect of the decreasing productiveness of the soil, as well on the condition of society, as on the rate of profit, is so very powerful, that we shall endeavour to trace and exhibit its operation a little more fully. It has already been seen, in treating of population, that the principle of increase in the

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<sup>1</sup> This supposes, of course, either that no improvements are made, or that their influence has been taken into account.

human race is so very strong, as not only to keep population steadily up to the means of subsistence, but to give it a tendency to exceed them. It is true that a peculiar combination of favourable circumstances occasionally causes capital to increase faster than population, and wages are in consequence augmented. But such augmentation is rarely permanent, at least to the whole extent; for the additional stimulus it is almost sure of giving to population, seldom fails, by proportioning the supply of labour to the increased demand, to reduce wages to their old level, or to one not much above it. If, therefore, it were possible always to employ additional capital in raising raw produce, in manufacturing that raw produce when raised, and in conveying the raw and manufactured products from place to place, with an equal return, it is evident, supposing taxation to be stationary, that, speaking generally, the greatest increase of capital would not occasion any considerable fall in the rate of profit. So long as labour may be obtained at the same rate, and as its productive power is not diminished, so long will the profits of stock continue unaffected. It is evident, then, that the mere increase of capital has, by itself, no lasting influence over wages; and it is obviously immaterial, in so far as the rate of profit is concerned, whether ten or a thousand millions be employed in the cultivation of the soil, and in the manufactures and commerce of this or any other kingdom, provided the last million so employed be as productive, or yield as large a return as the first. Now this is invariably the case with the capital vested in manufactures and commerce. The greatest amount of capital and labour may be employed in fashioning raw produce and adapting it to our use, and in transporting it from where it is produced to where it is to be consumed, without a diminished return. Whatever labour may now be required to build a ship, or to construct a machine, it is abundantly certain that an equal quantity will, at any future period, suffice to build a similar ship or to construct a similar machine; and, although these ships and machines were indefi-



nitely multiplied, the last would be as well adapted to every useful purpose, and as serviceable as the first. The probability, indeed, or rather the certainty, is, that the last would be more serviceable than the first. It is not possible to assign limits to the powers and resources of genius, nor consequently to the improvement of machinery, and of the skill and industry of the labourer. The stupendous discoveries of the last and present age will doubtless be equalled, and most probably surpassed, in the ages that are to come. It is, indeed, sufficiently clear, if equal outlays of capital and labour always raised the same quantities of raw produce, that their increase, however great, could not lessen the capacity of employing them with advantage, or sink the rate of profit. But here, and here only, the bounty of nature is limited, and she deals out her gifts with a frugal and parsimonious hand.

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“Pater ipse COLENDI  
Haud facilem esse viam voluit.”

Equal outlays of capital and labour do not always yield equal quantities of raw produce. The soil is of limited extent and limited fertility; and this limited fertility proves the real check—the insuperable obstacle—which prevents the means of subsistence, and consequently the inhabitants, of every country, from increasing in a geometrical proportion, until the space required for carrying on the operations of industry should become deficient.

But it is plain, that the decreasing productiveness of the soils to which every improving society is obliged to resort, will not, as was previously observed, merely lessen the *quantity* of produce to be divided between profits and wages, but will also increase the *proportion* of that produce forming the share of the labourer. It is quite impossible to go on increasing the cost of raw produce, the principal part of the subsistence of the poor, by forcing good, or taking inferior lands into cultivation, without increasing wages. A rise of wages is seldom, indeed, exactly coincident with a rise in the price of necessaries,

but they can never be very far separated. The price of necessaries is in fact the cost of producing labour. The labourer cannot work if he be not supplied with the means of subsistence; and though a certain period of varying extent, according to the situation of the country at the time, must generally elapse, when necessaries are rising in price, before wages are proportionally augmented, such augmentation will, in most cases, be brought about in the end.

It is plain, therefore, inasmuch as there is never any falling off, but a constant increase, in the productiveness of manufacturing and commercial industry, that the subsistence of the labourer could not be increased in price, and consequently that it would not be necessary to make any additions to his *necessary* wages, or those required to enable him to subsist and continue his race, but for the diminished power of agricultural labour, originating in the inevitable necessity of resorting to inferior soils to obtain larger supplies of raw produce. The decreasing fertility of the soil is at bottom, the only necessary cause of a fall of profits. The quantity of produce forming the return to capital and labour would never diminish but for the diminution that uniformly takes place in the end, in the productiveness of the soil; nor is there any other physical cause why the proportion of wages to profits should be increased, and the rate of profit diminished, as it usually is, in the progress of society.

We have thus endeavoured to exhibit the ultimate influence of the necessity of resorting to poorer lands for supplies of food on profits and wages. But though this cause of the reduction of profits be "of such magnitude and power as finally to overwhelm every other,"<sup>1</sup> its operation may be, and indeed always is, counteracted or facilitated by extrinsic causes. It is obvious, for example, that every discovery or improvement

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<sup>1</sup> Malthus's "Principles of Political Economy," &c., p. 317.

in agriculture, which enables a greater quantity of produce to be obtained for the same expense, has the same influence over profits as if the breadth of superior soils were increased, and may, for a lengthened period, increase the rate of profit.

Had the inventive genius of man been limited in its powers, and the various machines and implements used in agriculture, and the skill of the husbandman, speedily attained to their utmost perfection, the rise in the price of raw produce, and the fall of profits consequent to the increase of population, would have been so apparent as to force themselves on the attention of every one. When, in such a state of things, it became necessary to resort to poorer soils to raise additional quantities of food, a corresponding increase of labour would have been required; for, supposing the perfection of art to be attained, nothing except greater exertion can overcome fresh obstacles. Not only, therefore, would more labour have been necessary to the production of more food, but it would have been necessary precisely according to the increased difficulty of its production. So that, had the arts continued stationary, the price of raw produce would have varied with every variation in the qualities of the soils brought under tillage.

But the circumstances which really regulate the value of raw produce are extremely different. It is true, indeed, that even in those societies that are most rapidly improving, it has, as was previously shown, a constant *tendency* to rise; for, the rise of profits consequent to every invention, by occasioning a greater demand for labour, gives a fresh stimulus to population; and thus, by increasing the demand for food, again forces the cultivation of poorer soils, and raises prices. But it is evident that improvements render the effects of this great law of nature, from whose all-pervading influence the utmost efforts of human ingenuity cannot enable man to escape, far less palpable and obvious than they would otherwise be. After inferior soils are cultivated, more labourers

are, in most cases, required to raise the same quantities of food; but as the efficiency of the labourers is gradually improved, a smaller number is required, in proportion to the work that is performed, than if no such improvement had taken place. The tendency to an increase in the price of raw produce is in this way countervailed. The productive energies of the earth gradually diminish, and we are compelled to resort to less fruitful soils; but the productive energies of the labour employed in their tillage are as constantly augmented by the discoveries and inventions that are always being made. Two directly opposite and continually acting principles are thus set in motion. From the operation of fixed and permanent causes, the increasing sterility of the soil is sure, in the long run, to overmatch the improvements made in machinery and agriculture, prices experiencing a corresponding rise, and profits a corresponding fall. Frequently, however, these improvements more than compensate, during lengthened periods, for the deterioration in the quality of the soils successively cultivated, and occasion a fall of prices and rise of profits; and when the increase of population has again forced the cultivation of still poorer lands, new improvements may again restore prices to their old level, or sink them to a lower.

In so far as the general principle is concerned, the previous reasoning is applicable alike to the commercial world, or to a single nation. It is plain, however, that the fall in the rate of profit, and the consequent check to the progress of society, originating in the necessity of resorting to poorer soils, will most likely be sooner felt in an improving country, which excludes foreign corn from her markets, than in one which maintains a free intercourse with her neighbours. When a manufacturing and commercial country, like England, deals with all the world on fair and liberal principles, she avails herself of the various capacities of production which Providence has given to different countries; and, besides obtaining

supplies of food at the cheapest rate at which they can be raised, the numberless markets to which she can resort prevents her from feeling any very injurious consequences from the occasional failure of her own harvests, or from deficiencies in one or a few of the sources whence she draws her foreign supplies; so that she thus goes far to secure for herself constant plenty, and, what is of hardly less importance, the greatest attainable steadiness of price.

During the discussions in regard to the corn laws, it was contended that agriculture was more heavily taxed than either manufacturing or commercial employments, and that in the event of the ports being opened to foreign corn, such a duty should be laid on it as might suffice to countervail the excess of taxation falling on the land. There cannot, we apprehend, be any doubt that the fact and the inference drawn from it were as stated. But both the one and the other were stoutly denied. And supposing that it had been generally admitted that the land was burdened by an extra amount of taxation, it was difficult to specify that amount or the magnitude of the duty that would have been required to neutralize its effect. It is indeed abundantly certain that at whatever sum the latter might have been fixed, it would have furnished an inexhaustible topic for misrepresentation and abuse. No doubt, therefore, Sir Robert Peel judged wisely in making an end of the matter, by opening the ports to importation at all times under a merely nominal duty of one shilling a quarter.

This measure has been in all respects successful. It can no longer be said that the price of food is enhanced by our legislation, and the interests of all classes of producers are now admitted, on all hands, to be, as they always have been, identical. While great fluctuations of price have become comparatively unknown, agriculture has rapidly advanced. Except on the heaviest clay lands, which are ill-suited for the turnip husbandry, rents have been everywhere considerably increased. Agriculture has, in truth, made a greater progress

since the abolition of the corn laws than it ever made in any previous period of equal duration.

It is not, however, enough, as many would seem to suppose, to secure abundance of food for a great manufacturing and commercial country like England, that draws a large proportion of her supplies from abroad, that her ports should be open to free importation. It is farther necessary that she should preserve her superiority in manufactures, that is, that she should be able to furnish those that send her corn with equivalents for it on more advantageous terms than they can procure them from others. But as no country in the world possesses so many and such great facilities for the successful prosecution of manufacturing industry as Great Britain, the fair presumption seems to be that we shall continue to preserve our ascendancy in this great department so long as we succeed in preserving internal tranquillity. This, however, is an indispensable condition, and there can be no doubt that the extension of manufactures and trade by increasing the population dependent on them, a population which is always exposed to sudden vicissitudes, may make the continued maintenance of tranquillity a work of difficulty. But it is so obviously necessary to the well-being of all classes, and to the power and influence of the country in the scale of nations, that all that is possible should be done to maintain it entire; and that nothing should ever be done to promote secondary objects, or to stave off temporary difficulties that may either affect the stability of our institutions, or lessen the ability of the government to suppress disturbances.

An unusually low rate of profit not only lessens the power of the country in which it obtains, to accumulate additional capital, but it also creates a strong temptation to transmit portions of its extant capital to other countries. The same principle that would prevent the employment of capital in Yorkshire, if the return to it were less than in Kent or

Surrey, regulates its distribution among the different nations of the world. It is true that the love of country, the thousand ties of society and friendship, the ignorance of foreign languages, and the desire to have our stock employed under our own inspection, render a greater difference in the rate of profit necessary to occasion the transfer of capital from one country to another, than from one province of the same country to another. But this love of country has its limits. The love of gain is a no less powerful principle; and whenever capitalists feel assured that their stock may be laid out with tolerable security, and considerably greater advantage in foreign states, its efflux, to a greater or less extent, invariably takes place.

When the taxes which affect the industrial classes are increased, it would seem as if that increase must either immediately fall wholly on profits or wages, or partly on the one and partly on the other. But it generally or rather uniformly gives at the same time such a stimulus to industry and economy as seldom fails to countervail at least in part its depressing influence. And when it is not wholly counter-vailed in the way now stated, the pressure of the additional taxes by affecting the condition of the labourers and adding new strength to the principle of moral restraint, assists in replacing them on their old footing.

But whenever taxes become so very heavy that their influence cannot be defeated by increased economy and industry, it becomes most injurious. The oppressiveness of taxation was in truth the principal cause of the lowness of profits in the United Provinces during the last two centuries, and of the decline of their manufacturing and commercial prosperity. Notwithstanding the severe and laudable economy of her rulers, the vast expense incurred by the republic in her revolutionary struggle with Spain, and in her subsequent contests with France and England, led to the contraction of an immense public debt, the interest and other necessary charges on which obliged her to lay heavy taxes on the most indispen-

sable necessities.<sup>1</sup> Among others, high duties were laid on foreign corn when imported, on flour and meal when ground at the mill, and on bread, when it came from the oven. Taxation affected all the sources of national wealth; and so oppressive did it ultimately become, that it was a common saying at Amsterdam, that every dish of fish brought to table was paid once to the fisherman and *six times* to the state! Wages being necessarily raised so as to enable the labourers to subsist, the weight of these enormous taxes fell principally on the capitalists: and profits being, in consequence, reduced below their level in other countries, the prosperity of Holland gradually declined, her capitalists choosing rather to transfer their stocks to the foreigner than to employ them at home. "L'augmentation successive des impôts, que les paymens des intérêts et les remboursemens ont rendu indispensable, a détruit une grande partie de l'industrie, a diminué le commerce, a diminué ou fort altéré l'état florissant où étoit autrefois la population, en resserrant chez le peuple les moyens de subsistance."<sup>2</sup>

These statements serve to indicate how variations in the rate of taxation, affecting those engaged in production, affect the rate of profit; but they give no information in regard

<sup>1</sup> In 1579, at the Union of Utrecht, the interest of the public debt of the province of Holland amounted to only 117,000 florins; but so rapidly did it increase, that in 1655, during the administration of the famous John de Witt, the States were compelled to reduce the interest from 5 to 4 per cent., and yet, notwithstanding this reduction, it amounted in 1678 to 7,107,000 florins!—See Metelerkamp, "Statistique de la Hollande," p. 203.

<sup>2</sup> "Richesse de la Hollande," tom. ii., p. 179. This work is full of valuable information. The author (M. de Luzac) mentions that the Hol'anders had in 1778, about 1500 millions of livres (62 millions sterling) in the public funds of France and England. See also, as to the taxation of Holland, a "Memoir on the Means of Amending and Redressing the Commerce of the Republic," drawn up from information communicated by the best-informed merchants, and published by order of the Stadtholder, William IV., Prince of Orange, in 1751. This "Memoir" was translated into English, and published in London in the same year. It has since been reprinted by Lord Overstone.



to the influence which loans to government exercise over that rate. Indeed, as these seldom occur except during war, and are, consequently, of an incidental character, they cannot properly be classed among the circumstances that permanently influence profits, however deserving of separate notice.

If the loans made to government be of trifling amount compared with the disposable capital of the country, they will either exercise no influence, or next to none, over the rate of profit; but if they be large, and particularly if they be negotiated during two or three successive years, their influence can hardly fail of being very sensibly felt. When government comes into the market for money, it necessarily offers such a rate of interest as is sufficient, all things considered, to procure the sum which it wants. Now it is plain, that if the rate offered by government be greater than the rate at which money was previously obtainable on good security, and if it continue for two or three years to negotiate fresh loans on the same or higher terms, the rate of interest will be universally raised; for individuals would be unable to obtain loans, except on the same terms as government.

This, however, is not the only effect of loans to government. Had the latter abstained from borrowing, the stockholders would either have employed the capital which they have lent to government in industrial undertakings, or they would have lent it to others who would have so employed it; and hence the negotiation of a loan, by causing the immediate consumption of a quantity of capital that would otherwise have been reserved as a fund to employ labourers in all time to come, will have an injurious effect upon wages. Capital and population always bear a certain relation to each other; the latter being, in the majority of instances, stationary when the former is stationary, or varying at about the same rate and in the same way that it varies. It is, therefore, clear, that the negotiation of a loan, or the diversion of a portion of stock that has, or would, partly at least, have been employed in industrial undertakings, to military purposes, must unavoid-

ably change the existing relation of stock and labour. Capital is, on the one hand, either actually diminished, or the rapidity of its increase checked, while, on the other, the population is not diminished, nor the rate of its increase retarded; for it has been already seen, that neither the number nor the habits of the people can be sensibly affected, except by slow degrees. The immediate effect of loans is, therefore, to render population redundant as compared with capital; and by depressing wages, to raise, for a while at least, the rate of profit.

Such a rise cannot, however, be permanent. The distressed condition of the labourers naturally adds new strength to the principle of moral restraint, and by retarding the progress of population, gradually raises wages to their old level, or to one not much inferior. It is, however, easy to discover that there are other circumstances that conspire to bring about this result, and which are powerful enough not only to reduce profits to their old level, but to one still lower. It is difficult to imagine that it would be practicable, were the attempt made, so to impose the taxes required to defray the interest of loans, that a considerable portion of them should not fall either directly or indirectly on profits. But, however imposed, the pressure of these new taxes would naturally tend, as was formerly explained, to infuse a greater spirit of industry and economy into those on whom they fell, and would, consequently, occasion a more rapid accumulation of capital when government ceased to borrow. The growing demand for labour, resulting from the operation of this principle, combined with the more powerful influence of moral restraint, over the supply of labour, could not fail of ultimately raising wages to about their old level; and when this is done, profits (supposing, of course, the productiveness of industry not to have varied) will be depressed, because of the increased weight of taxation, to a lower level than they stood at previously to the negotiation of the loans.

These conclusions seem to be verified by what has taken place in this country. According to the researches of Arthur

Young, to whom we are indebted for much valuable information respecting the rate of wages at different periods, the medium price of agricultural labour in England in 1767, 1768, and 1770, was very nearly 1s. 3d. a-day; and he further states, that its medium price in 1810 and 1811, when money wages were at the highest elevation to which they attained during the war, amounted to about 2s. 5d., being a rise of nearly, though not quite, 100 per cent. But the price of wheat, according to the account kept at Eton College, during the first-mentioned years, was 51s. a quarter; and during 1810 and 1811 its price was 110s., being a rise of 115 per cent.; and Mr. Young estimates that butcher's meat had, during the same period, risen 146, butter 140, and cheese 153 per cent.; being, at an average, a rise of  $138\frac{1}{2}$  per cent., showing that wages, as compared with these articles, had declined in the interval  $38\frac{1}{2}$  per cent., or considerably more than a third; and if the increased cost of beer, leather, and some other necessary articles had been taken into account, the fall in the rate of real wages would have appeared still more striking. No doubt, it is true, that most articles of clothing, particularly cottons, to which Mr. Young has not alluded, fell very greatly in price during the period in question. These, however, do not form such prominent articles as provisions in the consumption of the working classes; so that, notwithstanding what they gained by their fall, it is abundantly certain that real wages sunk considerably during the latter years of the war; and this fall satisfactorily accounts for a part, at least, of the rise that then took place in the rate of profit.

The circumstances that occurred after the termination of the Revolutionary war, and the return to specie payments, in 1819, appear equally consistent with what has previously been advanced. Wages not having fallen in the same proportion as the prices of corn and most articles of subsistence, profits were for a while depressed. They, however, as well as wages, have been increased by the repeal or reduction of many of

those taxes that were most oppressive, that has taken place of late years, or since 1840.

It has sometimes been stated, that a loan occasions, during the time it is being spent by government, a greater demand for labour than it would have afforded had it continued in the possession of individuals. We confess, however, that we have not been able to discover any good grounds for this opinion. If government expend the loan in the purchase of military stores, they will not thereby give any greater stimulus to labour than the capitalists who have made the loan would have given had they employed it to purchase ordinary goods, and if government employ it in hiring soldiers and sailors, that will not occasion a greater demand for labour than if it had been employed to hire common labourers. That there is frequently a very brisk demand for labour during periods of war, is no doubt true ; but the cause will be found in something else than the mere substitution of government employment for that of individuals.

It has been previously seen (*ante*, p. 358,) that the rate of wages may be increased, for a while at least, or during war, by the imposition of taxes falling principally on fine houses, furniture, horses, and other articles of luxurious accommodation. The produce of such taxes being, for the most part, expended upon soldiers and sailors, it may be fairly concluded that they tend to increase the demand for labour, and, consequently, also the rate of wages. Practically, however, it is very doubtful whether the taxes imposed in this country have ever had any material, or, indeed, sensible operation in the way now pointed out ; and it would seem that the principal cause why the heavy taxation to which we were subjected during the war, and the loans then contracted, did not more seriously injure the labourer, is to be found in their influence in stimulating industry and economy.

Besides being affected by variations in the burden of taxation, and by the negotiation of loans on account of

government; the rate of profit is affected by changes in the value of money—increasing when it falls, and diminishing when it rises.

Hume has observed, in his "Essay on Money," that "in every kingdom into which money begins to flow in greater abundance than formerly, every thing takes a new face; labour and industry gain life, the merchant becomes more enterprising, the manufacturer more diligent and skilful, and even the farmer follows his plough with greater alacrity and attention. But when gold and silver are diminishing, the workman has not the same employment from the manufacturer and merchant, though he pays the same price for every thing in the market. The farmer cannot dispose of his corn and cattle, though he must pay the same rent to the landlord. The poverty, beggary, and sloth that must ensue, are easily foreseen."

Hume supposed that the stimulus he has so well described, given by an influx of money to industry, originates in the circumstance of the additional money coming first into the hands of capitalists, and enabling them to employ more workmen, and to increase their demand for valuable products. It has, however, been shown that an influx of money could not operate in the way now alluded to, so as to have any very material influence over industry. But although the philosophical historian seems to have mistaken, or rather overlooked, the mode in which an increase of money principally contributes to excite industry and enterprise, there is not, we apprehend, any ground for doubting that such is its effect. Periods when the supply of money and the prices of commodities are increasing, are invariably distinguished by a comparatively brisk demand for labour, and an unusual degree of activity and invention among the industrial classes; and it is not difficult to discover why such is the case. Variations in the value of money obviously influence the pressure of taxation, rents, annuities, and other fixed money payments. When its value declines, all the ascertained

burdens affecting the productive classes decline in the same proportion. Fundholders, all sorts of annuitants, landlords, during the currency of their leases, persons employed in public offices, the holders of mortgages,—suffer universally in proportion to the fall in the value of money; their money incomes remaining the same, while the price of all articles is raised: but farmers, while they pay the same rent to their landlords, the same taxes to government, and perhaps the same composition for tithes, sell their produce for a price increased proportionally to the reduced value of money. In like manner, merchants, manufacturers, and tradesmen, pay the same duties on their goods, the same port dues, the same tolls, the same rent for shops and warehouses, the same rate of interest for capital borrowed, at the same time that they obtain increased prices for whatever they have to sell. The profits of such persons are consequently raised by the whole amount of the sums deducted from the fixed charges to which they are subject through the fall in the value of the money in which they are rated and paid. In other words, the condition of husbandmen, manufacturers, tradesmen, and labourers of all descriptions, is improved at the expense of the landed gentry, of their creditors and those of the state, professional parties, &c., whose incomes are immediately, and in some instances permanently reduced,<sup>1</sup> by the reduction in the value of the currency.

Now, when we consider the immense number of individuals in Great Britain, such as landlords, fundholders, annuitants, persons living on the interest of money, persons who, having retired from business, receive a fixed salary from their successors, clergymen, lawyers, physicians, &c., it is evident that the total aggregate loss such persons would sustain by any considerable fall in the value of money would be exceedingly great. But it is also evident, that what is thus lost by them is gained by others,—by those who are actively employed

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<sup>1</sup> Those who made advances on loan would get back less than they really lent when money fell in value, and would, therefore, be permanently injured.

in industrial undertakings, and whose prosperity is always supposed to be identical with that of the public.

A depreciation of the currency must, therefore, by lightening the pressure of taxation, and of all fixed charges affecting individuals engaged in agriculture, manufactures, and commerce, proportionally increase their profits; and it is hardly necessary to add, that this increased profit will operate as a spur to production, quicken all the operations of trade, and occasion an increased demand for labour.

The opposite effects will of course follow, when, instead of falling, the currency becomes more valuable; taxes and fixed charges being then augmented in an equal degree, the profits of those by whom those taxes and other fixed charges are borne, are necessarily reduced in the same proportion. Here, then, is a key by which we may readily explain many apparent anomalies. The prosperity of the country during the latter years of the war, in 1824 and 1825, and in 1835 and 1836, was undoubtedly owing, in a very considerable degree, to the fall in the value of money, originating in the great additions that were then made to the paper currency; while the peculiarly severe distresses to which the industrial classes were exposed in 1815 and 1816, 1819, 1826, and 1838, are chiefly ascribable to the reductions that were then made in the quantity of money, and the consequent increase of its value. There can be no doubt, indeed, that a rapid reduction of the quantity, or a rapid increase of the value of money, by giving a sudden shock to industry, and vitiating the basis on which innumerable contracts have been framed to the prejudice of the industrial classes, has, in the first instance, a far more pernicious influence than can be fairly ascribed to the mere increase of their burdens. Still, however, the effects of an increase of this sort are always obvious, and are disastrous according to the degree in which the value of the currency may be raised.

We should be sorry were it imagined, from any thing now stated, that we are disposed to approve, in any degree, of the

policy of those who have recommended that, to lighten the pressure of taxation and the burdens falling on the industrial classes, the value of money should be reduced by a legislative enactment. Our object has merely been to explain the influence of changes, which, originating in variations in the cost of the precious metals, or in political or financial measures, or the abuse of banking, affect, without its being intended, the value of money. An intentional reduction of the standard would have the effects already mentioned ; but it would also have others, which must not be lost sight of in estimating its probable influence. Besides diminishing the weight of taxation and of the other burdens laid upon the industrial classes, it would partially subvert the right of property, and go far to annihilate all confidence in the legislature. Whatever, therefore, might be gained on the one hand by such a measure, would, there is every reason to think, be more than lost on the other. Public and private credit would, for a while, be destroyed ; and a large amount of capital would be transferred to foreign countries, as to places of security. In this respect a degradation of the standard would be worse than an avowed public bankruptcy to the same,<sup>1</sup> or even to a greater extent ; for the latter would affect the creditors of the state only, whereas the former would, besides them, affect the creditors of all private individuals, and would, in fact, defraud every one who had lent money or capital, or sold goods on credit, of a portion of his just claims ! Perhaps, as Hume conjectures, credit might, at no distant period, grow up again, even after so flagrant a breach of faith ; but such a result could hardly be expected, unless the country were to continue at peace, and to become decidedly more prosperous. Should we be involved in war, or should the measure not

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<sup>1</sup> By the same extent is meant, that if the standard be reduced any given amount, as 10 per cent., the sums due the public creditor should be reduced in the same proportion, and conversely.



be followed by the anticipated effect in relieving the national distresses, it is very unlikely that credit should revive; for, in the former case, few would be willing, unless tempted by the offer of a large bonus, to lend to a government which had so strikingly evinced its contempt for the most sacred engagements; and in the latter, the continuance of the distress would naturally excite a fear lest it should lead to a repetition of the same violence for which it had already been made the pretext. Nothing, in fact, can ever justify a government in resorting to such a dishonest, pettifogging trick as a reduction of the value of money. If the public affairs should ever be so desperate as to require that some extraordinary effort should be made to lighten the pressure on the national resources, the exigency should be met by a contribution on capital, or, if that should be impracticable, by compounding with the national creditors. The honour and well-being of a nation will always be best consulted by looking its difficulties fairly in the face; and will, on the contrary, be most deeply compromised by attempting to evade them by a miserable fraud. The advantages that a change in the value of money has occasionally conferred on the industrial classes, are the result of natural or fortuitous causes. They cannot be secured by voluntarily enfeebling the standard; for this, being a scheme to benefit one part of society by defrauding another part, is sure to bring along with it evils that will not merely neutralise, but very greatly overbalance its advantages. At bottom there is no real distinction between what is just and what is useful. The accidental conflagration of the fleets of their rivals would no doubt have increased the power of the Athenians; but had they adopted the advice ascribed to Themistocles, and attempted to secure their ascendancy by the basest treachery, they would certainly have missed their end, and have become objects of universal hostility as well as of contempt. "*Nihil est quod adhuc de republicâ putem dictum, et quo possim longius progredi, nisi sit confirmatum, non modò falsum esse illud, sine injuriâ*"

*non posse, sed hoc verissimum, sine summa justitiâ rem publicam regi non posse."*<sup>1</sup>

The statements now made sufficiently show, that loans to government, and changes in the value of money, affect profits only by affecting wages, or the taxes, or other fixed charges which enter into the cost of production; so that whether government be borrowing or paying off debts, and whether the value of money be rising, falling, or stationary, it is still true that profits do not rise except when industry becomes more productive, or when wages or taxes are reduced; and that they do not fall except when industry becomes less productive, or wages or taxes are augmented.

We have seen in a previous chapter, that a low rate of profit, by lessening the means of accumulating capital, and stimulating its transfer to countries where profits are higher, can hardly fail to be, in the end, most injurious. The investigations in which we have now been engaged, show that this calamity can be averted, or, if it have occurred, can be got rid of, only by increasing the productiveness of industry, or diminishing the burdens that fall on the labouring classes. Hence the vast importance of economy in the national expenditure, and hence also a principal advantage of improvements in the arts, and of the opening of new facilities for commercial intercourse. Whatever tends to make industry more productive, and to diminish the burdens of the industrial classes, must in so far increase the rate of profit; and this is never increased without a corresponding increase of capital, or of the means of making new improvements and of employing more workpeople.

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<sup>1</sup> Cic. Frag. lib. ii. de Repub.

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## CHAPTER IX.

*Interest and Nett Profit identical—Circumstances which occasion Variations in the Rate of Interest—Impolicy of Usury Laws.*

WHEN an individual, instead of employing his own capital, lends it to another, he stipulates for a certain annual premium or return, which has been denominated interest.

In the preceding chapter we have considered profits as they are usually considered—that is, as consisting of the produce, or its equivalent, remaining to the undertaker of any sort of work, after his various outgoings have been replaced. But to ascertain the relation of profits and interest, this residue must be further analysed. Now it is obvious, that it consists of two portions, whereof one is the return to the capital employed, and the other the wages or remuneration of the capitalist for his skill and trouble in superintending its employment, with a compensation for such risks as it may not have been possible to provide against by insurance. Hence the distinction between *gross* and *nett* profits. The first comprises the wages of the capitalist, the return to his capital, and the compensation now alluded to, while the second consists of the return to capital only. In laying it down, when treating of the “Accumulation and Employment of Capital,” that high profits are the best criterion of national prosperity, we had gross profits only in view. And it is, indeed, evident, that the condition of those engaged in industrial undertakings depends on the magnitude of the produce or sum remaining to them, after their various expenses are deducted, without being in any degree influenced by the names they may give to portions thereof.

When the parties to a loan are left, without any sort of interference, to adjust its terms, and when the security offered by the borrower is unexceptionable, and payment may be had on the shortest notice, the interest that will, under such circumstances, be stipulated for the capital or money advanced, will be identical with the rate of nett profit at the time. The lender having nothing to do with the employment of the loan, is not entitled to any compensation on that head; but he is entitled to all that can fairly be considered as the return to it after the risks, wages, and necessary emoluments of those who undertake its employment, are deducted; and this much he will get, and no more. Whatever else may be realised by the investment of the loan in an industrial undertaking or otherwise, will belong to the borrower, and will form the wages or compensation due for his skill and trouble in superintendence, &c. "The rate of interest," says Mr. Tooke, "*is the measure of the nett profit on capital.* All returns beyond this on the employment of capital, are resolvable into compensations under distinct heads for risk, trouble, or skill, or for advantages of situation or connexion."<sup>1</sup>

Whatever, therefore, may at any time occasion a brisk demand for capital, without also occasioning an increase in the productiveness of industry, or a fall of wages or taxes, may raise the rate of interest, or of *nett* profit, without affecting *gross* profits, or profits in the customary acceptation of the term. And this, as has been already observed, is most commonly the immediate effect of government loans. They raise the rate of interest without affecting profits; the rise merely diminishing that part of the total produce falling to the employers of capital which is to be considered as wages, and making a corresponding addition to the other part, or that which is to be considered as the nett return or interest of capital.

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<sup>1</sup> "Considerations on the State of the Currency," 2d ed. p. 12.

Hence the advantage of a loan to the moneyed interest or to those who have capital to lend; and hence, also, its universally remarked injurious operation upon those who are employing borrowed capital.

The rate of interest is not, therefore, as has sometimes been supposed, always a correct test of the rate of profit. When, however, allowance is made for the disturbing effects of government loans, and other accidental causes of variation, the rate of interest or nett profit varies, speaking generally, directly as the rate of gross profit. Whenever interest is low during a period of peace, it is found that profits are also low, and conversely.

There are but few species of loans in which there is no risk, either of the repayment of the loans themselves, or of the interest at the stipulated periods. And as the trustees of many public bodies, as well as those of many private individuals, are obliged to invest in public securities only, the rate of interest which they bring is frequently depressed below what may be considered as the common and average rate of interest at the time. Government securities are liable to be deeply affected by political considerations, by the greater or less latitude for a rise or fall in the capital sum invested, and by a variety of circumstances which it is always very difficult, or rather perhaps impossible, even for those most experienced in such matters, to distinguish and appreciate. Mercantile bills of unquestionable credit, and having two or three months to run, are generally discounted at a lower rate of interest than may be obtained for sums lent upon mortgage, on account of the facility they afford of repossessing the principal, and applying it in some more profitable manner. Other things being equal, the rate of interest must of course vary according to the supposed risk incurred by the lender of either not receiving payment at all, or not receiving it at the stipulated term. No person of sound mind would lend on the personal security of an individual of doubtful character and solvency, and on mort-

gage over a valuable estate, at the same rate of interest. Wherever there is risk, it must be compensated by a higher premium or interest.

And yet, obvious as this principle may appear, all governments have interfered with the terms of loans—some to prohibit interest altogether, and others to fix a certain rate which it should be deemed legal to exact and illegal to exceed. It is needless, however, to waste the reader's time by entering into lengthened arguments to show the mischievous effect of such interferences. This has been done over and over again. It is plainly in no respect more desirable to limit or reduce the rate of interest than it would be to limit or reduce the rate of insurance, or the prices of commodities; and though it were desirable, it cannot be accomplished. Legislative enactments for such an object invariably increase the rate of interest. When the rate fixed by law is less than the market or customary rate, lenders and borrowers are obliged to resort to circuitous devices to evade the law; and as these devices are always attended with more or less trouble and risk, the rate of interest is proportionally enhanced. During the late French war it was not uncommon for persons to pay ten or twelve per cent. for loans, which, had there been no usury laws, they might have got for six or seven per cent. It is singular that an enactment which contradicted the most obvious principles, and had been repeatedly condemned by committees of the legislature, should have been allowed to preserve a place in the statute-book for so long a period; but at length it was substantially repealed by the Act 2 & 3 Victoria, cap. 37, which exempts bills of exchange, having not more than twelve months to run, and contracts for loans of money above £10, from its operation.<sup>1</sup>

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<sup>1</sup> The prejudice against taking interest seems to have principally originated in a mistaken view of some enactments in the Mosaical law, (see Michaelis on the "Laws of Moses," vol. ii. pp. 327–353, Eng. edit.) and in a statement of Aristotle to the effect, that as money does not produce money, no return could

equitably be claimed by the lender! The famous reformer Calvin has the merit of being one of the first who saw and exposed the futility of such notions. "Pecunia non parit pecuniam. Quid mare, quid domus, ex cujus locatione pensionem percipio? An ex tectis et parietibus argentum propriè nascitur? Sed et terra producit, et mari advehitur quod pecuniam deindè producat, et habitationis commoditas cum certâ pecuniâ parari commutarive solet. Quod si igitur plus ex negotiatione lucri percipi possit, quàm ex fundi cujusvis proventu. An feretur qui fundum sterilem fortassè colono locaverit ex quo mercedem vel proventum recipiat sibi, qui ex pecuniâ fructum aliquem perceperit, non feretur? et qui pecuniâ fundum acquirit, annon pecunia illa generat alteram annuam pecuniam? Undè vero mercatoris lucrum? Ex ipsius, inquires, diligentia atque industria. Quis dubitet pecuniam vacuam inutilem omnino esse? neque à me mutuam rogat, vacuam apud se habere à me acceptam cogitat. Non ergo ex pecuniâ illâ lucrum accedit, sed ex proventu. Illæ igitur rationes subtiles quidem sunt et speciem quandam habent, sed ubi propiùs expendentur, seipsa concidunt. Nunc igitur concludo, judicandum de usuris esse, non ex particulari aliquo Scripturæ loco, sed tantùm ex æquitatis regulâ."—*Calvini Epistolæ*, quoted by Stewart in the notes to his "Preliminary Dissertation" to the "Encyclopædia Britannica."

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# PRINCIPLES

OF

## POLITICAL ECONOMY.

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### PART IV.

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#### CONSUMPTION OF WEALTH.

HAVING, in the preceding parts of this work, endeavoured to explain the means by which labour is facilitated and wealth produced, and to investigate the laws which regulate the distribution of wealth, among the various classes of society, we come now to the *fourth* and last division of the subject, or to that which treats of the Consumption of Wealth.

#### CHAPTER I.

*Definition of Consumption—Consumption the End of Production—Test of advantageous and disadvantageous Consumption—Sumptuary Laws—Advantage of a Taste for Luxuries—Error of Adam Smith's Opinion with respect to unproductive Consumption—Error of those who contend, that to facilitate Production it is necessary to encourage wasteful Consumption—Statement of Montesquieu—Consumption of Government—Conclusion.*

It was formerly shown, that by the production of a commodity is not meant the production of matter, that being the exclusive prerogative of Omnipotence, but the giving to matter already in existence such a shape as may fit it for



ministering to our wants or enjoyments. In like manner, by consumption is not meant the consumption or annihilation of matter, that being as impossible as its creation, but merely the consumption or annihilation of those qualities which render commodities useful and desirable. To consume products, is to deprive the matter of which they consist of the utility, and consequently also of the value, communicated to it by labour. And hence we are not to measure consumption by the magnitude, weight, or number of the products consumed, but by their value only. Large consumption is the destruction of large value, how small soever the bulk in which it may be compressed.

Consumption, in the sense in which the word is used in this science, is synonymous with use; and is, in fact, the great end and object of industry. The various products of art and industry are produced only that they may satisfy our wants or add to our enjoyments, or that they may be employed as capital, and made to assist in producing others. In most cases, too, it is advantageous, after commodities are in a state fit to be used, that we should avail ourselves of their services. Indeed, a large proportion of the products used as food can seldom be preserved for any considerable period without loss; and in delaying to employ those that are to be used as capital, we allow the instruments of production to lie idle, and lose the profit that might be realised through their agency.

But, though commodities be produced only that they may be used or consumed, we must not thence suppose that all sorts of consumption are equally advantageous. It is not always, however, easy to distinguish between advantageous or disadvantageous, or, as it is more commonly termed, productive and unproductive consumption. In so far, however, as the public interests are involved, (and it is with such only that we have to deal,) it may be laid down, that the consumption of any given amount of the products of art and industry is productive, if it occasion, whether directly or

indirectly, the production of the same or a greater amount of equally valuable products, and unproductive if it have not that effect. A knowledge of the mode in which, or the purpose for which, wealth has been laid out, or consumed, will not warrant our affirming that its consumption has been productive, or the reverse. To decide upon this, we must look at the *results* of the consumption, and at them only. By fixing the attention on the *species* of consumption carried on, and not on its results, this part of the science has been encumbered with imaginary distinctions, and has been rendered, in no ordinary degree, obscure and unintelligible. It is plainly not enough, for example, to prove that a quantity of wealth has been productively employed, to be told that it has been expended in the improvement of the soil, in the excavation of a canal, or in any similar undertaking; for it may have been laid out injudiciously, or in such a way that it cannot reproduce itself. Neither, on the other hand, is it enough to prove that a quantity of wealth has been laid out unproductively, to be told that it has been expended on equipages or entertainments; for the desire to indulge in this expense may have been the cause that the wealth was originally produced, and the desire to indulge in similar expense may occasion the subsequent production of a still greater quantity.

Hence, if we would come to an accurate conclusion upon such points, we must carefully examine not the immediate only, but also the remote effects of expenditure; pronouncing it to be productive when it causes, either by its direct or indirect operation, the reproduction of the same or of a greater amount of wealth, and unproductive when it is not fully replaced. It is not practicable to adopt any other criterion of productive and unproductive expenditure, without leading to the most contradictory conclusions.

But, in whatever way wealth may be consumed, it is plain that the advance or decline of every nation depends on the balance between consumption and reproduction. If, in given

periods, the wealth produced exceeds that consumed in a country, the means of increasing its capital will be provided, and its population will increase, or the actual numbers be better accommodated, or both. If the consumption in such periods fully equals the reproduction, no means will be afforded of increasing the stock or capital of the nation, and society will be at a stand; and if the consumption exceed the reproduction, every succeeding period will see the society worse supplied: its prosperity will evidently decline, and pauperism will gradually spread itself among the population.

It is impossible to fix on any standard for the regulation of individual expenditure. The sentiments of no two persons ever exactly coincide with respect to the advantage derivable from any outlay of wealth; and as each is held to be the best judge of what is profitable and advantageous for himself, we cannot decide *à priori* which is right or which is wrong. The opinions of different individuals depend on the circumstances under which they are placed. A rich man is naturally inclined to extend the limits of advantageous consumption farther than a man of middling fortune, and the latter farther than he who is poor. And it is sufficiently plain, that a man's expenses should always bear some proportion to his fortune, his prospects, and station in society; and that what might be proper and advantageous expenditure in one case, might be most improper and disadvantageous in another. These, however, are matters which should be left to the discretion of individuals; and though a few may waste their fortunes wantonly and unprofitably, we may be assured that the efforts of a great majority will be directed to their increase.

Though governments have been generally, or rather, perhaps, it should be said, universally, more profuse than their subjects, they have, notwithstanding, very frequently enacted sumptuary laws, to restrain the extravagant expenditure of the latter. These laws were long popular in Rome, and

were formerly enforced in this and most other European countries; but it may be safely affirmed that they have not, in any instance, been productive of any good effect. They are a manifest infringement of the right of property; and no legislator can ever fetter his subjects in the disposal of the fruits of their industry, without rendering them less zealous about their acquisition, and in so far paralysing their exertions.

Sir Dudley North has set the effect of sumptuary laws in its true light. "Countries," he says, "which have these laws are generally poor; for, when men are thereby confined to narrower expense than they otherwise would be, they are, at the same time, discouraged from the industry and ingenuity which they would have employed in obtaining wherewithal to support them in the full latitude of expense they desire. It is possible families may be supported by such means, but then the growth of wealth in the nation is hindered; for that never thrives better than when riches are tossed from hand to hand. The meaner sort, seeing their fellows become rich and great, are spirited up to imitate their industry. A tradesman sees his neighbour keep a coach; presently all his endeavours are at work to do the like, and many times he is beggared by it; however, the extraordinary application he makes to gratify his vanity is beneficial to the public."<sup>1</sup>

The public interest requires that the national capital should, if possible, be kept constantly on the increase; or, which is the same thing, that the consumption of any given period should be the means of reproducing a greater amount of useful and desirable products. But it has been sufficiently shown that this cannot be brought about by a system of *surveillance* and restriction. Industry and frugality never have been, and never can be, promoted by its means. To render a man industrious, secure him the peaceable enjoyment of the fruits of his industry; to wean him from extravagance, and

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<sup>1</sup> "Discourses on Trade," p. 15.

to render him frugal and parsimonious, allow him to reap all the disadvantage of the one line of conduct, and all the advantage of the other.

Besides, it is clear that sumptuary laws, even were they in other respects advantageous, must operate partially and oppressively. What would be wanton and ridiculous extravagance in one man may be well-regulated moderate expenditure in another. If, therefore, for the sake of the prodigal, this expense be proscribed, the other is deprived of gratifications which his fortune gives him a right to command; and if it be allowed to those who can afford it, then, in order to ascertain to whom the regulation is applicable, an odious, and generally ineffectual, investigation must be instituted into the circumstances of individuals. Certainly, however, it is no part of the business of government to pry into the affairs of its subjects. It was not framed to keep their accounts and balance their ledgers, but that it might protect their rights and liberties. "If its own extravagance do not ruin the state, that of its subjects never will." The poverty and loss of station which are the inevitable result of improvident consumption, are a sufficient security against its ever becoming injuriously prevalent; and wherever the public burdens are moderate, property protected, and the freedom of industry secured, the efforts of the great body of the people to rise in the world, and to improve their condition, will insure the continued increase of national wealth. It is idle to expect that unproductive expenditure should ever be wholly avoided; but the experience of every tolerably well-governed state proves, that, speaking generally, an incomparably greater amount of capital is expended productively than unproductively.

It was long a prevalent opinion among moralists, that the consumption, and consequently, also, the production of luxuries, was unprofitable and disadvantageous. If a man wished to get rich, his object, it was said, should not be to increase his fortune, but to lessen his wants. "*Si quem*

*volueris esse divitem,*" says Seneca, "*non est quod augeas divitias, sed minuas cupiditates.*" Had these opinions ever obtained any considerable influence, they would have formed an insuperable obstacle to all improvement; and men would never have advanced beyond the state in which we find the wretched natives of Australia. Whoever is contented with the situation in which he is placed, has no motive to aspire to any thing better; and hence it is to the absence of this feeling of contentment, and the existence of that which is directly opposed to it—the desire to rise in the world, to improve our condition, and to obtain a constantly increasing command over conveniences and luxuries—that society is indebted for every improvement. It is not matter of blame, but of praise, that individuals strive to attain to superior wealth and distinction; that they scruple not

"Certare ingenio, contendere nobilitate,  
Noctes atque dies niti præstante labore  
Ad summas emergere opes, rerumque potiri."

LUCRET., ii. lin. 11.

Ambition to rise is censurable only when, to forward our object, we resort to means injurious to our own character or the well-being of others. So long as we avoid this, and depend for success on the fair exercise of our talents and industry, it is deserving of every commendation. Until it has been excited, no progress can be made in civilization; and the more it increases in strength, the more rapid will be the accumulation of wealth, and the more prosperous will every individual become. The mere necessities of life may, in favourable situations, be obtained with but little labour; and the uncivilized tribes that have no desire to possess its comforts are proverbially indolent and poor, and are exposed in bad years to the greatest privations. To make men industrious—to make them shake off that lethargy which benumbs their faculties when in a rude or degraded condition, they must be inspired with a taste for comforts, luxuries, and enjoyments. When this is done, their artificial wants become equally clamorous

with those that are strictly necessary, and increase exactly as the means of gratifying them increase. Wherever a taste for comforts and conveniences is generally diffused, the desires of man become altogether illimitable. The gratification of one leads directly to the formation of another. In highly civilized societies, new products, and new modes of enjoyment are constantly presenting themselves as motives to exertion, and as means for its reward. Perseverance is, in consequence, given to all the operations of industry ; and idleness, and its attendant evils, almost entirely disappear. "What," asks Paley, "can be less necessary, or less connected with the sustentation of human life, than the whole produce of the silk, lace, and plate manufactory? yet what multitudes labour in the different branches of these arts! What can be imagined more capricious than the fondness for tobacco and snuff? yet how many various occupations, and how many thousands in each, are set at work in administering to this frivolous gratification?" The stimulus which the desire to possess these articles gives to industry renders their introduction advantageous. The earth is capable of furnishing food for a much greater number of human beings than can be profitably employed in its cultivation. But the occupiers of the soil will not part with its produce for nothing, or, rather, they will not raise what they can neither use themselves nor exchange for what they want. As soon, however, as a taste for conveniences and luxuries has been introduced, they extort from the ground all that it can be made to produce, exchanging the surplus for the conveniences and gratifications they desire to obtain; so that those by whom these accommodations are furnished, though they have no property in the soil nor any concern in its cultivation, are regularly and liberally supplied with its produce. In this way the stock of necessities, as well as of useful and agreeable products, is vastly increased by the introduction of a taste for luxuries; and the population, besides being better provided for, is rapidly augmented.

Locke has given the sanction of his authority to this doctrine. "What," says he, "would a man value ten thousand or an hundred thousand acres of excellent land, ready cultivated, and well stocked, too, with cattle, in the middle of the inland parts of America where he had no hopes of commerce with other parts of the world, to draw money (or the conveniencies and luxuries produced by others) to him by the sale of the product? It would not be worth the enclosing, and we should see him give up again to the wild common of nature whatever was more than would supply the conveniences of life, to be had there for him and his family."<sup>1</sup>

And yet there is hardly a single article among those now reckoned most indispensable to existence, or a single improvement of any sort, which has not been denounced at its introduction as a useless superfluity, or as being in some way injurious. Few articles of clothing are at present considered more essential than shirts; but there are instances on record of individuals being put in the pillory for presuming to use so expensive and unnecessary a luxury! Chimneys were not commonly used in England until the middle of the sixteenth century; and, in the introductory discourse to "Hollinshed's Chronicles," published in 1577, there is a bitter complaint of the multitude of chimneys lately erected, of the exchange of straw pallets for mattresses or flock-beds, and of wooden platters for earthenware and pewter. In another place, he laments that nothing but oak is used for building, instead of willow as heretofore;—adding, that "formerly our houses indeed were of willow, but our men were of oak; but, now that our houses are of oak, our men are not only of willow, but some altogether of straw, which is a sore alteration!"

Many volumes have been filled with lamentations over the prevalence of a taste for tea, sugar, coffee, spices, and other foreign luxuries; and the idea that their consumption is

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<sup>1</sup> "Second Treatise concerning Government," cap. 5.



prejudicial to the increase of wealth, is still very common. Voltaire, whose opinions on such subjects are, for the most part, very correct, has in this instance given currency to the prevailing delusion. "Henry IV.," says he, "breakfasted on a glass of wine and wheaten bread; he neither used tea, nor coffee, nor chocolate; whereas the products of Martinique, Mocha, and China, are now served up at the breakfast of a lady's maid! And if we reflect that these products cost France upwards of 50 millions a-year, we must obviously be carrying on some very advantageous branches of commerce, to support this *continued loss*." But the gold and silver exported to India and China are procured in exchange for commodities produced in France; and what is the motive that makes these commodities be produced? Evidently, that they may be employed as means to obtain the tea, coffee, sugar, &c., for which there is a demand. Take away the taste for these articles, or prohibit their importation, and the export of the precious metals to the East will no doubt cease; but so will also the production of the commodities with which these metals are purchased; for, to suppose that they should still be produced, would be to suppose that men may be industrious without an object! Instead, therefore, of being enriched by the cessation of the demand for the articles in question, France would be rendered so much the poorer; she would retrograde in the scale of civilization; her inhabitants would be less industrious, and enjoy fewer gratifications.

"Un préjugé vulgaire," says the Marquis Garnier, "porte à regarder comme désavantageux l'échange dans lequel on donne un morceau de métal qui peut durer des siècles, pour avoir une denrée que la consommation va détruire en une minute. Cependant, le métal, ainsi que la plante, n'ont de valeur qu'en raison du travail qu'ils ont coûté; l'argent ne manquera pas plus que le thé au travail qui voudra l'extraire du sein de la terre; et de ces deux substances, celle qui se consomme le plus rapidement est, par cette même raison, celle qui tient plus de travail en activité. Une révolution qui

abîmeroit sous les eaux toutes les mines de l'Amérique appauvrirait fort peu les nations de l'Europe. Mais si le sucre, le café, le thé, &c., venaient à perdre tout-à-coup leur saveur et leur arôme, s'ils n'avaient plus la propriété de charmer le palais, ils cesseraient de tenir rang parmi les richesses ; alors s'arrêterait le travail qui les produit dans les deux Indes, et, par contre-coup, tout le travail qui s'exerce en Europe pour les acheter."<sup>1</sup>

The admirers of simplicity, or rather of rusticity, may perhaps urge, that the happiness of mankind is not increased by this never-ceasing pursuit of new gratifications and additional wealth ; that habit reconciles individuals to the state in which they are accustomed to live ; and that the Irishman or Greenlander, when abundantly supplied with potatoes or fish, is as cheerful and happy as the lordly inhabitant of the Palais Royal, or of Belgrave Square. We may observe, however, that none but rich and refined countries can ever be secure against the devastations of famine, which frequently sweep off almost the entire population of semi-barbarous hordes ; and it is in them only that the intellectual powers are ever fully exercised, or that man can make that progress in knowledge which constitutes so great a part of the excellence or perfection of which he is capable. But whether the attainment of wealth, or of distinction of any sort, be favourable or unfavourable to happiness, there can be no doubt of its pursuit being eminently congenial to human nature. The desire to improve our condition, though it may, for a while, be overpowered by circumstances, can never be wholly eradicated ;

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<sup>1</sup> "Richesse des Nations," tom. v. p. 509. The indolence of the Mexicans has been ascribed partly to the facility of obtaining supplies of food by the cultivation of the banana, and partly to the mildness of the climate, which renders clothing and lodging of inferior importance. Humboldt mentions it as a prevalent opinion, that nothing short of the extirpation of the banana will ever render them industrious ; and the state of sloth and debasement into which the Mexicans are now sunk would seem to countenance this opinion.—See "Geographical Dictionary." art. *Mexico*.

and, speaking generally, is always impelling us forward in the career of invention and discovery. The prospect extends and varies as we advance. "The natural flights of the human mind are not from pleasure to pleasure, but from hope to hope;" and at every step of his progress man discovers new motives of action, new excitements of fear and allurements of desire. The paths of enterprise and ambition are uniformly most crowded, and pursued with the greatest eagerness, where there is most prosperity and freedom; and are deserted only in those unfortunate countries where distress and tyranny weigh down all the moral energies. When, indeed, the end is compassed, when the object of our exertions has been attained, it may, perhaps, be found not worth the trouble of acquiring; or, though prized at first, the enjoyment may pall upon the sense. But this, instead of discouraging, invariably tempts to new efforts; so that the pursuit of even imaginary conveniences—of riches, distinctions, and enjoyments that can never be realised—is productive of an intensity of gratification, unknown in the apathy of a fixed or permanent situation.

The truth is, that repose, and a contempt for wealth and power, how much soever they may have been lauded by moralists, are not consistent with the nature or the destiny of man. He is a progressive, not a stationary animal; and hence the happiness of every people emerged from barbarism is never found in indolence or enjoyment, but in continued exertion—in extending still farther the boundaries of science, and increasing their command over luxuries and conveniences. No degree of intelligence, or amount of fortune, or height of grandeur, ever sufficed to satiate the cravings of the human breast. "When," said Pyrrhus, "we have conquered Italy and Sicily, we shall enjoy repose;" but had he accomplished this much, his fancied enjoyment would have been deferred till Greece and Asia had been added to his conquests. The remark of the Abbé Mably is as true as it is happily expressed—" *N'est on que riche? On veut être grand. N'est on que*

*grand? On veut être riche. Est on et riche et grand? On veut être plus riche et plus grand encore."*<sup>1</sup>

It is not, however, meant, by any thing now stated, to imply that the stimulus given to industry and invention, by a desire to indulge in luxurious gratifications, is the best imaginable. Undoubtedly it were better were the immense sums so often lavished on the most ridiculous frivolities, applied to promote some useful art, science, or industrial undertaking, or expended in relieving those whom accident or misfortune has involved in unmerited distress. Self-aggrandisement, the indulgence in a taste for luxuries, and the exercise of power, should in all cases be made subservient to a man's character, and to the interests of his country and of humanity. Riches, when honestly acquired, are an evidence of industry and economy, and should have the consideration which they deserve; but they should not be allowed to place their possessors on a level with men distinguished, for great talents, extensive learning, tried integrity, and true patriotism. But, in matters of this sort, it is useless to say what should or should not be. We have to deal with man as he is, and not as we might wish to find him. And such is human nature, that the great bulk of mankind have always preferred the palpable though vulgar distinctions of rank and riches to the highest moral and intellectual endowments; and that the desire of doing good to others, or of promoting the interests of science, has never influenced the great mass of mankind half so strongly as the desire to command some additional, though perhaps trivial, personal indulgence. The selfish passions are not, however, strengthened by a taste for luxurious accommodations. On the contrary, experience shows that, when this taste is comparatively feeble, sloth and barbarism uniformly usurp its place; and that the more generous sympathies are always most powerful in opulent, industrious, and refined communities.

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<sup>1</sup> "Œuvres," vol. iv. p. 76.

The supposed pernicious influence which moralists have so often ascribed to luxury and refinement in the arts, seems to have principally originated in their contrasting the rapid growth of the Roman republic, during the period of its rusticity and poverty, and the disinterestedness then so frequently displayed, with the decline of the martial spirit, the loss of liberty, and the venality that universally prevailed after the revenues and refinements of Greece and Asia had been introduced into Rome. But these disorders really arose from the defective nature of the government at home, the too great extension of the territory, and the oppressions exercised upon the provinces. "Refinement," says Hume, "on the pleasures and conveniences of life, has no natural tendency to beget venality and corruption. The value which all men put upon any particular pleasure depends on comparison and experience; nor is a porter less greedy of money, which he spends on bacon and brandy, than a courtier who purchases champagne and ortolans. Riches are valuable at all times and to all men, because they always purchase pleasures such as men are accustomed to and desire; nor can any thing restrain and regulate the love of money but a sense of honour and virtue, which, if it be not nearly equal at all times, will generally abound most in ages of knowledge and refinement."<sup>1</sup>

It is plain, therefore, that a taste for luxuries cannot, provided it be confined within proper limits, be justly considered as prejudicial either in a moral or a political point of view. If, indeed, a man consume more luxuries than his fortune enables him to command, his consumption will be disadvantageous; but it will be equally so if he consume a greater quantity of necessaries than he can afford. The mischief does not consist in the species of articles consumed, but in their excess over the means of purchasing possessed by the consumer. This, however, is a fault which should be left for correction to the good sense of those concerned. The

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<sup>1</sup> "Philosophical Works," vol. iii. p. 310.

poverty and degradation caused by indulging in unproductive consumption is a sufficient guarantee against its being carried to an injurious extent; and to attempt to lessen it by prescribing luxury, is, in effect, attempting to enrich a country by taking away the most powerful incentives to production !

Adam Smith has given another criterion of productive and unproductive consumption; but his opinions on this subject, though ingenious, and supported with his usual ability, appear to be destitute of any solid foundation. He divides society into two great classes; the first consisting of those who fix, or, as he terms it, "realise their labour in some particular subject, or vendible commodity, which lasts, for some time at least, after that labour is past;" and the second, of those whose labour leaves nothing in existence after the moment of exertion, but perishes in the act of performance. The former are said by Smith to be productive, the latter unproductive, labourers. Not that, in making this distinction, he meant to undervalue the services performed by the unproductive class, or to deny that they are often of the highest utility, for he admits that such is frequently the case; but he contends that these services, however useful, add nothing to the wealth of the country, and, consequently, that the commodities consumed by this class are unproductively consumed, and have a tendency to impoverish, not to enrich. But, to avoid the chance of misrepresentation, we shall give Smith's opinions in his own words.

"There is one sort of labour," says he, "which adds to the value of the subject upon which it is bestowed; there is another which has no such effect. The former, as it produces a value, may be called productive; the latter unproductive labour. Thus, the labour of the manufacturer adds, generally, to the value of the materials which he works upon, that of his own maintenance, and of his master's profit. The labour of a menial servant, on the contrary, adds to the value of nothing. Though the manufacturer has his wages advanced

to him by his master, he, in reality, costs him no expense, the value of those wages being generally restored, together with a profit, in the improved value of the subject upon which his labour is bestowed; but the maintenance of a menial servant never is restored. A man grows rich by employing a multitude of manufacturers; he grows poor by maintaining a multitude of menial servants. The labour of the latter, however, has its value, and deserves its reward, as well as that of the former. But the labour of the manufacturer fixes and realises itself in some particular subject or vendible commodity, which lasts for some time at least, after that labour is past. It is, as it were, a certain quantity of labour stocked and stored up, to be employed, if necessary, upon some other occasion. That subject, or, what is the same thing, the price of that subject, can afterwards, if necessary, put into motion a quantity of labour equal to that which had originally produced it. The labour of the menial servant, on the contrary, does not fix or realise itself in any particular subject or vendible commodity. His services generally perish in the very instant of their performance, and seldom leave any trace or value behind them, for which an equal quantity of service could afterwards be procured.

“The labour of some of the most respectable orders in the society is, like that of menial servants, unproductive of any value, and does not fix or realise itself in any permanent subject or vendible commodity, which endures after that labour is past, and for which an equal quantity of labour could afterwards be procured. The sovereign, for example, with all the officers both of justice and war who serve under him, the whole army and navy, are unproductive labourers. They are the servants of the public, and are maintained by a part of the annual produce of the industry of other people. Their service, how honourable, how necessary, or how useful soever, produces nothing for which an equal quantity of service can afterwards be procured. The protection, security, and defence of the commonwealth, the effect of their labour

this year, will not purchase its protection, security, and defence for the year to come. In the same class must be ranked some, both of the gravest and most important, and some of the most frivolous professions—churchmen, lawyers, physicians, men of letters of all kinds; players, buffoons, musicians, opera-singers, opera-dancers, &c. The labour of the meanest of these has a certain value, regulated by the very same principles which regulate that of every other sort of labour; and that of the noblest and most useful produces nothing which could afterwards purchase or procure an equal quantity of labour. Like the declamation of the actor, the harangue of the orator, or the tune of the musician, the work of all of them perishes in the very instant of its production.”<sup>1</sup>

But though these statements be plausible, it will not, we apprehend, be difficult to show the fallacy of the distinction which Smith has endeavoured to establish. To begin with his strongest case, that of the menial servant: He says, that his labour is unproductive, because it is not realized in a vendible commodity, while the labour of the manufacturer is productive, because it is so realised. But what, may we ask, are the results of the labour of the manufacturer? Do they not consist of comforts and conveniences required for the use and accommodation of society? The manufacturer is not a producer of matter, but of utility only. And is it not obvious that the menial servant belongs to the same class, and is also a producer of utility? It is universally allowed that the husbandman who raises corn, beef, and other articles of provision, is a productive labourer; but if so, why is the cook or menial servant who prepares and dresses these articles, and fits them for use, to be set down as unproductive? It is clear there is no difference whatever in the nature of their services—that they are either both productive, or both unproductive. To have a fire, it is quite as indispensable that coals should be carried from the cellar to the grate, as that they should be

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<sup>1</sup> “Wealth of Nations,” p. 145.



carried from the bottom of the mine to the surface of the earth; and if it be said that the miner is a productive labourer, must we not say as much of the servant employed to make and mend the fire? The whole of Smith's reasoning proceeds on a false hypothesis: he has made a distinction where there is none, and where it is not in the nature of things there can be any. The end of all human exertion is the same—that is, to increase the sum of necessities, comforts, and enjoyments; and it must be left to the judgment of every one to determine what proportion of these he will have in the shape of menial services, and what in the shape of material products. It is true, as has been sometimes stated, that the results of the labour of menial servants are seldom capable of being estimated in the same way as the results of the labour of agriculturists, manufacturers, or merchants; but are they, on that account, the less real or valuable? Could the same quantity of work be performed by those who are called productive labourers, were it not for the assistance they derive from those who are falsely called unproductive? A merchant or banker, realising £5,000 or £10,000 a year by his business, may perhaps be expending £1,000 on servants: now, suppose that he tries, by turning his servants adrift, to save this sum; he must henceforth, it is obvious, become coachman, footman, cook, and washer-woman for himself; and if he do this, he will, instead of making £5,000 or £10,000 a year, be most probably unable to make even £100! No doubt, a man will be ruined if he keep more servants than he has occasion for, or than he can afford to pay; but his ruin will be equally certain if he purchase an excess of food or clothes, or employ more workmen in any branch of manufacture than are required to carry it on, or than his capital can employ. To keep two ploughmen where one only would suffice, is as improvident and wasteful expenditure as to keep two footmen to do the business of one. It is in the extravagant quantity of the wealth we consume, or of the labour we employ, and not in

the species of wealth or labour, that we must seek for the causes of impoverishment.

The same reasoning applies to all the cases mentioned by Adam Smith. Take, for example, that of the physician. We are told that he is an unproductive labourer, because he does not directly produce something that has exchangeable value: but if he do the same thing indirectly, what is the difference? If the exertions of the physician be conducive to health, and if, as is undoubtedly the case, he enable others to produce more than they could do without his assistance it is plain he is, indirectly at least, if not directly, a productive labourer. Smith makes no scruple about admitting the just title of the workman employed to repair a steam-engine to be enrolled in the productive class; and yet he would place a physician, who had been instrumental in saving the life of Arkwright or Watt, among those that are unproductive! It is impossible that these inconsistencies and contradictions could have occurred to Smith; and the errors into which he has fallen in treating this branch of the science, evince the necessity of advancing with extreme caution, and of subjecting every theory, how ingenious soever it may appear when first stated, to a severe and patient examination.

An occupation may be futile and trifling to the last degree without being unproductive. We are entitled, at once, to affirm, that an individual who employs himself an hour a-day in blowing bubbles, or building houses of cards, is engaged in a futile employment; but we are not, without further inquiry, entitled to affirm that it is unproductive. This will depend on a contingency: the employment will be as unproductive as it is frivolous, if it do not stimulate the individual to make any greater exertion during the remaining twenty-three hours of the twenty-four than he did previously; but if, in order to indemnify himself for the time that is thus spent, he render as much service, or produce as many useful and desirable commodities, during the period he may still devote to that purpose, as he previously rendered

or produced, the employment will not be unproductive ; and if the desire to indulge in it lead him to produce more commodities than he did before, it will be profitable.

Paley had a distinct perception of this doctrine, and has stated it with his usual clearness. " It signifies nothing," he observes, " to the main purpose of trade, how superfluous the articles which it furnishes are ; whether the want of them be real or imaginary ; whether it be founded in nature or in opinion, in fashion, habit, or emulation ; it is enough that they be actually desired and sought after. A watch may be a very unnecessary appendage to the dress of a peasant ; yet if the peasant will till the ground in order to obtain a watch, the true design of trade is answered ; and the watch-maker, while he polishes the case, or files the wheels of his machine, is contributing to the production of corn as effectually, though not so directly, as if he handled the spade or held the plough. The use of tobacco is an acknowledged superfluity ; yet if the fisherman will ply his nets, or the mariner fetch rice from foreign countries, in order to procure to himself this indulgence, the market is supplied with two important articles of provision by the instrumentality of a merchandise which has no other apparent use than the gratification of a vitiated palate." <sup>1</sup>

Hence, also, the productiveness of players, singers, opera-dancers, buffoons, &c. A taste for the amusements they afford has the same influence over national wealth as a taste for tobacco, champagne, or any other luxury. We wish to be present at their exhibitions ; and, consequently, pay the price required to get admittance. But this price is not a gratuitous product—it is the result of industry. And hence the amusements in question—how trifling soever they may seem in the estimation of cynics and *soi disant* moralists—create new wants, and, by doing so, stimulate our industry to procure the means of gratifying them. They are unques-

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<sup>1</sup> Works, vol. ii., p. 80, ed. 1819.

tionably, therefore, a cause of production; and it is very like a truism to say, that what is a cause of production must be productive.<sup>1</sup>

Johnson has maintained the same doctrine. "Many things," he observes, "which are false are transmitted from book to book, and gain credit in the world. One of these is the cry against the evil of luxury. Now, the truth is, that luxury produces much good. Take the luxury of the buildings in London: does it not produce real advantage in the conveniency and elegance of accommodation, and all this from the exertion of industry? People will tell you, with a melancholy face, how many builders are in gaol. It is plain they are in goal—not for buildings, for rents have not fallen. A man gives half-a guinea for a dish of green pease. How

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<sup>2</sup> The doctrine now laid down has been set in a clear point of view, in an able and ingenious work, entitled, "*Théorie du Luxe*," published in 1771. "Celui qui veut avoir le bijou le plus frivole, ou le meuble le plus utile, ne peut acquérir l'un ou l'autre que par son travail, ou en payant le travail d'un ouvrier. S'il travaille lui-même la chose, soit utile soit frivole, qu'il veut avoir, il doit être précédemment pourvu de sa subsistance et des autres besoins: s'il emprunte la main d'un autre, il doit pourvoir de son côté à la subsistance et au reste des besoins de cet autre, ou lui donner un équivalent au prorata du tems que la chose exige. Dans les deux cas, il n'y a d'employes que du tems et des soins qui ne sont point sous traits au nécessaire. Les deux habitans sont entretenus; les charges de l'état sont acquittées; le produit de ce travail, soit dans un genre soit dans l'autre, augmente également la masse des richesses nationales. Les superfluités ont un prix comme les choses utiles.

"Supposons les superfluités défendues ou ignorées; et supposons, ce qui est aujourd'hui bien éloigné de la réalité, que chacun ait la liberté de tirer de la terre ses besoins: alors l'homme actif, qui par le produit de son travail seroit en état de se procurer des superfluités, et qui n'est pas tenté de autre chose, ne sachant que faire du fruit de ses peines, ne tra aille plus tant. Celui qui se seroit addonné à fabriquer les superfluités, cultive pour obtenir sa subsistance, et ne va pas au-delà. Voilà donc deux habitans seulement entretenus, comme dans l'hypothèse contraire. L'état a de moins une place dans l'agriculture, et la valeur des superfluités qui auroient été fabriquées.

"Il en est de même des satisfactions que l'on tire des choses non matérielles; telles que la danse, la musique, &c. Supprimez ces plaisirs, les hommes qui y sont employés cultivent la terre; ceux qui les employoient cultivent moins. Il n'y a ni plus d'hommes ni plus de produits, et la société a moins d'arts et de jouissances."—P. 64.

much gardening does this occasion ! how many labourers must the competition to have such things early in the market keep in employment ! You will hear it said, very gravely, ‘ Why was not the half-guinea thus spent in luxury given to the poor ? ’ Alas ! has it not gone to the *industrious* poor, whom it is better to support than the *idle* poor ? You are much surer that you are doing good when you pay money to those that work, than when you give money merely in charity. Suppose that the ancient luxury of a dish of peacocks’ brains were to be revived, how many carcases would be left to the poor at a cheap rate ? And as to the rout that is made about people who are ruined by extravagance, it is no matter to the nation that some individuals suffer. When so much general productive exertion is the consequence of luxury, the nation does not care though there are debtors in gaol ; nay, they would not care though their creditors were there too.”<sup>1</sup>

The productiveness of the higher class of functionaries mentioned by Adam Smith is still more obvious. Far, indeed, from being unproductive, they are, when they properly discharge the duties of their station, the most productive labourers in a state. He says, that the results of their service—that is, to use his own words, “the production, security, and defence of the commonwealth, any one year, will not purchase its protection, security, and defence, for the year to come.” But this is plainly an error. Every one will allow that the corn and other commodities produced by the society this year form, along with portions of those produced in previous years, its capital, or its means of producing a supply of necessities, conveniences, and enjoyments, for the ensuing year. But, without the security and protection given by government, this capital would either not exist at all, or be very greatly diminished. How, then, is it possible to deny that those by whose exertions

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<sup>1</sup> Boswell’s “Life of Johnson,” Pickering’s ed. vol. iii. p. 44.

the requisite security is afforded, are productively employed? Take a parallel case, that of the labourers employed to construct fences: no one ever presumed to doubt that their labour is productive; and yet they do not contribute directly to the production of corn or any other valuable product. The object of their industry is to give protection and security: to guard the fields, that have been fertilised and planted, from depredation; and to enable the husbandman to prosecute his employment without having his attention distracted by the care of watching. But if the security afforded by the hedger or ditcher justly entitle him to be classed among those who contribute to enrich their country, on what pretence can those public servants who protect property in the mass, and render every portion of it secure against hostile aggression, and the attacks of thieves and plunderers, be said to be unproductive? If the herdsmen who protect a single corn-field from the neighbouring crows and cattle be productive, then surely the judges and magistrates, the soldiers and sailors, who protect every field in the empire, and to whom it is owing that all classes feel secure in the enjoyment of their rights and privileges, have a good claim to be classed among those who are super-eminentely productive.

That much wealth has been unproductively consumed by the servants of the public, both in this and other countries, it is impossible to doubt. But we are not to argue, from the abuses extrinsic to a beneficial institution, against the institution itself. If the public pay their servants excessive salaries, or employ a greater number than is required to insure good government and security, it is their own fault. Their conduct is similar to that of a manufacturer who pays his labourers comparatively high wages, and employs more of them than he has occasion for. But, though a state or an individual may act in this foolish and extravagant manner, it would be rather rash thence to conclude that *all* public servants and *all* manufacturing labourers are unproductive! If the establishments which provide security and protection

be formed on an extravagant scale—if we have more judges or magistrates, more soldiers or sailors, than necessary, or if we pay them larger salaries than would suffice to procure their services—let their numbers and their salaries be reduced. The excess, if there be any, is not a fault inherent in the nature of such establishments, but results entirely from the extravagant scale on which they have been arranged.

But, in showing that Smith was mistaken in considering the consumption of menial servants, and of lawyers, physicians, and public functionaries, unproductive, we must beware of falling into the opposite extreme, and of countenancing the erroneous and infinitely more dangerous doctrine of those who contend that consumption, even when most unproductive, should be encouraged as a means of stimulating production, and of increasing the demand for labour! The consumption of the classes mentioned by Smith is advantageous, because they render services which those who employ them, and who are the only proper judges in such cases, consider of greater value than their wages. But the case would be totally different were government and others to employ individuals not that they might profit by their services, but that they might stimulate production by their consumption! It is absurd to suppose that wasteful consumption can ever encourage production. A man is stimulated to produce when he finds a ready market for his products—that is, when he can readily exchange them for others. And hence the efficient and only real encouragement of industry consists, not in an increase of wasteful and improvident consumption, but, as was formerly shown, in an increase of production.

It must, however, be remembered, consistently with what has been previously advanced, that, in deciding upon the character of the consumption or expenditure of any quantity of wealth, we must look at its indirect and ultimate, as well as at its direct and immediate effects. An outlay of capital or labour which, if we take its immediate results only into

account, we should pronounce improvident and unproductive, may yet be discovered, by looking at it in its different bearings, and in its remote influences, to be distinctly the reverse ; and it is also true, that cases frequently occur in which an expenditure which is ruinous to the individual may not be injurious, but beneficial to the state.

Montesquieu has said, "*Si les riches ne dependent pas beaucoup, les pauvres mourront de faim.*"<sup>1</sup> The truth of this proposition has, however, been disputed ; and this is not to be wondered at, seeing that it may be either true or false according to the sense in which it is understood. If it be construed to mean, that a rich man will be able directly to employ a greater number of servants or labourers if he spend his revenue in luxurious accommodations, than if he lay out part of it on the improvement of his estate, or accumulate it as a provision for his younger children, it is plainly erroneous. The demand for labour cannot be sensibly increased without an increase of capital ; and it is quite impossible for those who spend their whole revenue on immediate gratifications to amass capital, or, consequently, to employ additional individuals. But the proposition advanced by Montesquieu should not be interpreted in this confined sense, or as referring only to the influence of the expenditure of wealthy individuals over their own demand for labour, but as referring to its influence over that of the society : and if we so interpret it, and suppose it to mean, that the lavish expenditure and luxury of the great and affluent materially benefit the poor by exciting the emulation of others, who cannot expect, except through an increase of industry and economy, to indulge in a similar scale of expense, it will, we apprehend, be found to be perfectly correct. To suppose, indeed, that the passion for luxurious gratifications should decline amongst the rich, and that men should, notwithstanding, continue equally industrious, is a

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<sup>1</sup> "Esprit des Loix," liv. vii. cap. 4.



contradiction. Riches are desirable only because they afford the means of obtaining these gratifications ; and so powerful is the influence of a taste for them, that it may be doubted whether the extravagance which has ruined so many individuals, has not been, by giving birth to new arts and new efforts of emulation and ingenuity, of material advantage to the public.

These remarks are not made in the view of countenancing extravagant expenditure, but merely to show that those who attempt to decide as to the influence, in a public point of view, of any outlay of wealth, without endeavouring to appreciate and weigh its remote as well as its immediate effects, must, when they are right in their conclusions, be so only through accident. But without insisting further on this point, it is abundantly certain that there is nothing to fear from the improvidence of individuals. There is not, as has been already observed, an instance of any people having ever missed an opportunity to save and amass ; and in all tolerably well-governed countries, the principle of accumulation has always had a marked ascendancy over the principle of expense.

Individuals are fully sensible of the value of the wealth they expend ; for, in the vast majority of instances, they owe it to their own industry and frugality ; and they rarely lay it out unless to defray the cost of their subsistence, or to obtain some really equivalent advantage. Such, however, it must be allowed, is not often the case with governments and their servants. They do not consume their own wealth, but that of others ; and this circumstance prevents their being so much interested in its profitable outlay, or so much alive to the injurious consequences of wasteful expenditure. But economy on the part of governments, though more difficult to practise, is of infinitely greater importance than economy on the part of the most considerable individuals. A private gentleman may, inasmuch as he is the master of his own fortune, dispose of it as he pleases. He may act on the erroneous principle of profusion being a virtue, or he may

attempt to excite the emulation and industry of his fellow-citizens by the splendour of his equipages and the magnificence of his mode of living. But government can, with propriety, do none of these things. It is merely a trustee for the affairs of others; and it is, consequently, bound to administer them as economically as possible. Were the principle admitted, that government might raise money, not for the protection and good government of the state, but to excite industry and ingenuity by the pressure of taxation, or by the luxury of public functionaries, an avenue would be opened to every species of malversation. It is, indeed, pretty certain that no people would submit to be taxed for such purposes; but if they did, the flagrant abuses to which it would inevitably lead, could scarcely fail of ending either in revolution or in national poverty and degradation. Economy in expenditure is, upon all occasions, the first virtue of government, and the most pressing of its duties.

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We here close this view of the Principles of Political Economy. We have endeavoured to show the indissoluble connexion subsisting between private and public opulence,—that whatever has any tendency to increase the former, must, to the same extent, increase the latter,—and that, speaking generally, SECURITY OF PROPERTY, FREEDOM OF INDUSTRY, DIFFUSION OF SOUND INFORMATION, AND MODERATION IN THE PUBLIC EXPENDITURE, appear to be the only as they are the certain means by which the various powers and resources of human talent may be called into action, and society made continually to advance in the career of wealth and civilization. Every increase of security, freedom, and intelligence, is a benefit, as every diminution, whether of one only or of all, is an evil. We have endeavoured to show that there is no real opposition of interests amongst the various classes of the community—that they mutually depend upon each other; and that any favour or advantage given to one class, is not only

immediately injurious to the others, and subversive of that equality of protection which every just government will always indiscriminately grant to all who are under its protection, but that it is not either really or lastingly beneficial to those whose interests it is intended to promote. Except on extraordinary occasions, the true line of policy is to leave every one to pursue his own interest in his own way, and not to lose sight of the maxim *pas trop gouverner*. Owing to the different dispositions and capacities of individuals, and the widely different circumstances under which they are placed, they will no doubt continue to exhibit in time to come, as they have done hitherto, great differences in their situation and conduct. But the adoption of a well-digested system of public economy is sure, notwithstanding, to conduce to the general well-being. While it adds to the numbers and wealth of the rich, it makes still greater additions to the numbers and wealth of the middle classes, and raises the poor more nearly to a level with the others. In a well-constituted society, all who pursue their occupations with diligence, intelligence, and economy, may reasonably expect to realize the advantages attached by Providence to such conduct. At all events, that is the only way in which their condition can be honourably, and therefore beneficially improved, and the public wealth augmented. It is by the spontaneous and unconstrained, but well-protected efforts of individuals to improve their condition, and to rise in the world, that nations become rich and powerful. Their labour and their savings are at once the source and the measure of national opulence and public prosperity. They may be compared to the drops of dew which invigorate and mature all vegetable nature: none of them has, singly, any perceptible influence; but we owe the foliage of summer and the fruits of autumn to their combined action.

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## APPENDIX.

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### NOTE A. Page 153.

Mr. Barton, in an ingenious pamphlet, published in 1817, entitled, "Observations on the Circumstances which influence the Condition of the Labouring Classes," has contended, in opposition to the principles laid down in this work, that the introduction of machinery most commonly occasions a decline in the demand for labour. Mr. Barton has illustrated his argument by the following statement, which we shall take the liberty briefly to examine :

"As the doctrine, that the progress of population is measured by the increase of wealth, does not appear to be true in fact, so, on the other hand, it seems to me not consistent with sound reasoning. It does not seem that every accession of capital necessarily sets in motion an additional quantity of labour. Let us suppose a case : a manufacturer possesses a capital of £1000, which he employs in maintaining twenty weavers, paying them £50 per annum each. His capital is suddenly increased to £2000. With double means he does not, however, hire double the number of workmen, but lays out £1,500 in erecting machinery, by the help of which five men are enabled to perform the same quantity of work that twenty did before. Are there not, then, fifteen men discharged in consequence of the manufacturer having increased his capital ?

"But does not the construction and repair of the machinery employ a number of hands ? Undoubtedly. As in this case a sum of £1,500 was expended, it may be supposed to have given employment to thirty men for a year at £50 each ; if calculated to last fifteen years (and machinery seldom wears out sooner,) then thirty workmen might always supply fifteen manufacturers with these machines : therefore, each manufacturer may be said constantly to employ two. Imagine, also, that one man is employed in the necessary repairs ; we have then five weavers and three machine-makers where there were before twenty weavers.

"But the increased revenue of the manufacturer will enable him to maintain more domestic servants. Let us see, then, how many. His yearly revenue, being supposed equal to 10 per cent. on his capital, was before £100, now £200: supposing, then, that his servants are paid at the same rate as his workmen, he is able to hire just two more. We have, then, with a capital of £2,000, and a revenue of £200 per annum,

5 weavers,  
3 machine-makers,  
2 domestic servants.

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10 persons in all employed.

"With half the capital, and half the income, just double the number of hands were set in motion."—Pp. 15, 16.

But plausible as this statement may at first sight appear, it will not, we apprehend, be very difficult to show, that the conclusions at which Mr. Barton has arrived, are not fairly deduced from the premises he has laid down, and that in the case supposed, there would not be a diminution, but an increase of the demand for labour.

In the *first* place, supposing, with Mr. Barton, profits to be 10 per cent., the goods produced by the capital which the manufacturer laid out upon the twenty weavers must have sold for £1,100, viz. £1,000 to replace the capital, and £100 as profits.

In the *second* of the supposed cases, the manufacturer employs a capital of £1,500 in the construction of a machine: now, as this machine is fitted to last *fifteen* years, the goods produced by it must sell (exclusive of the wages of the men employed to attend to it) for £197; for a part of this annuity (£47) being accumulated for fifteen years, at the rate of 10 per cent., will replace the capital of £1,500 at the expiration of that period, while the other part (£150) will pay the profits of the proprietor; and, adding to the annuity of £197 the wages of the five weavers, and of the person employed to repair the machine, at the rate of £50 a-year each, and profits on them at 10 per cent., the total cost of the goods will be—

Profits on machine, and sum to replace it	-	£197	0	0
Wages of six men, at £50	-	-	-	300 0 0
Profits on wages	-	-	-	30 0 0
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Prices at which the goods are now sold	-	£527	0	0

But, previously to the introduction of the machine, the same quantity of goods cost £1,100: the consumers will consequently have the difference, or £573 to lay out on other things; the production of which will afford immediate employment for between eleven and twelve men. But this is not all. According to the principle explained at p. 209, a portion of this saving—perhaps £250 of the £593—will, in future, be employed as a capital in carrying on industrious undertakings; and in this way a fresh fund will be provided that will furnish wages, or the means of subsistence, for a number of individuals, (most probably *five*,) at the end of the first year, more than would otherwise have been employed; and supposing, as we ought, that this sum goes on increasing at the rate of 10, or even that it increases only at the rate of 5 per cent. compound interest, it would very soon afford the means of employing a vast number of individuals.

There is also another fund, of the existence of which Mr. Barton appears to have been as completely unaware as of the latter. It has been seen that of the £197 produced directly by the machine, £150 only are profits; the surplus £47 being the annuity which is to replace the capital of the machine when it is worn out; but as this annuity is to be accumulated at the rate of 10 per cent., it will afford employment, in the first year, for one individual; in the second for two; in the third for more than three; in the fifth for nearly six; and in the fifteenth year for upwards of eight-and-twenty individuals!

It will be observed, too, that in the second case supposed by Mr. Barton, there is £200 not employed at all; and which, if employed, would afford wages for four individuals. Instead, therefore, of a single labourer being turned out of employment, in the case supposed, or in any similar case, it admits of demonstration, that the demand for labour would be much more than doubled.

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