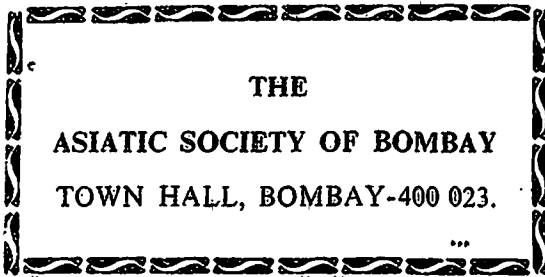


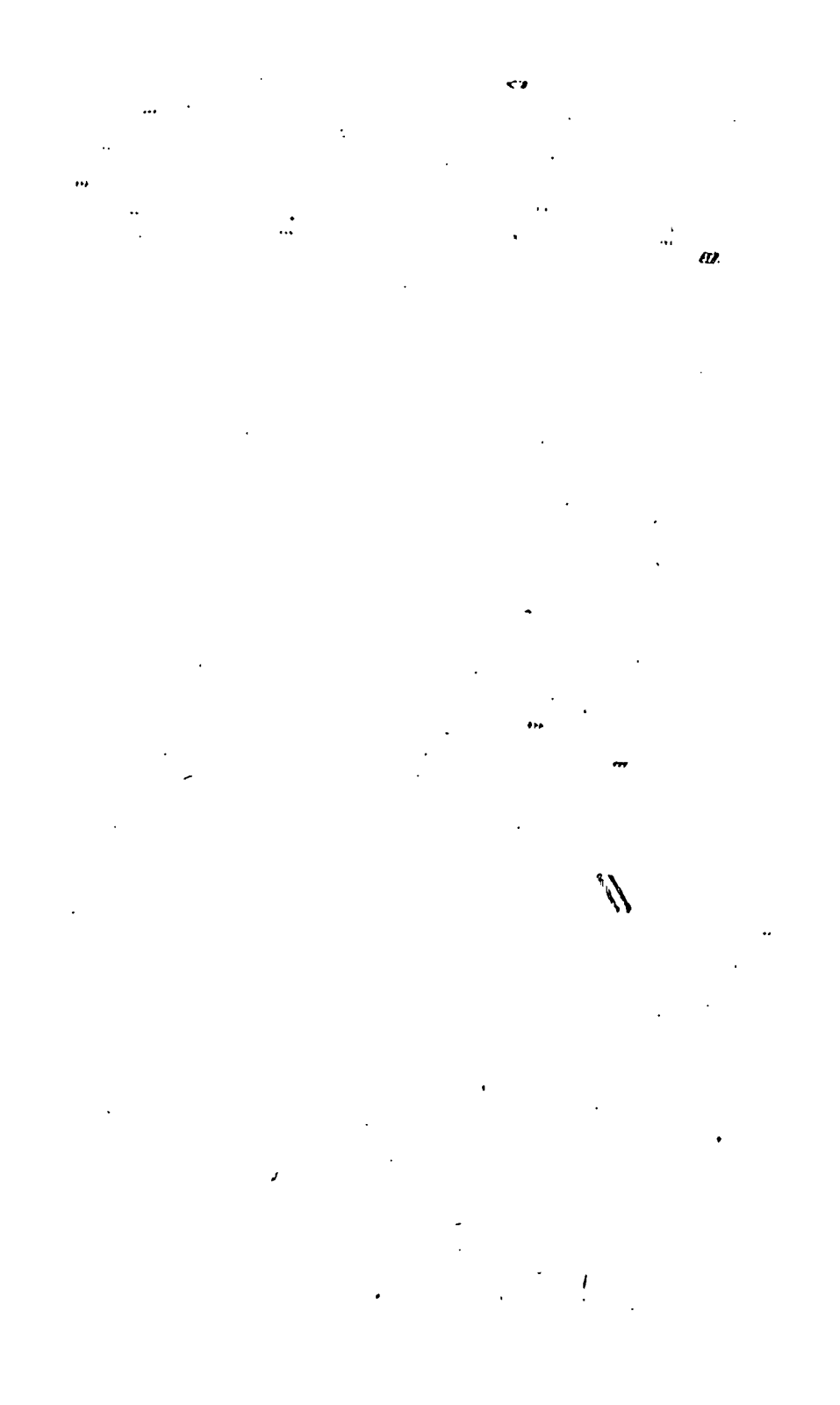


00027931



THE
ASIATIC SOCIETY OF BOMBAY
TOWN HALL, BOMBAY-400 023.

1974. *Journal of Applied Ecology*, **11**, 683-691.
1975. *Journal of Applied Ecology*, **12**, 103-117.
1976. *Journal of Applied Ecology*, **13**, 103-117.
1977. *Journal of Applied Ecology*, **14**, 103-117.
1978. *Journal of Applied Ecology*, **15**, 103-117.
1979. *Journal of Applied Ecology*, **16**, 103-117.
1980. *Journal of Applied Ecology*, **17**, 103-117.
1981. *Journal of Applied Ecology*, **18**, 103-117.
1982. *Journal of Applied Ecology*, **19**, 103-117.
1983. *Journal of Applied Ecology*, **20**, 103-117.
1984. *Journal of Applied Ecology*, **21**, 103-117.
1985. *Journal of Applied Ecology*, **22**, 103-117.
1986. *Journal of Applied Ecology*, **23**, 103-117.
1987. *Journal of Applied Ecology*, **24**, 103-117.
1988. *Journal of Applied Ecology*, **25**, 103-117.
1989. *Journal of Applied Ecology*, **26**, 103-117.
1990. *Journal of Applied Ecology*, **27**, 103-117.
1991. *Journal of Applied Ecology*, **28**, 103-117.
1992. *Journal of Applied Ecology*, **29**, 103-117.
1993. *Journal of Applied Ecology*, **30**, 103-117.
1994. *Journal of Applied Ecology*, **31**, 103-117.
1995. *Journal of Applied Ecology*, **32**, 103-117.
1996. *Journal of Applied Ecology*, **33**, 103-117.
1997. *Journal of Applied Ecology*, **34**, 103-117.
1998. *Journal of Applied Ecology*, **35**, 103-117.
1999. *Journal of Applied Ecology*, **36**, 103-117.
2000. *Journal of Applied Ecology*, **37**, 103-117.
2001. *Journal of Applied Ecology*, **38**, 103-117.
2002. *Journal of Applied Ecology*, **39**, 103-117.
2003. *Journal of Applied Ecology*, **40**, 103-117.
2004. *Journal of Applied Ecology*, **41**, 103-117.
2005. *Journal of Applied Ecology*, **42**, 103-117.
2006. *Journal of Applied Ecology*, **43**, 103-117.
2007. *Journal of Applied Ecology*, **44**, 103-117.
2008. *Journal of Applied Ecology*, **45**, 103-117.
2009. *Journal of Applied Ecology*, **46**, 103-117.
2010. *Journal of Applied Ecology*, **47**, 103-117.
2011. *Journal of Applied Ecology*, **48**, 103-117.
2012. *Journal of Applied Ecology*, **49**, 103-117.
2013. *Journal of Applied Ecology*, **50**, 103-117.
2014. *Journal of Applied Ecology*, **51**, 103-117.
2015. *Journal of Applied Ecology*, **52**, 103-117.
2016. *Journal of Applied Ecology*, **53**, 103-117.
2017. *Journal of Applied Ecology*, **54**, 103-117.
2018. *Journal of Applied Ecology*, **55**, 103-117.
2019. *Journal of Applied Ecology*, **56**, 103-117.
2020. *Journal of Applied Ecology*, **57**, 103-117.
2021. *Journal of Applied Ecology*, **58**, 103-117.
2022. *Journal of Applied Ecology*, **59**, 103-117.
2023. *Journal of Applied Ecology*, **60**, 103-117.
2024. *Journal of Applied Ecology*, **61**, 103-117.
2025. *Journal of Applied Ecology*, **62**, 103-117.



AN
INQUIRY,
INTO THE
NATURE AND CAUSES
OF THE
WEALTH OF NATIONS.

BY ADAM SMITH, LL. D.

27931

WITH A LIFE OF THE AUTHOR,
AN INTRODUCTORY DISCOURSE, NOTES, AND
SUPPLEMENTAL DISSERTATIONS.

BY J. R. McCULLOCH, Esq.

PROFESSOR OF POLITICAL ECONOMY IN THE UNIVERSITY OF LONDON.

IN FOUR VOLUMES.

VOL. IV.

EDINBURGH:

PRINTED FOR ADAM BELL AND WILLIAM TAIT;
AND LONGMAN, REES, ORME, BROWN, AND GREEN,
LONDON.

M.DCCC. LIII.

330
201/2
211



PRINTED BY A. B. HOLLAND CO.

CONTENTS

OF THE

FOURTH VOLUME.

BOOK V.—CHAP. III.

OF Public Debts

Page
1

SUPPLEMENTAL NOTES AND DISSERTATIONS.

NOTE I.

DEFINITION OF LABOUR

73

NOTE II.

DEFINITION, SOURCES, AND REGULATING PRINCIPLES OF

VALUE

81

NOTE III.

OF THE NATURE, ORIGIN, AND PROGRESS OF RENT

100

NOTE IV.	Page
POPULATION	126

Comparative Increase of Population, and of the Means of Subsistence—Progress of Population in Great Britain—in Ireland—Changes in the Laws of Mortality in Europe since 1780 ib.

NOTE V.

CONSEQUENCES RESULTING FROM THE USE OF THE POTATO AS A PRINCIPAL ARTICLE OF FOOD	163
--	-----

NOTE VI.

WAGES OF LABOUR	172
---------------------------	-----

NOTE VII.

CIRCUMSTANCES WHICH DETERMINE THE RATE OF PROFIT	184
--	-----

NOTE VIII.

EFFECT OF VARIATIONS IN THE RATES OF WAGES AND PROFITS ON THE VALUE OF COMMODITIES	193
--	-----

NOTE IX.

MONEY	201
-----------------	-----

SECTION I.—Principles which determine the Value of Money—(1) When the supply of Money may be increased at the pleasure of individuals, and, (2) When that power is placed under limitation and restraint ib.

	Page
SECTION II.—Defects incident to a Currency consisting of the Precious Metals—Variable value of these Metals—Expense of a Metallic Currency—Means by which that expense may be lessened	212
SECTION III.—Means by which the value of Paper Money may be most easily and advantageously kept on a par with Gold—Plan of Bullion Payments—Advantages of that Plan—Objections made to it by Mr. Tooke and others examined and answered	228
SECTION IV.—Quantity of Bank of England paper afloat necessarily different at different periods—Effects produced on the country banks by a contraction of the issues of the Bank of England—Destruction of country bank paper in 1793—Crisis of 1797—Destruction of country bank paper in 1814-15 and 16—In 1825-6—Measures proposed in 1826 for improving the state of the currency—Remarks on these measures—Proposal for taking securities from the country banks—Advantages that would result from carrying this proposal into effect—Objections to it examined and answered	254
SECTION V.—Circulation of Internal Bills of Exchange—Amount of such Bills in Circulation—Difference between them and Bank Notes—Proposal for the Suppression of all Internal Bills of Exchange, not Drawn by Bankers, for less than L.50	293
SECTION VI.—Recapitulation of the proposed measures for the Improvement of the Currency—Additional Remarks on some of these measures	299
SECTION VII.—Remarks on the institution of a National Bank as compared with the Bank of England	308

	Page
NOTE X.	
CORN LAWS AND CORN TRADE	319
PART I. Historical Sketch of the Corn Laws since 1773	ib.
PART II. Principles of the Corn Laws	333
SECTION I.—Inquiry into the Policy and Effect of granting a Bounty on the Exportation of Corn	334
SECTION II.—Fluctuations caused by a Restriction on the Importation of Foreign Corn—Burden imposed by the Corn Laws on the Country—Advantages that would result from their Abolition	337
SECTION III.—Principle which ought to determine the Imposition of a Duty on the Importation of Foreign Corn—Burdens peculiarly affecting the Agriculturists—Constant Duty required to countervail these Burdens—Remarks on the operation of a Graduated Duty—Drawback to be allowed on Exportation	363
NOTE XI.	
NAVIGATION LAWS	378
Rise of the Navigation Laws—Influence ascribed to them—Recent Modifications of these Laws—Reciprocity System	ib.
NOTE XII.	
IMPRESSMENT—PLAN FOR ITS ABOLITION	397
NOTE XIII.	
POLICE	406

CONTENTS.	ix
NOTE XIV.	Page
COMMERCIAL TREATY WITH FRANCE IN 1786	412
NOTE XV.	
PETITION OF THE MERCHANTS OF LONDON FOR A FREE TRADE	418
NOTE XVI.	
COMMERCIAL REVULSIONS	422
NOTE XVII.	
HERRING FISHERY	428
NOTE XVIII.	
NAVIGATION OF THE EGYPTIANS	431
NOTE XIX.	
DISPOSAL OF PROPERTY BY WILL	441
History, Advantages, and Disadvantages of Entails—Pri- mogeniturè—Law of Equal Succession—Effects of that Law in France—Law of Landlord and Tenant in Ire- land—Do. in Scotland—Effects of these Laws	ib.
* * * Remarks, by Mr. Oliver, on the Subletting and Sub- division of Farms	481
NOTE XX.	
GOVERNMENT, REVENUE, AND COMMERCE OF INDIA	493
NOTE XXI.	
SCOTCH SYSTEM OF PAROCHEL EDUCATION	529

	Page
NOTE XXII.	
TAXES ON THE RENT OF LAND.	535
NOTE XXIII.	
TAXES ON PROFITS	588
NOTE XXIV.	
TAXES ON WAGES	541
NOTE XXV.	
TAXES ON RAW PRODUCE—TITHES	546
NOTE XXVI.	
INCIDENCE AND EFFECT OF TAXES ON PARTICULAR COM- MODITIES—OF AN <i>AD VALOREM</i> DUTY ON ALL COM- MODITIES	533
NOTE XXVII.	
HIGHWAYS—TOLLS	559
NOTE XXVIII.	
ADVANTAGES AND DISADVANTAGES OF THE FUNDING SYS- TEM, AS COMPARED WITH THE PLAN FOR RAISING THE SUPPLIES FOR A WAR, WITHIN THE YEAR, BY A CORRE- SPONDING INCREASE OF TAXATION.	560
NOTE XXIX.	
ADDITIONAL NOTE ON RENT	574
INDEX	583

AN INQUIRY
INTO THE
NATURE AND CAUSES
OF THE
WEALTH OF NATIONS.

BOOK V.—CHAPTER III.

OF PUBLIC DEBTS.

IN that rude state of society which precedes the extension of commerce and the improvement of manufactures, when those expensive luxuries which commerce and manufactures can alone introduce are altogether unknown, the person who possesses a large revenue, I have endeavoured to show in the third book of this Inquiry, can spend or enjoy that revenue in no other way than by maintaining nearly as many people as it can maintain. A large revenue may at all times be said to consist in the command of a large quantity of the necessaries of life. In that rude state of things it is commonly paid in a large quantity of those necessaries, in the materials of plain food and coarse clothing, in corn and cattle, in wool and raw hides. When neither

commerce nor manufactures furnish any thing for which the owner can exchange the greater part of those materials which are over and above his own consumption, he can do nothing with the surplus but feed and clothe nearly as many people as it will feed and clothe. A hospitality in which there is no luxury, and a liberality in which there is no ostentation, occasion, in this situation of things, the principal expenses of the rich and the great. But these, I have likewise endeavoured to show in the same book, are expenses by which people are not very apt to ruin themselves. There is not, perhaps, any selfish pleasure so frivolous, of which the pursuit has not sometimes ruined even sensible men. A passion for cock-fighting has ruined many. But the instances, I believe, are not very numerous of people who have been ruined by a hospitality or liberality of this kind; though the hospitality of luxury and the liberality of ostentation have ruined many. Among our feudal ancestors, the long time during which estates used to continue in the same family, sufficiently demonstrates the general disposition of people to live within their income. Though the rustic hospitality, constantly exercised by the great landholders, may not, to us in the present times, seem consistent with that order which we are apt to consider as inseparably connected with good economy, yet we must certainly allow them to have been at least so far frugal as not commonly to have spent their whole income. A part of their wool and raw hides they had generally an opportunity of selling for money. Some part of this money, perhaps, they spent in purchasing the few

objects of vanity and luxury, with which the circumstances of the times could furnish them; but some part of it they seem commonly to have hoarded. They could not well indeed do any thing else but hoard whatever money they saved. To trade was disgraceful to a gentleman, and to lend money at interest, which at that time was considered as usury, and prohibited by law, would have been still more so. In those times of violence and disorder, besides, it was convenient to have a hoard of money at hand, that in case they should be driven from their own home, they might have something of known value to carry with them to some place of safety. The same violence which made it convenient to hoard, made it equally convenient to conceal the hoard. The frequency of treasure-trove, or of treasure found of which no owner was known, sufficiently demonstrates the frequency in those times both of hoarding and of concealing the hoard. Treasure-trove was then considered as an important branch of the revenue of the sovereign. All the treasure-trove of the kingdom would scarce perhaps in the present times make an important branch of the revenue of a private gentleman of a good estate.

The same disposition to save and to hoard prevailed in the sovereign, as well as in the subjects. Among nations to whom commerce and manufactures are little known, the sovereign, it has already been observed in the fourth book, is in a situation which naturally disposes him to the parsimony requisite for accumulation. In that situation the expense even of a sovereign cannot be directed by

that vanity which delights in the gaudy finery of a court. The ignorance of the times affords but few of the trinkets in which that finery consists. Standing armies are not then necessary; so that the expense even of a sovereign, like that of any other great lord, can be employed in scarce any thing but bounty to his tenants and hospitality to his retainers. But bounty and hospitality very seldom lead to extravagance, though vanity almost always does. All the ancient sovereigns of Europe, accordingly, it has already been observed, had treasures. Every Tartar chief in the present times is said to have one.

In a commercial country abounding with every sort of expensive luxury, the sovereign, in the same manner as almost all the great proprietors in his dominions, naturally spends a great part of his revenue in purchasing those luxuries. His own and the neighbouring countries supply him abundantly with all the costly trinkets which compose the splendid, but insignificant pageantry of a court. For the sake of an inferior pageantry of the same kind, his nobles dismiss their retainers, make their tenants independent, and become gradually themselves as insignificant as the greater part of the wealthy burghers in his dominions. The same frivolous passions which influence their conduct influence his. How can it be supposed that he should be the only rich man in his dominions who is insensible to pleasures of this kind? If he does not, what he is very likely to do, spend upon those pleasures so great a part of his revenue as to debilitate very much the defensive power of the state,

it cannot well be expected that he should not spend upon them all that part of it which is over and above what is necessary for supporting that defensive power. His ordinary expense becomes equal to his ordinary revenue, and it is well if it does not frequently exceed it. The amassing of treasure can no longer be expected, and when extraordinary exigencies require extraordinary expenses, he must necessarily call upon his subjects for an extraordinary aid. The present and the late king of Prussia are the only great princes of Europe who, since the death of Henry IV. of France, in 1610, are supposed to have amassed any considerable treasure. The parsimony which leads to accumulation has become almost as rare in republican as in monarchical governments. The Italian republics, the United Provinces of the Netherlands, are all in debt. The canton of Berne is the single republic in Europe which has amassed any considerable treasure. The other Swiss republics have not. The taste for some sort of pageantry, for splendid buildings, at least, and other public ornaments, frequently prevails as much in the apparently sober senate-house of a little republic, as in the dissipated court of the greatest king.

The want of parsimony in time of peace, imposes the necessity of contracting debt in time of war. When war comes, there is no money in the treasury but what is necessary for carrying on the ordinary expense of the peace establishment. In war an establishment of three or four times that expense becomes necessary for the defence of the

state, and consequently a revenue three or four times greater than the peace revenue. Supposing that the sovereign should have, what he scarce ever has, the immediate means of augmenting his revenue in proportion to the augmentation of his expense, yet still the produce of the taxes, from which this increase of revenue must be drawn, will not begin to come into the treasury till perhaps ten or twelve months after they are imposed. But the moment in which war begins, or rather the moment in which it appears likely to begin, the army must be augmented, the fleet must be fitted out, the garrisoned towns must be put into a posture of defence; that army, that fleet, those garrisoned towns, must be furnished with arms, ammunition, and provisions. An immediate and great expense must be incurred in that moment of immediate danger, which will not wait for the gradual and slow returns of the new taxes. In this exigency government can have no other resource but in borrowing.

The same commercial state of society which, by the operation of moral causes, brings government in this manner into the necessity of borrowing, produces in the subjects both an ability and an inclination to lend. If it commonly brings along with it the necessity of borrowing, it likewise brings with it the facility of doing so.

A country abounding with merchants and manufacturers, necessarily abounds with a set of people through whose hands not only their own capitals, but the capitals of all those who either lend them money or trust them with goods, pass as

frequently, or more frequently than the revenue of a private man, who, without trade or business, lives upon his income, passes through his hands. The revenue of such a man can regularly pass through his hands only once in a year. But the whole amount of the capital and credit of a merchant, who deals in a trade of which the returns are very quick, may sometimes pass through his hands two, three, or four times in a year. A country abounding with merchants and manufacturers, therefore, necessarily abounds with a set of people who have it at all times in their power to advance, if they choose to do so, a very large sum of money to government. Hence the ability in the subjects of a commercial state to lend.

Commerce and manufactures can seldom flourish long in any state which does not enjoy a regular administration of justice; in which the people do not feel themselves secure in the possession of their property; in which the faith of contracts is not supported by law; and in which the authority of the state is not supposed to be regularly employed in enforcing the payment of debts from all those who are able to pay. Commerce and manufactures, in short, can seldom flourish in any state in which there is not a certain degree of confidence in the justice of government. The same confidence which disposes great merchants and manufacturers, upon ordinary occasions, to trust their property to the protection of a particular government, disposes them, upon extraordinary occasions, to trust that government with the use of their property. By lending money to government, they do not even

for a moment diminish their ability to carry on their trade and manufactures. On the contrary, they commonly augment it. The necessities of the state render government, upon most occasions, willing to borrow upon terms extremely advantageous to the lender. The security which it grants to the original creditor, is made transferable to any other creditor, and, from the universal confidence in the justice of the state, generally sells in the market for more than was originally paid for it. The merchant or monied man makes money by lending money to government, and instead of diminishing, increases his trading capital. He generally considers it as a favour, therefore, when the administration admits him to a share in the first subscription for a new loan. Hence the inclination or willingness in the subjects of a commercial state to lend.

The government of such a state is very apt to repose itself upon this ability and willingness of its subjects to lend their money on extraordinary occasions. It foresees the facility of borrowing, and therefore dispenses itself from the duty of saving.

In a rude state of society there are no great mercantile or manufacturing capitals. The individuals who hoard whatever money they can save, and who conceal their hoard, do so from a distrust of the justice of government, from a fear that if it was known that they had a hoard, and where that hoard was to be found, they would quickly be plundered. In such a state of things few people would be able, and nobody would be willing, to

lend their money to government on extraordinary exigencies. The sovereign feels that he must provide for such exigencies by saving, because he foresees the absolute impossibility of borrowing. This foresight increases still further his natural disposition to save. —

The progress of the enormous debts which at present oppress, and will in the long run probably ruin, all the great nations of Europe, has been pretty uniform. Nations, like private men, have generally begun to borrow upon what may be called personal credit, without assigning or mortgaging any particular fund for the payment of the debt; and when this resource has failed them, they have gone on to borrow upon assignments or mortgages of particular funds.

What is called the unfunded debt of Great Britain, is contracted in the former of those two ways. It consists partly in a debt which bears, or is supposed to bear, no interest, and which resembles the debts that a private man contracts upon account; and partly in a debt which bears interest, and which resembles what a private man contracts upon his bill or promissory note. The debts which are due either for extraordinary services, or for services either not provided for, or not paid at the time when they are performed; part of the extraordinaries of the army, navy, and ordnance, the arrears of subsidies to foreign princes, those of seamen's wages, &c. usually constitute a debt of the first kind. Navy and exchequer bills, which are issued sometimes in payment of a part of such debts, and sometimes for other purposes, consti-

tute a debt of the second kind; exchequer bills bearing interest from the day on which they are issued, and navy bills six months after they are issued. The bank of England, either by voluntarily discounting those bills at their current value, or by agreeing with government for certain considerations to circulate exchequer bills, that is, to receive them at par, paying the interest which happens to be due upon them, keeps up their value and facilitates their circulation, and thereby frequently enables government to contract a very large debt of this kind. In France, where there is no bank, the state bills (*billets d'état**) have sometimes sold at sixty and seventy per cent. discount. During the great recoinage in King William's time, when the bank of England thought proper to put a stop to its usual transactions, exchequer bills and tallies are said to have sold from twenty-five to sixty per cent. discount; owing partly, no doubt, to the supposed instability of the new government established by the revolution, but partly too to the want of the support of the bank of England.

When this resource is exhausted, and it becomes necessary, in order to raise money, to assign or mortgage some particular branch of the public revenue for the payment of the debt, government has, upon different occasions, done this in two different ways. Sometimes it has made this assignment or mortgage for a short period of time only, a year, or a few years, for example; and some-

* See *Examen des Réflexions Politiques sur les Finances.*

times for perpetuity. In the one case the fund was supposed sufficient to pay, within the limited time, both principal and interest of the money borrowed. In the other it was supposed sufficient to pay the interest only, or a perpetual annuity equivalent to the interest, government being at liberty to redeem at any time this annuity, upon paying back the principal sum borrowed. When money was raised in the one way, it was said to be raised by anticipation; when in the other, by perpetual funding, or, more shortly, by funding.

In Great Britain, the annual land and malt taxes are regularly anticipated every year, by virtue of a borrowing clause constantly inserted into the acts which impose them. The bank of England generally advances at an interest, which, since the revolution, has varied from eight to three per cent., the sums for which those taxes are granted, and receives payment as their produce gradually comes in. If there is a deficiency, which there always is, it is provided for in the supplies of the ensuing year. The only considerable branch of the public revenue which yet remains unmortgaged, is thus regularly spent before it comes in. Like an improvident spendthrift, whose pressing occasions will not allow him to wait for the regular payment of his revenue, the state is in the constant practice of borrowing of its own factors and agents, and of paying interest for the use of its own money.

In the reign of King William, and during a great part of that of Queen Anne, before we had become so familiar as we are now with the prac-

tice of perpetual funding, the greater part of the new taxes were imposed but for a short period of time, (for four, five, six, or seven years only,) and a great part of the grants of every year consisted in loans upon anticipations of the produce of those taxes. The produce being frequently insufficient for paying, within the limited term, the principal and interest of the money borrowed, deficiencies arose; to make good which, it became necessary to prolong the term.

In 1697, by the 8th of William III. c. 20. the deficiencies of several taxes were charged upon what was then called the first general mortgage or fund, consisting of a prolongation to the first of August 1706, of several different taxes, which would have expired within a shorter term, and of which the produce was accumulated into one general fund. The deficiencies charged upon this prolonged term amounted to L.5,160,459, 14s. 9¼d.

In 1701, those duties, with some others, were still further prolonged for the like purposes till the first of August 1710, and were called the second general mortgage or fund. The deficiencies charged upon it amounted to L.2,055,999, 7s. 11½d.

In 1707, those duties were still further prolonged, as a fund for new loans, to the first of August 1712, and were called the third general mortgage or fund. The sum borrowed upon it was L.983,254, 11s. 9¼d.

In 1708, those duties were all (except the old subsidy of tonnage and poundage, of which one moiety only was made a part of this fund, and a duty upon the importation of Scotch linen, which

had been taken off by the articles of union) still further continued, as a fund for new loans, to the first of August 1714, and were called the fourth general mortgage or fund. The sum borrowed upon it was L.925,176, 9s. 2½d.

In 1709, those duties were all (except the old subsidy of tonnage and poundage, which was now left out of this fund altogether) still further continued for the same purpose to the first of August 1716, and were called the fifth general mortgage or fund. The sum borrowed upon it was L.922,029, 6s. 0d.

In 1710, those duties were again prolonged to the first of August 1720, and were called the sixth general mortgage or fund. The sum borrowed upon it was L.1,296,552, 9s. 11¾d.

In 1711, the same duties, (which at this time were thus subject to four different anticipations,) together with several others, were continued for ever, and made a fund for paying the interest of the capital of the South Sea company, which had that year advanced to government, for paying debts and making good deficiencies, the sum of L.9,177,967, 15s. 4d.; the greatest loan which at that time had ever been made.

Before this period, the principal, so far as I have been able to observe, the only taxes which in order to pay the interest of a debt had been imposed for perpetuity, were those for paying the interest of the money which had been advanced to government by the bank and East India company; and of what it was expected would be advanced, but which was never advanced, by a projected land

bank. The bank fund at this time amounted to L.3,375,027, 17s. 10½d., for which was paid an annuity or interest of L.206,501, 13s. 5d. The East India fund amounted to L.3,200,000, for which was paid an annuity or interest of L.160,000; the bank fund being at six per cent., the East India fund at five per cent. interest.

In 1715, by the first of George I. c. 12. the different taxes which had been mortgaged for paying the bank annuity, together with several others which by this act were likewise rendered perpetual, were accumulated into one common fund, called the aggregate fund, which was charged, not only with the payments of the bank annuity, but with several other annuities and burdens of different kinds. This fund was afterwards augmented by the third of George I. c. 8. and by the fifth of George I. c. 8. and the different duties which were then added to it were likewise rendered perpetual.

In 1717, by the third of George I. c. 7. several other taxes were rendered perpetual, and accumulated into another common fund, called the general fund, for the payment of certain annuities, amounting in the whole to L.724,849, 6s. 10½d.

In consequence of those different acts, the greater part of the taxes which before had been anticipated only for a short term of years, were rendered perpetual as a fund for paying, not the capital, but the interest only, of the money which had been borrowed upon them by different successive anticipations.

Had money never been raised but by anticipation, the course of a few years would have liberat-

ed the public revenue without any other attention of government besides that of not overloading the fund, by charging it with more debt than it could pay within the limited term, and not of anticipating a second time before the expiration of the first anticipation. But the greater part of European governments have been incapable of those attentions. They have frequently overloaded the fund even upon the first anticipation; and when this happened not to be the case, they have generally taken care to overload it, by anticipating a second and a third time before the expiration of the first anticipation. The fund becoming in this manner altogether insufficient for paying both principal and interest of the money borrowed upon it, it became necessary to charge it with the interest only, or a perpetual annuity equal to the interest; and such improvident anticipations necessarily gave birth to the more ruinous practice of perpetual funding. But though this practice necessarily puts off the liberation of the public revenue from a fixed period to one so indefinite that it is not very likely ever to arrive; yet as a greater sum can in all cases be raised by this new practice than by the old one of anticipations, the former, when men have once become familiar with it, has in the great exigencies of the state been universally preferred to the latter. To relieve the present exigency, is always the object which principally interests those immediately concerned in the administration of public affairs. The future liberation of the public revenue they leave to the care of posterity.

During the reign of Queen Anne, the market rate of interest had fallen from six to five per cent. ; and in the twelfth year of her reign five per cent. was declared to be the highest rate which could lawfully be taken for money borrowed upon private security. Soon after the greater part of the temporary taxes of Great Britain had been rendered perpetual, and distributed into the aggregate, South Sea, and general funds, the creditors of the public, like those of private persons, were induced to accept of five per cent. for the interest of their money, which occasioned a saving of one per cent. upon the capital of the greater part of the debts which had been thus funded for perpetuity, or of one-sixth of the greater part of the annuities which were paid out of the three great funds above-mentioned. This saving left a considerable surplus in the produce of the different taxes which had been accumulated into those funds, over and above what was necessary for paying the annuities which were now charged upon them, and laid the foundation of what has since been called the sinking fund. In 1717, it amounted to L.323,434, 7s. 7½d. In 1727, the interest of the greater part of the public debts was still further reduced to four per cent. ; and in 1753 and 1757, to three and a half and three per cent. ; which reductions still further augmented the sinking fund.

A sinking fund, though instituted for the payment of old, facilitates very much the contracting of new debts. It is a subsidiary fund always at hand to be mortgaged in aid of any other doubtful fund, upon which money is proposed to be

raised in any exigency of the state. Whether the sinking fund of Great Britain has been more frequently applied to the one or to the other of those two purposes, will sufficiently appear by and by.

Besides those two methods of borrowing, by anticipations and by perpetual funding, there are two other methods, which hold a sort of middle place between them. These are, that of borrowing upon annuities for terms of years, and that of borrowing upon annuities for lives.

During the reigns of King William and Queen Anne, large sums were frequently borrowed upon annuities for terms of years, which were sometimes longer and sometimes shorter. In 1693, an act was passed for borrowing one million upon an annuity of fourteen per cent., or L.140,000 a year for sixteen years. In 1691, an act was passed for borrowing a million upon annuities for lives, upon terms which, in the present times, would appear very advantageous. But the subscription was not filled up. In the following year the deficiency was made good by borrowing upon annuities for lives at fourteen per cent., or at little more than seven years purchase. In 1695, the persons who had purchased those annuities were allowed to exchange them for others of ninety-six years, upon paying into the exchequer sixty-three pounds in the hundred; that is, the difference between fourteen per cent. for life, and fourteen per cent. for ninety-six years, was sold for sixty-three pounds, or for four and a half years purchase. Such was the supposed instability of government, that even

these terms proctured few purchasers. In the reign of Queen Anne, money was, upon different occasions, borrowed both upon annuities for lives, and upon annuities for terms of thirty-two, of eighty-nine, of ninety-eight, and of ninety-nine years. In 1719, the proprietors of the annuities for thirty-two years were induced to accept in lieu of them South Sea stock to the amount of eleven and a half years purchase of the annuities, together with an additional quantity of stock equal to the arrears which happened then to be due upon them. In 1720, the greater part of the other annuities for terms of years, both long and short, were subscribed into the same fund. The long annuities at that time amounted to L.666,821, 8s. 3½d. a year. On the 5th of January 1775, the remainder of them, or what was not subscribed at that time, amounted to L.136,453, 12s. 8d.

During the two wars which begun in 1739 and in 1755, little money was borrowed either upon annuities for terms of years or upon those for lives. An annuity for ninety-eight or ninety-nine years, however, is worth nearly as much as a perpetuity, and should, therefore, one might think, be a fund for borrowing nearly as much. But those who, in order to make family settlements, and to provide for remote futurity, buy into the public stocks, would not care to purchase into one of which the value was continually diminishing; and such people make a very considerable proportion both of the proprietors and purchasers of stock. An annuity for a long term of years, therefore, though its intrinsic value may be very

nearly the same with that of a perpetual annuity, will not find nearly the same number of purchasers. The subscribers to a new loan, who mean generally to sell their subscription as soon as possible, prefer greatly a perpetual annuity redeemable by parliament, to an irredeemable annuity for a long term of years of only equal amount. The value of the former may be supposed always the same, or very nearly the same; and it makes, therefore, a more convenient transferable stock than the latter.

During the two last mentioned wars, annuities, either for terms of years or for lives, were seldom granted but as premiums to the subscribers to a new loan, over and above the redeemable annuity or interest upon the credit of which the loan was supposed to be made. They were granted, not as the proper fund upon which the money was borrowed, but as an additional encouragement to the lender.

Annuities for lives have occasionally been granted in two different ways; either upon separate lives, or upon lots of lives, which in French are called tontines, from the name of their inventor. When annuities are granted upon separate lives, the death of every individual annuitant disburthens the public revenue so far as it was affected by his annuity. When annuities are granted upon tontines, the liberation of the public revenue does not commence till the death of all the annuitants comprehended in one lot, which may sometimes consist of twenty or thirty persons, of whom the survivors succeed to the annuities of all those who die before them;

the last survivor succeeding to the annuities of the whole lot. Upon the same revenue more money can always be raised by tontines than by annuities for separate lives. An annuity, with a right of survivorship, is really worth more than an equal annuity for a separate life; and, from the confidence which every man naturally has in his own good fortune, the principle upon which is founded the success of all lotteries, such an annuity generally sells for something more than it is worth. In countries where it is usual for government to raise money by granting annuities, tontines are, upon this account, generally preferred to annuities for separate lives. The expedient which will raise most money, is almost always preferred to that which is likely to bring about in the speediest manner the liberation of the public revenue.

In France a much greater proportion of the public debts consists in annuities for lives than in England. According to a memoir presented by the parliament of Bourdeaux to the king in 1764, the whole public debt of France is estimated at twenty-four hundred millions of livres; of which the capital for which annuities for lives had been granted, is supposed to amount to three hundred millions, the eighth part of the whole public debt. The annuities themselves are computed to amount to thirty millions a year, the fourth part of one hundred and twenty millions, the supposed interest of that whole debt. These estimations, I know very well, are not exact; but having been presented by so very respectable a body as approximations to the truth, they may, I apprehend, be con-

sidered as such. It is not the different degrees of anxiety in the two governments of France and England for the liberation of the public revenue, which occasions this difference in their respective modes of borrowing. It arises altogether from the different views and interests of the lenders.

In England, the seat of government being in the greatest mercantile city in the world, the merchants are generally the people who advance money to government. By advancing it they do not mean to diminish, but, on the contrary, to increase their mercantile capitals; and unless they expected to sell with some profit their share in the subscription for a new loan, they never would subscribe. But if by advancing their money they were to purchase, instead of perpetual annuities, annuities for lives only, whether their own or those of other people, they would not always be so likely to sell them with a profit. Annuities upon their own lives they would always sell with loss; because no man will give for an annuity upon the life of another, whose age and state of health are nearly the same with his own, the same price which he would give for one upon his own. An annuity upon the life of a third person, indeed, is no doubt of equal value to the buyer and the seller; but its real value begins to diminish from the moment it is granted, and continues to do so more and more as long as it subsists. It can never, therefore, make so convenient a transferable stock as a perpetual annuity, of which the real value may be supposed always the same, or very nearly the same.

In France, the seat of government not being in

a great mercantile city, merchants do not make so great a proportion of the people who advance money to government. The people concerned in the finances, the farmers general, the receivers of the taxes which are not in farm, the court bankers, &c. make the greater part of those who advance their money in all public exigencies. Such people are commonly men of mean birth, but of great wealth, and frequently of great pride. They are too proud to marry their equals, and women of quality disdain to marry them. They frequently resolve, therefore, to live bachelors; and having neither any families of their own, nor much regard for those of their relations, whom they are not always very fond of acknowledging, they desire only to live in splendour during their own time, and are not unwilling that their fortune should end with themselves. The number of rich people, besides, who are either averse to marry, or whose condition of life renders it either improper or inconvenient for them to do so, is much greater in France than in England. To such people, who have little or no care for posterity, nothing can be more convenient than to exchange their capital for a revenue, which is to last just as long and no longer than they wish it to do.

The ordinary expense of the greater part of modern governments in time of peace being equal or nearly equal to their ordinary revenue, when war comes, they are both unwilling and unable to increase their revenue in proportion to the increase of their expense. They are unwilling, for fear of offending the people, who, by so great and so sud-

den an increase of taxes, would soon be disgusted with the war ; and they are unable, from not well knowing what taxes would be sufficient to produce the revenue wanted. The facility of borrowing delivers them from the embarrassment which this fear and inability would otherwise occasion. By means of borrowing they are enabled, with a very moderate increase of taxes, to raise, from year to year, money sufficient for carrying on the war ; and by the practice of perpetual funding they are enabled, with the smallest possible increase of taxes, to raise annually the largest possible sum of money. In great empires, the people who live in the capital, and in the provinces remote from the scene of action, feel, many of them, scarce any inconvenience from the war ; but enjoy, at their ease, the amusement of reading in the newspapers the exploits of their own fleets and armies. To them this amusement compensates the small difference between the taxes which they pay on account of the war, and those which they had been accustomed to pay in time of peace. They are commonly dissatisfied with the return of peace, which puts an end to this amusement, and to a thousand visionary hopes of conquest and national glory, from a longer continuance of the war.

The return of peace, indeed, seldom relieves them from the greater part of the taxes imposed during the war. These are mortgaged for the interest of the debt contracted in order to carry it on. If, over and above paying the interest of this debt, and defraying the ordinary expense of government, the old revenue, together with the new taxes, produce

some surplus revenue, it may perhaps be converted into a sinking fund for paying off the debt. But, in the first place, this sinking fund, even supposing it should be applied to no other purpose, is generally altogether inadequate for paying, in the course of any period during which it can reasonably be expected that peace should continue, the whole debt contracted during the war; and, in the second place, this fund is always applied to other purposes.

The new taxes were imposed for the sole purpose of paying the interest of the money borrowed upon them. If they produce more, it is generally something which was neither intended nor expected, and is therefore seldom very considerable. Sinking funds have generally arisen, not so much from any surplus of the taxes which was over and above what was necessary for paying the interest or annuity originally charged upon them, as from a subsequent reduction of that interest. That of Holland in 1655, and that of the ecclesiastical state in 1685, were both formed in this manner. Hence the usual insufficiency of such funds.

During the most profound peace, various events occur which require an extraordinary expense, and government finds it always more convenient to defray this expense by misapplying the sinking fund than by imposing a new tax. Every new tax is immediately felt more or less by the people. It occasions always some murmur, and meets with some opposition. The more taxes may have been multiplied, the higher they may have been raised

upon every different subject of taxation; the more loudly the people complain of every new tax, the more difficult it becomes, too, either to find out new subjects of taxation, or to raise much higher the taxes already imposed upon the old. A momentary suspension of the payment of debt is not immediately felt by the people, and occasions neither murmur nor complaint. To borrow of the sinking fund is always an obvious and easy expedient for getting out of the present difficulty. The more the public debts may have been accumulated, the more necessary it may have become to study to reduce them, the more dangerous, the more ruinous it may be to misapply any part of the sinking fund; the less likely is the public debt to be reduced to any considerable degree, the more likely, the more certainly is the sinking fund to be misapplied towards defraying all the extraordinary expenses which occur in time of peace. When a nation is already overburdened with taxes, nothing but the necessities of a new war, nothing but either the animosity of national vengeance, or the anxiety for national security, can induce the people to submit, with tolerable patience, to a new tax. Hence the usual misapplication of the sinking fund.

In great Britain, from the time that we had first recourse to the ruinous expedient of perpetual funding, the reduction of the public debt in time of peace, has never borne any proportion to its accumulation in time of war. It was in the war which began in 1688, and was concluded by the treaty of Ryswick in 1697, that the foundation of

the present enormous debt of Great Britain was laid.

On the 31st of December 1697, the public debts of great Britain, funded and unfunded, amounted to L.21,515,742, 13s. 8½d. A great part of those debts had been contracted upon short anticipations, and some part upon annuities for lives; so that before the 31st of December 1701, in less than four years, there had partly been paid off, and partly reverted to the public, the sum of L.5,121,041, 12s. 0¾d.; a greater reduction of the public debt than has ever since been brought about in so short a period of time. The remaining debt, therefore, amounted only to L.16,394,701, 1s. 7¼d.

In the war which began in 1702, and which was concluded by the treaty of Utrecht, the public debts were still more accumulated. On the 31st of December 1714, they amounted to L.53,681,076, 5s. 6½d. The subscription into the South Sea fund of the short and long annuities increased the capital of the public debts, so that on the 31st of December 1722, it amounted to L.55,282,978, 1s. 3¼d. The reduction of the debt began in 1723, and went on so slowly that on the 31st of December 1739, during 17 years of profound peace, the whole sum paid off was no more than L.8,328,354, 17s. 11½d.; the capital of the public debt at that time amounting to L.46,954,623, 3s. 4½d.

The Spanish war, which began in 1739, and the French war which soon followed it, occasioned a further increase of the debt, which, on the 31st of December 1748, after the war had been concluded by the treaty of Aix la Chapelle, amounted to

L.78,293,313, 1s. 10 $\frac{3}{4}$ d. The most profound peace of seventeen years continuance had taken no more than L.8,328,354, 17s. 11 $\frac{1}{2}$ d. from it. A war of less than nine years continuance added L.31,338,689, 18s. 6 $\frac{1}{2}$ d to it.*

During the administration of Mr. Pelham, the interest of the public debt was reduced, or at least measures were taken for reducing it, from four to three per cent. ; the sinking fund was increased, and some part of the public debt was paid off. In 1755, before the breaking out of the late war, the funded debt of Great Britain amounted to L.72,289,673. On the 5th of January 1763, at the conclusion of the peace, the funded debt amounted to L.122,603,336, 8s. 2 $\frac{1}{4}$ d. The unfunded debt has been stated at L.13,927,589, 2s. 2d. But the expense occasioned by the war did not end with the conclusion of the peace ; so that though on the fifth of January 1764 the funded debt was increased (partly by a new loan, and partly by funding a part of the unfunded debt) to L.129,586,789, 10s. 1 $\frac{3}{4}$ d. there still remained (according to the very well informed author of Considerations on the Trade and Finances of Great Britain) an unfunded debt, which was brought to account in that and the following year, of L.9,975,017, 12s. 2 $\frac{1}{2}$ d. In 1764, therefore, the public debt of Great Britain, funded and unfunded together, amounted, according to this author, to L.139,516,807, 2s. 4d. The annuities for lives too, which had been granted as premiums to the subscribers to the

* See James Postlethwaite's History of the Public Revenue.

new loans in 1757, estimated at fourteen years purchase, were valued at L.472,500; and the annuities for long terms of years, granted as premiums likewise, in 1761 and 1762, estimated at $27\frac{1}{2}$ years purchase, were valued at L.6,826,875. During a peace of about seven years continuance, the prudent and truly patriot administration of Mr. Pelham was not able to pay off an old debt of six millions. During a war of nearly the same continuance, a new debt of more than seventy-five millions was contracted.

On the 5th of January 1775, the funded debt of Great Britain amounted to L.124,996,086, 1s. $6\frac{1}{4}$ d. The unfunded, exclusive of a large civil list debt, to L.4,150,236, 3s. $11\frac{7}{8}$ d. Both together, to L.129,146,322, 5s. 6d. According to this account, the whole debt paid off during eleven years profound peace amounted only to L.10,415,474, 16s. $9\frac{7}{8}$ d. Even this small reduction of debt, however, has not been all made from the savings out of the ordinary revenue of the state. Several extraneous sums, altogether independent of that ordinary revenue, have contributed towards it. Amongst these we may reckon an additional shilling in the pound land-tax for three years; the two millions received from the East India company, as indemnification for their territorial acquisitions; and the one hundred and ten thousand pounds received from the bank for the renewal of their charter. To these must be added several other sums, which, as they arose out of the late war, ought perhaps to be considered as deductions from the expenses of it. The principal are,

The produce of French prizes	-	-	£690,449	18	9
Composition for French prisoners	-	-	"670,000	0	0
What has been received from the sale of } the ceded islands	-	-	95,500	0	0
			<hr/>		
Total,			£1,455,949	18	9

If we add to this sum the balance of the earl of Chatham's and Mr. Calcraft's accounts, and other army savings of the same kind, together with what has been received from the bank, the East India company, and the additional shilling in the pound land-tax; the whole must be a good deal more than five millions. The debt, therefore, which, since the peace, has been paid out of the savings from the ordinary revenue of the state, has not, one year with another, amounted to half a million a year. The sinking fund has, no doubt, been considerably augmented since the peace, by the debt which has been paid off, by the reduction of the redeemable four per cents to three per cents, and by the annuities for lives which have fallen in; and, if peace were to continue, a million, perhaps, might now be annually spared out of it towards the discharge of the debt. Another million, accordingly, was paid in the course of last year; but, at the same time, a large civil list debt was left unpaid, and we are now involved in a new war* which, in its progress, may prove as expensive as any of our former wars.† The new debt which

* The American war.

† It has proved more expensive than any one of our former wars; and has involved us in an additional debt of more than one hundred millions. During a profound peace of eleven years, little more than ten millions of debt was paid; during a war of seven years, more than one hundred millions was contracted. (Note by the author.)

will probably be contracted before the end of the next campaign, may perhaps be nearly equal to all the old debt which has been paid off from the savings out of the ordinary revenue of the state. It would be altogether chimerical, therefore, to expect that the public debt should ever be completely discharged by any savings which are likely to be made from that ordinary revenue as it stands at present.*

The public funds of the different indebted nations of Europe, particularly those of England, have by one author been represented as the accumulation of a great capital superadded to the other capital of the country, by means of which its trade is extended, its manufactures are multiplied, and its lands cultivated and improved much beyond what they could have been by means of that other capital, only. He does not consider that the capital which the first creditors of the public advanced to government, was, from the moment in which he advanced it, a certain portion of the annual produce turned away from serving in the function of a capital, to serve in that of a revenue; from maintaining productive labourers to maintain unproductive ones, and to be spent and wasted, generally in the course of the year, without even the hope of any future reproduction. In return for the capital which they advanced they obtained, indeed, an annuity of the public funds, in most cases, of

* For an account of the progress of the national debt since the commencement of the American war to the present period, and the operation of the sinking fund, see note on the Funding System in the last volume.

more than equal value. This annuity, no doubt, replaced to them their capital, and enabled them to carry on their trade and business to the same or perhaps to a greater extent than before ; that is, they were enabled either to borrow of other people a new capital upon the credit of this annuity, or, by selling it, to get from other people a new capital of their own, equal or superior to that which they had advanced to government. This new capital, however, which they in this manner either bought or borrowed of other people, must have existed in the country before, and must have been employed, as all capitals are, in maintaining productive labour. When it came into the hands of those who had advanced their money to government, though it was in some respects a new capital to them, it was not so to the country ; but was only a capital withdrawn from certain employments, in order to be turned towards others. Though it replaced to them what they had advanced to government, it did not replace it to the country. Had they not advanced this capital to government, there would have been in the country two capitals, two portions of the annual produce, instead of one, employed in maintaining productive labour.

When, for defraying the expense of government, a revenue is raised within the year from the produce of free or unmortgaged taxes, a certain portion of the revenue of private people is only turned away from maintaining one species of unproductive labour, towards maintaining another. Some part of what they pay in those taxes might, no doubt, have been accumulated into capital, and

consequently employed in maintaining productive labour; but the greater part would probably have been spent and consequently employed in maintaining unproductive labour. The public expense, however, when defrayed in this manner, no doubt hinders more or less the further accumulation of new capital; but it does not necessarily occasion the destruction of any actually existing capital.

When the public expense is defrayed by funding, it is defrayed by the annual destruction of some capital which had before existed in the country; by the perversion of some portion of the annual produce which had before been destined for the maintenance of productive labour towards that of unproductive labour. As in this case, however, the taxes are lighter than they would have been, had a revenue sufficient for defraying the same expense been raised within the year; the private revenue of individuals is necessarily less burdened, and consequently their ability to save and accumulate some part of that revenue into capital is a good deal less impaired. If the method of funding destroy more old capital, it at the same time hinders less the accumulation or acquisition of new capital, than that of defraying the public expense by a revenue raised within the year. Under the system of funding, the frugality and industry of private people can more easily repair the breaches which the waste and extravagance of government may occasionally make in the general capital of the society.

It is only during the continuance of war, however, that the system of funding has this advantage

over the other system. Were the expense of war to be defrayed always by a revenue raised within the year, the taxes from which that extraordinary revenue was drawn would last no longer than the war. The ability of private people to accumulate, though less during the war, would have been greater during the peace than under the system of funding. War would not necessarily have occasioned the destruction of any old capitals, and peace would have occasioned the accumulation of many more new. Wars would in general be more speedily concluded, and less wantonly undertaken. The people, feeling during the continuance of the war the complete burden of it, would soon grow weary of it; and government, in order to humour them, would not be under the necessity of carrying it on longer than it was necessary to do so. The foresight of the heavy and unavoidable burdens of war would hinder the people from wantonly calling for it when there was no real or solid interest to fight for. The seasons during which the ability of private people to accumulate was somewhat impaired, would occur more rarely, and be of shorter continuance. Those, on the contrary, during which that ability was in the highest vigour, would be of much longer duration than they can well be under the system of funding.

When funding, besides, has made a certain progress, the multiplication of taxes which it brings along with it, sometimes impairs as much the ability of private people to accumulate even in time of peace, as the other system would in time of war. The peace revenue of Great Britain amounts at

present to more than ten millions a year.* If free and unmortgaged, it might be sufficient, with proper management, and without contracting a shilling of new debt, to carry on the most vigorous war. The private revenue of the inhabitants of Great Britain is at present as much encumbered in time of peace, their ability to accumulate is as much impaired as it would have been in the time of the most expensive war, had the pernicious system of funding never been adopted.

In the payment of the interest of the public debt, it has been said, it is the right hand which pays the left. The money does not go out of the country. It is only a part of the revenue of one set of the inhabitants which is transferred to another; and the nation is not a farthing the poorer. This apology is founded altogether in the sophistry of the mercantile system, and, after the long examination which I have already bestowed upon that system, it may perhaps be unnecessary to say any thing further about it. It supposes, besides, that the whole public debt is owing to the inhabitants of the country, which happens not to be true; the Dutch, as well as several other foreign nations, having a very considerable share in our public funds.† But though the whole debt were owing to the inhabitants of the country, it would not upon that account be less pernicious.‡

* The total net revenue of Great Britain, exclusive of Ireland, for the year ended 5th January 1827, amounted to L.52,590,278.

† The property belonging to foreigners in our funds is really very inconsiderable. See vol. i. p. 153, note.

‡ Dr. Smith has given no sufficient refutation of this fallacy. In point of fact, the payments on account of the *interest* of the public

Land and capital stock are the two original sources of all revenue both private and public. Capital stock pays the wages of productive labour, whether employed in agriculture, manufac-

debt are really what the apologists of the funding system represent them, a debt of the right hand to the left, or so much wealth transferred from one class of society to another. It is obvious, however, that the question with respect to the influence of public debts on national wealth does not depend on the effects resulting from the payment of the interest, but on the manner in which the *principal* for which the interest is paid has been employed. Now, it is certain that this principal was not lent by one set of individuals to another, but to the government, by whom it has been spent in warlike enterprises. The capital lent by the stockholders to government has been annihilated; and instead of deriving a revenue from it, the revenue of the stockholders must be exclusively derived from the capital and labour of others.

To set the effect of loans on national wealth in a still clearer point of view, let us suppose that a country, with *two* millions of people and four hundred millions of capital, is engaged in war, and that the government borrows and spends fifty millions of the national capital. If the ordinary rate of profit were ten per cent., the annual income of this state previously to the war would be forty millions; but at its close, and after the fifty millions had been borrowed and spent, it would only be thirty-five millions.* It is plain, however, that this reduced income would, in future, have to furnish the means of subsistence to the whole *two* millions of inhabitants; and although it is true that the country is not deprived of the interest of the debt, for that is merely transferred from one class to another, it is no less true that *it is deprived* of the income derived from fifty millions of capital; and that the productive power which had formerly fed and clothed an *eighth* part of the whole inhabitants being for ever lost to the state, they have now to depend for subsistence entirely on the exertions of those who, it is probable, could previously with difficulty maintain themselves.

This doctrine has been very clearly and ably stated by Mr. Justice Blackstone.—“By means of our national debt,” says he, “the quantity of property in the kingdom is greatly increased

* This supposes, of course, that no savings have been made from expense during that period. But it is obvious that whatever such savings might amount to, they could not affect the principle laid down.

tures, or commerce. The management of those two original sources of revenue belongs to two different sets of people; the proprietors of land, and the owners or employers of capital stock.

The proprietor of land is interested for the sake of his own revenue to keep his estate in as good condition as he can, by building and repairing his tenants houses, by making and maintaining the necessary drains and enclosures, and all those other expensive improvements which it properly belongs to the landlord to make and maintain. But, by different land-taxes, the revenue of the landlord may be so much diminished, and, by different duties upon the necessaries and conveniencies of life, that diminished revenue may be rendered of so little real value, that he may find himself altogether

in idea, compared with former times; yet, if we coolly consider it, not at all increased in reality. We may boast of large fortunes, and quantities of money in the funds. But where does this money exist? It exists only in name, in paper, in public faith, in parliamentary security: and that is undoubtedly sufficient for the creditors of the public to rely on. But then, what is the pledge which the public faith has pawned for the security of these debts? The land, the trade, and the personal industry of the subject; from which the money must arise that supplies the several taxes. In these, therefore, and in these only, the property of the public creditors does really and intrinsically exist: and of course, the land, the trade, and the personal industry of individuals, are diminished in their true value just so much as they are pledged to answer. If A's income amounts to L.100 per annum, and he is so far indebted to B that he pays him L.50 per annum for his interest, one half of the value of A's property is transferred to B, the creditor. The creditor's property exists in the demand which he has upon the debtor, and nowhere else; and the debtor is only a trustee to his creditor for one half of the value of his income. In short, the property of a creditor of the public consists in a certain portion of the national taxes: by how much, therefore, he is the richer, by so much the nation, which pays these taxes, is the poorer." (*Commentaries*, vol. i. p. 327.)

unable to make or maintain those expensive improvements. When the landlord, however, ceases to do his part, it is altogether impossible that the tenant should continue to do his. As the distress of the landlord increases, the agriculture of the country must necessarily decline.

When, by different taxes upon the necessaries and conveniencies of life, the owners and employers of capital stock find, that whatever revenue they derive from it, will not, in a particular country, purchase the same quantity of those necessaries and conveniencies which an equal revenue would in almost any other, they will be disposed to remove to some other. And when, in order to raise those taxes, all or the greater part of merchants and manufacturers, that is, all or the greater part of the employers of great capitals, come to be continually exposed to the mortifying and vexatious visits of the tax-gatherers, this disposition to remove will soon be changed into an actual removing. The industry of the country will necessarily fall with the removal of the capital which supported it, and the ruin of trade and manufactures will follow the declension of agriculture.

To transfer from the owners of those two great sources of revenue, land and capital stock, from the persons immediately interested in the good condition of every particular portion of land, and in the good management of every particular portion of capital stock, to another set of persons, (the creditors of the public, who have no such particular interest,) the greater part of the revenue arising from either, must, in the long run, occasion both

the neglect of land, and the waste or removal of capital stock. A creditor of the public has, no doubt, a general interest in the prosperity of the agriculture, manufactures, and commerce of the country; and consequently in the good condition of its lands, and in the good management of its capital stock. Should there be any general failure or declension in any of these things, the produce of the different taxes might no longer be sufficient to pay him the annuity or interest which is due to him. But a creditor of the public, considered merely as such, has no interest in the good condition of any particular portion of land, or in the good management of any particular portion of capital stock. As a creditor of the public he has no knowledge of any such particular portion. He has no inspection of it. He can have no care about it. Its ruin may in some cases be unknown to him, and cannot directly affect him.

The practice of funding has gradually enfeebled every state which has adopted it. The Italian republics seem to have begun it. Genoa and Venice, the only two remaining which can pretend to an independent existence, have both been enfeebled by it. Spain seems to have learned the practice from the Italian republics, and (its taxes being probably less judicious than theirs) it has, in proportion to its natural strength, been still more enfeebled. The debts of Spain are of very old standing. It was deeply in debt before the end of the sixteenth century, about a hundred years before England owed a shilling. France, notwithstanding all its natural resources, languishes under

an oppressive load of the same kind. The republic of the United Provinces is as much enfeebled by its debts as either Genoa or Venice. Is it likely that in Great Britain alone a practice, which has brought either weakness or desolation into every other country, should prove altogether innocent?

The system of taxation established in those different countries, it may be said, is inferior to that of England. I believe it is so. But it ought to be remembered, that when the wisest government has exhausted all the proper subjects of taxation, it must, in cases of urgent necessity, have recourse to improper ones. The wise republic of Holland has, upon some occasions, been obliged to have recourse to taxes as inconvenient as the greater part of those of Spain. Another war begun before any considerable liberation of the public revenue had been brought about, and growing in its progress as expensive as the last war, may, from irresistible necessity, render the British system of taxation as oppressive as that of Holland, or even as that of Spain. To the honour of our present system of taxation, indeed, it has hitherto given so little embarrassment to industry, that, during the course even of the most expensive wars, the frugality and good conduct of individuals seem to have been able, by saving and accumulation, to repair all the breaches which the waste and extravagance of government had made in the general capital of the society. At the conclusion of the late war, the most expensive that Great Britain ever waged, her agriculture was as flourishing, her

manufacturers as numerous and as fully employed, and her commerce as extensive, as they had ever been before. The capital, therefore, which supported all those different branches of industry, must have been equal to what it had ever been before. Since the peace, agriculture has been still further improved, the rents of houses have risen in every town and village of the country, a proof of the increasing wealth and revenue of the people; and the annual amount of the greater part of the old taxes, of the principal branches of the excise and customs in particular, has been continually increasing, an equally clear proof of an increasing consumption, and consequently of an increasing produce, which could alone support that consumption. Great Britain seems to support with ease a burden which, half a century ago, nobody believed her capable of supporting. Let us not, however, upon this account rashly conclude that she is capable of supporting any burden; nor even be too confident that she could support, without great distress, a burden a little greater than what has already been laid upon her.

When national debts have once been accumulated to a certain degree, there is scarce, I believe, a single instance of their having been fairly and completely paid. The liberation of the public revenue, if it has ever been brought about at all, has always been brought about by a bankruptcy; sometimes by an avowed one, but always by a real one, though frequently by a pretended payment.

The raising of the denomination of the coin has been the most usual expedient by which a real

public bankruptcy has been disguised under the appearance of a pretended payment. If a sixpence, for example, should, either by act of parliament or royal proclamation, be raised to the denomination of a shilling, and twenty sixpences to that of a pound sterling; the person who, under the old denomination, had borrowed twenty shillings, or near four ounces of silver, would, under the new, pay with twenty sixpences, or with something less than two ounces. A national debt of about a hundred and twenty-eight millions, near the capital of the funded and unfunded debt of Great Britain, might in this manner be paid with about sixty-four millions of our present money. It would indeed be a pretended payment only, and the creditors of the public would really be defrauded of ten shillings in the pound of what was due to them. The calamity too would extend much further than to the creditors of the public, and those of every private person would suffer a proportionable loss; and this without any advantage, but in most cases with a great additional loss, to the creditors of the public. If the creditors of the public, indeed, were generally much in debt to other people, they might in some measure compensate their loss by paying their creditors in the same coin in which the public had paid them. But in most countries the creditors of the public are, the greater part of them, wealthy people, who stand more in the relation of creditors than in that of debtors towards the rest of their fellow-citizens. A pretended payment of this kind, therefore, instead of alleviating, aggravates in most cases the loss of the creditors

of the public ; and, without any advantage to the public, extends the calamity to a great number of other innocent people. It occasions a general and most pernicious subversion of the fortunes of private people ; enriching in most cases the idle and profuse debtor at the expense of the industrious and frugal creditor, and transporting a great part of the national capital from the hands which were likely to increase and improve it, to those who are likely to dissipate and destroy it. When it becomes necessary for a state to declare itself bankrupt, in the same manner as when it becomes necessary for an individual to do so, a fair, open, and avowed bankruptcy is always the measure which is both least dishonourable to the debtor, and least hurtful to the creditor. The honour of a state is surely very poorly provided for, when, in order to cover the disgrace of a real bankruptcy, it has recourse to a juggling trick of this kind, so easily seen through, and at the same time so extremely pernicious.

Almost all states, however, ancient as well as modern, when reduced to this necessity, have, upon some occasions, played this very juggling trick. The Romans, at the end of the first Punic war, reduced the *As*, the coin or denomination by which they computed the value of all their other coins, from containing twelve ounces of copper to contain only two ounces ; that is, they raised two ounces of copper to a denomination which had always before expressed the value of twelve ounces.*

* M. Garnier has controverted this statement in an elaborate note added to his edition of the *Wealth of Nations*. (Tome v. p. 102.)

The republic was, in this manner, enabled to pay the great debts which it had contracted with the sixth part of what it really owed. So sudden and so great a bankruptcy, we should in the present times be apt to imagine, must have occasioned a very violent popular clamour. It does not appear to have occasioned any. The law which enacted it was, like all other laws relating to the coin, introduced and carried through the assembly of the people by a tribune, and was probably a very popular law. In Rome, as in all other ancient republics, the poor people were constantly in debt to the rich and the great, who, in order to secure their votes at the annual elections, used to lend them money at exorbitant interest, which, being never paid, soon accumulated into a sum too great either for the debtor to pay, or for any body else to pay for him. The debtor, for fear of a very severe execution, was obliged, without any further gratuity, to vote for the candidate whom the creditor recommended. In spite of all the laws against bribery and corruption, the bounty of the candidates, together with the occasional distributions of corn which were ordered by the senate, were the principal funds from which, during the latter times of the Roman republic, the poorer citizens derived their subsistence. To deliver themselves from this subjection to their creditors, the poorer citizens were continually calling out either for an entire abolition of debts, or for what they

His object is to show that this reduction of the weight of the copper contained in the *As*, was not intended, and in point of fact had not the effect, to change the value of the currency, but to establish a correct proportion between the quantities of copper and silver contained in the coins.

called new tables ; that is, for a law which should entitle them to a complete acquittance, upon paying only a certain proportion of their accumulated debts. The law which reduced the coin of all denominations to a sixth part of its former value, as it enabled them to pay their debts with a sixth part of what they really owed, was equivalent to the most advantageous new tables. In order to satisfy the people, the rich and the great were, upon several different occasions, obliged to consent to laws both for abolishing debts and for introducing new tables ; and they probably were induced to consent to this law, partly for the same reason, and partly that, by liberating the public revenue, they might restore vigour to that government of which they themselves had the principal direction. An operation of this kind would at once reduce a debt of a hundred and twenty-eight millions to twenty-one millions three hundred and thirty-three thousand three hundred and thirty-three pounds six shillings and eightpence. In the course of the second Punic war, the As was still further reduced, first, from two ounces of copper to one ounce, and afterwards from one ounce to half an ounce ; that is, to the twenty-fourth part of its original value. By combining the three Roman operations into one, a debt of a hundred and twenty-eight millions of our present money might in this manner be reduced all at once to a debt of five millions three hundred and thirty-three thousand three hundred and thirty-three pounds six shillings and eightpence. Even the enormous debt of Great Britain might in this manner soon be paid.

By means of such expedients the coin of, I be-

lieve, all nations has been gradually reduced more and more below its original value, and the same nominal sum has been gradually brought to contain a smaller and a smaller quantity of silver.

Nations have sometimes, for the same purpose, adulterated the standard of their coin; that is, have mixed a greater quantity of alloy in it. If in the pound weight of our silver coin, for example, instead of eighteen pennyweight, according to the present standard, there was mixed eight ounces of alloy; a pound sterling, or twenty shillings of such coin, would be worth little more than six shillings and eightpence of our present money. The quantity of silver contained in six shillings and eightpence of our present money, would thus be raised very nearly to the denomination of a pound sterling. The adulteration of the standard has exactly the same effect with what the French call an augmentation, or a direct raising of the denomination of the coin.

An augmentation, or a direct raising of the denomination of the coin, always is, and from its nature must be, an open and avowed operation. By means of it, pieces of a smaller weight and bulk are called by the same name which had before been given to pieces of a greater weight and bulk. The adulteration of the standard, on the contrary, has generally been a concealed operation. By means of it, pieces were issued from the mint of the same denominations, and, as nearly as could be contrived, of the same weight, bulk, and appearance, with pieces which had been current before of much greater value. When King John of

France,* in order to pay his debts, adulterated his coin, all the officers of his mint were sworn to secrecy. Both operations are unjust. But a simple augmentation is an injustice of open violence; whereas an adulteration is an injustice of treacherous fraud. This latter operation, therefore, as soon as it has been discovered, and it could never be concealed very long, has always excited much greater indignation than the former. The coin, after any considerable augmentation, has very seldom been brought back to its former weight; but after the greatest adulterations, it has almost always been brought back to its former fineness. It has scarce ever happened, that the fury and indignation of the people could otherwise be appeased.

In the end of the reign of Henry VIII. and in the beginning of that of Edward VI. the English coin was not only raised in its denomination, but adulterated in its standard. The like frauds were practised in Scotland during the minority of James VI. They have occasionally been practised in most other countries.

That the public revenue of Great Britain can ever be completely liberated, or even that any considerable progress can ever be made towards that liberation, while the surplus of that revenue, or what is over and above defraying the annual expense of the peace establishment, is so very small, it seems altogether in vain to expect. That liberation, it is evident, can never be brought about without either some very considerable aug-

* See Du Cange Glossary, voce Moneta; the Benedictine edition.

mentation of the public revenue, or some equally considerable reduction of the public expense.

A more equal land-tax, a more equal tax upon the rent of houses, and such alterations in the present system of customs and excise as those which have been mentioned in the foregoing chapter, might, perhaps, without increasing the burden of the greater part of the people, but only distributing the weight of it more equally upon the whole, produce a considerable augmentation of revenue. The most sanguine projector, however, could scarce flatter himself, that any augmentation of this kind would be such as could give any reasonable hopes, either of liberating the public revenue altogether, or even of making such progress towards that liberation in time of peace, as either to prevent or to compensate the further accumulation of the public debt in the next war.

By extending the British system of taxation to all the different provinces of the empire inhabited by people of either British or European extraction, a much greater augmentation of revenue might be expected. This however could scarce, perhaps, be done, consistently with the principles of the British constitution, without admitting into the British parliament, or, if you will, into the states-general of the British empire, a fair and equal representation of all those different provinces; that of each province bearing the same proportion to the produce of its taxes, as the representation of Great Britain might bear to the produce of the taxes levied upon Great Britain. The private interest of many powerful individuals, the confirmed

prejudices of great bodies of people, seem indeed at present to oppose to so great a change such obstacles as it may be very difficult, perhaps altogether impossible, to surmount. Without, however, pretending to determine whether such a union be practicable or impracticable, it may not perhaps be improper, in a speculative work of this kind, to consider how far the British system of taxation might be applicable to all the different provinces of the empire; what revenue might be expected from it, if so applied; and in what manner a general union of this kind might be likely to affect the happiness and prosperity of the different provinces comprehended within it. Such a speculation can at worst be regarded but as a new Utopia, less amusing certainly, but no more useless and chimerical than the old one.

The land-tax, the stamp-duties, and the different duties of customs and excise, constitute the four principal branches of the British taxes.

Ireland is certainly as able, and our American and West Indian plantations more able to pay a land-tax than Great Britain. Where the landlord is subject neither to tithe nor poor's rate, he must certainly be more able to pay such a tax, than where he is subject to both those other burdens. The tithe, where there is no modus, and where it is levied in kind, diminishes more what would otherwise be the rent of the landlord, than a land-tax which really amounted to five shillings in the pound. Such a tithe will be found in most cases to amount to more than a fourth part of the real rent of the land, or of what remains after replacing

completely the capital of the farmer, together with his reasonable profit. If all moduses and all impropriations were taken away, the complete church tithe of Great Britain and Ireland could not well be estimated at less than six or seven millions. If there was no tithe either in Great Britain or Ireland, the landlords could afford to pay six or seven millions additional land-tax, without being more burdened than a very great part of them are at present. America pays no tithe, and could therefore very well afford to pay a land-tax. The lands in America and the West Indies, indeed, are in general not tenanted nor leased out to farmers. They could not therefore be assessed according to any rent-roll. But neither were the lands of Great Britain, in the 4th of William and Mary, assessed according to any rent-roll, but according to a very loose and inaccurate estimation. The lands in America might be assessed either in the same manner, or according to an equitable valuation in consequence of an accurate survey, like that which was lately made in the Milanese, and in the dominions of Austria, Prussia, and Sardinia.

Stamp-duties, it is evident, might be levied without any variation in all countries where the forms of law process, and the deeds by which property both real and personal is transferred, are the same or nearly the same.

The extension of the custom-house laws of Great Britain to Ireland and the plantations, provided it was accompanied, as in justice it ought to be, with an extension of the freedom of trade, would be in the highest degree advantageous to both. All the

invidious restraints which at present oppress the trade of Ireland, the distinction between the enumerated and non-enumerated commodities of America, would be entirely at an end. The countries north of Cape Finisterre would be as open to every part of the produce of America, as those south of that cape are to some parts of that produce at present. The trade between all the different parts of the British empire would, in consequence of this uniformity in the custom-house laws, be as free as the coasting trade of Great Britain is at present. The British empire would thus afford, within itself, an immense internal market for every part of the produce of all its different provinces. So great an extension of market would soon compensate, both to Ireland and the plantations, all that they could suffer from the increase of the duties of customs.

The excise is the only part of the British system of taxation, which would require to be varied in any respect according as it was applied to the different provinces of the empire. It might be applied to Ireland without any variation; the produce and consumption of that kingdom being exactly of the same nature with those of Great Britain. In its application to America and the West Indies, of which the produce and consumption are so very different from those of Great Britain, some modification might be necessary, in the same manner as in its application to the cyder and beer counties of England.

A fermented liquor, for example, which is called beer, but which, as it is made of molasses, bears

very little resemblance to our beer, makes a considerable part of the common drink of the people in America. This liquor, as it can be kept only for a few days, cannot, like our beer, be prepared and stored up for sale in great breweries; but every private family must brew it for their own use, in the same manner as they cook their victuals. But to subject every private family to the odious visits and examination of the tax-gatherers, in the same manner as we subject the keepers of alehouses and the brewers for public sale, would be altogether inconsistent with liberty. If, for the sake of equality, it was thought necessary to lay a tax upon this liquor, it might be taxed by taxing the material of which it is made, either at the place of manufacture, or, if the circumstances of the trade rendered such an excise improper, by laying a duty upon its importation into the colony in which it was to be consumed. Besides the duty of one penny a gallon imposed by the British parliament upon the importation of molasses into America, there is a provincial tax of this kind upon their importation into Massachusetts Bay, in ships belonging to any other colony, of eightpence the hogshead; and another upon their importation from the northern colonies into South Carolina, of fivepence the gallon. Or, if neither of these methods was found convenient, each family might compound for its consumption of this liquor, either according to the number of persons of which it consisted, in the same manner as private families compound for the malt-tax in England; or according to the different ages and sexes of those persons, in the same man-

ner as several different taxes are levied in Holland ; or nearly as Sir Matthew Decker proposes that all taxes upon consumable commodities should be levied in England. This mode of taxation, it has already been observed, when applied to objects of a speedy consumption, is not a very convenient one. It might be adopted, however, in cases where no better could be done.

Sugar, rum, and tobacco, are commodities which are nowhere necessities of life, which are become objects of almost universal consumption, and which are therefore extremely proper subjects of taxation. If a union with the colonies were to take place, those commodities might be taxed either before they go out of the hands of the manufacturer or grower ; or, if this mode of taxation did not suit the circumstances of those persons, they might be deposited in public warehouses, both at the place of manufacture and at all the different ports of the empire to which they might afterwards be transported, to remain there, under the joint custody of the owner and the revenue officer, till such time as they should be delivered out, either to the consumer, to the merchant retailer for home consumption, or to the merchant exporter ; the tax not to be advanced till such delivery. When delivered out for exportation, to go duty-free, upon proper security being given, that they should really be exported out of the empire. These are perhaps the principal commodities, with regard to which a union with the colonies might require some considerable change in the present system of British taxation.

What might be the amount of the revenue which this system of taxation, extended to all the different provinces of the empire, might produce, it must, no doubt, be altogether impossible to ascertain with tolerable exactness. By means of this system, there is annually levied in Great Britain, upon less than eight millions of people, more than ten millions of revenue. Ireland contains more than two millions of people, and, according to the accounts laid before the congress, the twelve associated provinces of America contain more than three. Those accounts, however, may have been exaggerated, in order, perhaps, either to encourage their own people, or to intimidate those of this country; and we shall suppose, therefore, that our North American and West Indian colonies, taken together, contain no more than three millions; or that the whole British empire, in Europe and America, contains no more than thirteen millions of inhabitants. If upon less than eight millions of inhabitants this system of taxation raises a revenue of more than ten millions sterling, it ought upon thirteen millions of inhabitants to raise a revenue of more than sixteen millions two hundred and fifty thousand pounds sterling. From this revenue, supposing that this system could produce it, must be deducted, the revenue usually raised in Ireland and the plantations for defraying the expense of their respective civil governments. The expense of the civil and military establishment of Ireland, together with the interest of the public debt, amounts, at a medium of the two years which ended March 1775, to something less than seven hundred and fifty thousand pounds

a year. By a very exact account of the revenue of the principal colonies of America and the West Indies, it amounted, before the commencement of the present disturbances, to a hundred and forty-one thousand eight hundred pounds. In this account, however, the revenue of Maryland, of North Carolina, and of all our late acquisitions both upon the continent and in the islands, is omitted; which may perhaps make a difference of thirty or forty thousand pounds. For the sake of even numbers, therefore, let us suppose that the revenue necessary for supporting the civil government of Ireland and the plantations may amount to a million. There would remain, consequently, a revenue of fifteen millions two hundred and fifty thousand pounds, to be applied towards defraying the general expense of the empire, and towards paying the public debt. But if from the present revenue of Great Britain a million could in peaceable times be spared towards the payment of that debt, six millions two hundred and fifty thousand pounds could very well be spared from this improved revenue. This great sinking fund too might be augmented every year by the interest of the debt which had been discharged the year before, and might in this manner increase so very rapidly, as to be sufficient in a few years to discharge the whole debt, and thus to restore completely the at present debilitated and languishing vigour of the empire. In the mean time the people might be relieved from some of the most burdensome taxes; from those which are imposed either upon the necessaries of life or upon the materials of manufacture. The labouring poor

would thus be enabled to live better, to work cheaper, and to send their goods cheaper to market. The cheapness of their goods would increase the demand for them, and consequently for the labour of those who produced them. This increase in the demand for labour would both increase the numbers and improve the circumstances of the labouring poor. Their consumption would increase, and together with it the revenue arising from all those articles of their consumption upon which the taxes might be allowed to remain.

The revenue arising from this system, of taxation, however, might not immediately increase in proportion to the number of people who were subjected to it. Great indulgence would for some time be due to those provinces of the empire which were thus subjected to burthens to which they had not before been accustomed; and even when the same taxes came to be levied everywhere as exactly as possible, they would not everywhere produce a revenue proportioned to the numbers of the people. In a poor country the consumption of the principal commodities subject to the duties of customs and excise is very small; and in a thinly inhabited country the opportunities of smuggling are very great. The consumption of malt liquors among the inferior ranks of people in Scotland is very small; and the excise upon malt, beer, and ale, produces less there than in England, in proportion to the numbers of the people and the rate of the duties, which upon malt is different, on account of a supposed difference of quality. In these particular branches of the excise, there is not, I

apprehend, much more smuggling in the one country than in the other. The duties upon the distillery, and the greater part of the duties of customs, in proportion to the numbers of people in the respective countries, produce less in Scotland than in England, not only on account of the smaller consumption of the taxed commodities, but of the much greater facility of smuggling. In Ireland the inferior ranks of people are still poorer than in Scotland, and many parts of the country are almost as thinly inhabited. In Ireland, therefore, the consumption of the taxed commodities might, in proportion to the number of the people, be still less than in Scotland, and the facility of smuggling nearly the same. In America and the West Indies the white people even of the lowest rank are in much better circumstances than those of the same rank in England, and their consumption of all the luxuries in which they usually indulge themselves is probably much greater. The blacks, indeed, who make the greater part of the inhabitants both of the southern colonies upon the continent and of the West India islands, as they are in a state of slavery, are, no doubt, in a worse condition than the poorest people either in Scotland or Ireland. We must not, however, upon that account, imagine that they are worse fed, or that their consumption of articles which might be subjected to moderate duties is less than that even of the lower ranks of people in England. In order that they may work well, it is the interest of their master that they should be fed well and kept in good heart, in the same manner as it is his interest that his working cattle should be so.

The blacks, accordingly, have almost everywhere their allowance of rum and of molasses or spruce beer, in the same manner as the white servants; and this allowance would not probably be withdrawn, though those articles should be subjected to moderate duties. The consumption of the taxed commodities, therefore, in proportion to the number of inhabitants, would probably be as great in America and the West Indies as in any part of the British empire. The opportunities of smuggling, indeed, would be much greater; America, in proportion to the extent of the country, being much more thinly inhabited than either Scotland or Ireland. If the revenue, however, which is at present raised by the different duties upon malt and malt liquors, were to be levied by a single duty upon malt, the opportunity of smuggling in the most important branch of the excise would be almost entirely taken away: and if the duties of customs, instead of being imposed upon almost all the different articles of importation, were confined to a few of the most general use and consumption, and if the levying of those duties were subjected to the excise laws, the opportunity of smuggling, though not so entirely taken away, would be very much diminished. In consequence of those two apparently very simple and easy alterations, the duties of customs and excise might probably produce a revenue as great in proportion to the consumption of the most thinly inhabited province, as they do at present in proportion to that of the most populous.

The Americans, it has been said, indeed, have no

gold or silver money ; the interior commerce of the country being carried on by a paper currency, and the gold and silver which occasionally come among them being all sent to Great Britain in return for the commodities which they receive from us. But without gold and silver, it is added, there is no possibility of paying taxes. We already get all the gold and silver which they have. How is it possible to draw from them what they have not ?

The present scarcity of gold and silver money in America is not the effect of the poverty of that country, or of the inability of the people there to purchase those metals. In a country where the wages of labour are so much higher, and the price of provisions so much lower than in England, the greater part of the people must surely have wherewithal to purchase a greater quantity, if it were either necessary or convenient for them to do so. The scarcity of those metals, therefore, must be the effect of choice, and not of necessity.

It is for transacting either domestic or foreign business, that gold and silver money is either necessary or convenient.

The domestic business of every country, it has been shown in the second book of this Inquiry, may, at least in peaceable times, be transacted by means of a paper currency, with nearly the same degree of conveniency as by gold and silver money. It is convenient for the Americans, who could always employ with profit, in the improvement of their lands, a greater stock than they can easily get, to save as much as possible the expense of so costly an instrument of commerce as gold and silver ; and

rather to employ that part of their surplus produce which would be necessary for purchasing those metals, in purchasing the instruments of trade, the materials of clothing, several parts of household furniture, and the iron work necessary for building and extending their settlements and plantations; in purchasing, not dead stock, but active and productive stock. The colony governments find it for their interest to supply the people with such a quantity of paper money as is fully sufficient, and generally more than sufficient, for transacting their domestic business. Some of those governments, that of Pennsylvania particularly, derive a revenue from lending this paper money to their subjects, at an interest of so much per cent. Others, like that of Massachusetts Bay, advance, upon extraordinary emergencies, a paper money of this kind for defraying the public expense, and afterwards, when it suits the conveniency of the colony, redeem it at the depreciated value to which it gradually falls. In 1747* that colony paid in this manner the greater part of its public debts, with the tenth part of the money for which its bills had been granted. It suits the conveniency of the planters to save the expense of employing gold and silver money in their domestic transactions; and it suits the conveniency of the colony governments to supply them with a medium, which, though attended with some very considerable disadvantages, enables them to save that

* See Hutchinson's History of Massachusetts Bay, vol. ii. page 436, et seq.

expense. The redundancy of paper money necessarily banishes gold and silver from the domestic transactions of the colonies, for the same reason that it has banished those metals from the greater part of the domestic transactions in Scotland ; and in both countries it is not the poverty, but the enterprising and projecting spirit of the people, their desire of employing all the stock which they can get as active and productive stock, which has occasioned this redundancy of paper money.

In the exterior commerce which the different colonies carry on with Great Britain, gold and silver are more or less employed, exactly in proportion as they are more or less necessary. Where those metals are not necessary, they seldom appear. Where they are necessary, they are generally found.

In the commerce between Great Britain and the tobacco colonies, the British goods are generally advanced to the colonists at a pretty long credit, and are afterwards paid for in tobacco, rated at a certain price. It is more convenient for the colonists to pay in tobacco than in gold and silver. It would be more convenient for any merchant to pay for the goods which his correspondents had sold to him in some other sort of goods which he might happen to deal in, than in money. Such a merchant would have no occasion to keep any part of his stock by him unemployed, and in ready money, for answering occasional demands. He could have, at all times, a larger quantity of goods in his shop or warehouse, and he could deal to a greater extent. But it seldom happens to be con-

venient for all the correspondents of a merchant to receive payment for the goods which they sell to him, in goods of some other kind which he happens to deal in. The British merchants who trade to Virginia and Maryland happen to be a particular set of correspondents, to whom it is more convenient to receive payment for the goods which they sell to those colonies in tobacco than in gold and silver. They expect to make a profit by the sale of the tobacco. They could make none by that of the gold and silver. Gold and silver, therefore, very seldom appear in the commerce between Great Britain and the tobacco colonies. Maryland and Virginia have as little occasion for those metals in their foreign as in their domestic commerce. They are said, accordingly, to have less gold and silver money than any other colonies in America. They are reckoned, however, as thriving, and consequently as rich, as any of their neighbours.

In the northern colonies, Pennsylvania, New York, New Jersey, the four governments of New England, &c. the value of their own produce which they export to Great Britain is not equal to that of the manufactures which they import for their own use, and for that of some of the other colonies to which they are the carriers. A balance, therefore, must be paid to the mother country in gold and silver, and this balance they generally find.

In the sugar colonies the value of the produce annually exported to Great Britain is much greater than that of all the goods imported from thence. If the sugar and rum annually sent to the mother country were paid for in those colonies, Great Bri-

tain would be obliged to send out, every year, a very large balance in money; and the trade to the West Indies would, by a certain species of politicians, be considered as extremely disadvantageous. But it so happens, that many of the principal proprietors of the sugar plantations reside in Great Britain. Their rents are remitted to them in sugar and rum, the produce of their estates. The sugar and rum which the West India merchants purchase in those colonies upon their own account, are not equal in value to the goods which they annually sell there. A balance, therefore, must necessarily be paid to them in gold and silver, and this balance too is generally found.

The difficulty and irregularity of payment from the different colonies to Great Britain, have not been at all in proportion to the greatness or smallness of the balances which were respectively due from them. Payments have in general been more regular from the northern than from the tobacco colonies, though the former have generally paid a pretty large balance in money, while the latter have either paid no balance, or a much smaller one. The difficulty of getting payment from our different sugar colonies has been greater or less in proportion, not so much to the extent of the balances respectively due from them, as to the quantity of uncultivated land which they contained; that is, to the greater or smaller temptation which the planters have been under of over-trading, or of undertaking the settlement and plantation of greater quantities of waste land than suited the extent of their capitals. The returns from the great island of Jamaica,

where there is still much uncultivated land, have, upon this account, been in general more irregular and uncertain than those from the smaller islands of Barbadoes, Antigua, and St. Christophers, which have for these many years been completely cultivated, and have, upon that account, afforded less field for the speculations of the planter. The new acquisitions of Grenada, Tobago, St. Vincents, and Dominica, have opened a new field for speculations of this kind; and the returns from those islands have of late been as irregular and uncertain as those from the great island of Jamaica.

It is not, therefore, the poverty of the colonies which occasions, in the greater part of them, the present scarcity of gold and silver money. Their great demand for active and productive stock makes it convenient for them to have as little dead stock as possible; and disposes them, upon that account, to content themselves with a cheaper, though less commodious instrument of commerce than gold and silver. They are thereby enabled to convert the value of that gold and silver into the instruments of trade, into the materials of clothing, into household furniture, and into the iron work necessary for building and extending their settlements and plantations. In those branches of business which cannot be transacted without gold and silver money, it appears that they can always find the necessary quantity of those metals; and if they frequently do not find it, their failure is generally the effect, not of their necessary poverty, but of their unnecessary and excessive enterprise. It is not because they are poor that their payments are

irregular and uncertain ; but because they are too eager to become excessively rich. Though all that part of the produce of the colony taxes, which was over and above what was necessary for defraying the expense of their own civil and military establishments, were to be remitted to Great Britain in gold and silver, the colonies have abundantly wherewithal to purchase the requisite quantity of those metals. They would in this case be obliged, indeed, to exchange a part of their surplus produce, with which they now purchase active and productive stock, for dead stock. In transacting their domestic business they would be obliged to employ a costly instead of a cheap instrument of commerce ; and the expense of purchasing this costly instrument might damp somewhat the vivacity and ardour of their excessive enterprise in the improvement of land. It might not, however, be necessary to remit any part of the American revenue in gold and silver. It might be remitted in bills drawn upon and accepted by particular merchants or companies in Great Britain, to whom a part of the surplus produce of America had been consigned, who would pay into the treasury the American revenue in money, after having themselves received the value of it in goods ; and the whole business might frequently be transacted without exporting a single ounce of gold or silver from America.

It is not contrary to justice that both Ireland and America should contribute towards the discharge of the public debt of Great Britain. That debt has been contracted in support of the govern-

ment established by the revolution ; a government to which the protestants of Ireland owe, not only the whole authority which they at present enjoy in their own country, but every security which they possess for their liberty, their property, and their religion ; a government to which several of the colonies of America owe their present charters, and consequently their present constitution, and to which all the colonies of America owe the liberty, security, and property which they have ever since enjoyed. That public debt has been contracted in the defence, not of Great Britain alone, but of all the different provinces of the empire ; the immense debt contracted in the late war in particular, and a great part of that contracted in the war before, were both properly contracted in defence of America.

By a union with Great Britain, Ireland would gain, besides the freedom of trade, other advantages much more important, and which would much more than compensate any increase of taxes that might accompany that union. By the union with England, the middling and inferior ranks of people in Scotland gained a complete deliverance from the power of an aristocracy which had always before oppressed them. By a union with Great Britain, the greater part of the people of all ranks in Ireland would gain an equally complete deliverance from a much more oppressive aristocracy ; an aristocracy not founded, like that of Scotland, in the natural and respectable distinctions of birth and fortune, but in the most odious of all distinctions, those of religious and

political prejudices; distinctions which, more than any other, animate both the insolence of the oppressors and the hatred and indignation of the oppressed, and which commonly render the inhabitants of the same country more hostile to one another than those of different countries ever are. Without a union with Great Britain, the inhabitants of Ireland are not likely, for many ages, to consider themselves as one people.*

No oppressive aristocracy has ever prevailed in the colonies. Even they however would, in point of happiness and tranquillity, gain considerably by a union with Great Britain. It would at least deliver them from those rancorous and virulent factions which are inseparable from all small democracies, and which have so frequently divided the affections of their people, and disturbed the tranquillity of their governments, in their form so nearly democratical. In the case of a total separation from Great Britain, which, unless prevented by a union of this kind, seems very likely to take place, those factions would be ten times more virulent than ever. Before the commencement of the present disturbances, the coercive power of the mother country had always been able to restrain those factions from breaking out into any thing worse than gross brutality and insult. If that coercive power were entirely taken away, they would probably soon break out into open violence

* The incorporating union with Ireland effected twenty-seven years since, has not hitherto had the effect to deliver the people of that country from the domination of the oppressive and intolerant aristocracy alluded to by Dr. Smith.

and bloodshed. In all great countries which are united under one uniform government, the spirit of party commonly prevails less in the remote provinces than in the centre of the empire. The distance of those provinces from the capital, from the principal seat of the great scramble of faction and ambition, makes them enter less into the views of any of the contending parties, and renders them more indifferent and impartial spectators of the conduct of all. The spirit of party prevails less in Scotland than in England. In the case of a union it would probably prevail less in Ireland than in Scotland, and the colonies would probably soon enjoy a degree of concord and unanimity at present unknown in any part of the British empire. Both Ireland and the colonies, indeed, would be subjected to heavier taxes than any which they at present pay. In consequence, however, of a diligent and faithful application of the public revenue towards the discharge of the national debt, the greater part of those taxes might not be of long continuance, and the public revenue of Great Britain might soon be reduced to what was necessary for maintaining a moderate peace establishment.

The territorial acquisitions of the East India company, the undoubted right of the crown, that is, of the state and people of Great Britain, might be rendered another source of revenue more abundant, perhaps, than all those already mentioned. Those countries are represented as more fertile, more extensive, and, in proportion to their extent, much richer and more populous than Great

Britain. In order to draw a great revenue from them, it would not probably be necessary to introduce any new system of taxation into countries which are already sufficiently and more than sufficiently taxed. It might perhaps be more proper to lighten than to aggravate the burden of those unfortunate countries, and to endeavour to draw a revenue from them, not by imposing new taxes, but by preventing the embezzlement and misapplication of the greater part of those which they already pay.

If it should be found impracticable for Great Britain to draw any considerable augmentation of revenue from any of the resources above mentioned; the only resource which can remain to her, is a diminution of her expense. In the mode of collecting and in that of expending the public revenue, though in both there may be still room for improvement, Great Britain seems to be at least as economical as any of her neighbours. The military establishment which she maintains for her own defence in time of peace, is more moderate than that of any European state which can pretend to rival her either in wealth or in power. None of those articles, therefore, seem to admit of any considerable reduction of expense. The expense of the peace establishment of the colonies was, before the commencement of the present disturbances, very considerable, and is an expense which may, and, if no revenue can be drawn from them, ought certainly to be saved altogether. This constant expense in time of peace, though very great, is insignificant in comparison with what the

defence of the colonies has cost us in time of war. The last war, which was undertaken altogether on account of the colonies, cost Great Britain, it has already been observed, upwards of ninety millions. The Spanish war of 1739 was principally undertaken on their account; in which, and in the French war that was the consequence of it, Great Britain spent upwards of forty millions, a great part of which ought justly to be charged to the colonies. In those two wars the colonies cost Great Britain much more than double the sum which the national debt amounted to before the commencement of the first of them. Had it not been for those wars, that debt might, and probably would by this time, have been completely paid; and had it not been for the colonies, the former of those wars might not, and the latter certainly would not, have been undertaken. It was because the colonies were supposed to be provinces of the British empire, that this expense was laid out upon them. But countries which contribute neither revenue nor military force towards the support of the empire, cannot be considered as provinces. They may perhaps be considered as appendages, as a sort of splendid and showy equipage of the empire. But if the empire can no longer support the expense of keeping up this equipage, it ought certainly to lay it down; and if it cannot raise its revenue in proportion to its expense, it ought at least to accommodate its expense to its revenue. If the colonies, notwithstanding their refusal to submit to British taxes, are still to be considered as provinces of the British empire, their defence

in some future war may cost Great Britain as great an expense as it ever has done in any former war. The rulers of Great Britain have, for more than a century past, amused the people with the imagination that they possessed a great empire on the west side of the Atlantic. This empire, however, has hitherto existed in imagination only. It has hitherto been, not an empire, but the project of an empire; not a gold mine, but the project of a gold mine; a project which has cost, which continues to cost, and which, if pursued in the same way as it has been hitherto, is likely to cost, immense expense, without being likely to bring any profit; for the effects of the monopoly of the colony trade, it has been shown, are, to the great body of the people, mere loss instead of profit. It is surely now time that our rulers should either realize this golden dream, in which they have been indulging themselves, perhaps, as well as the people, or that they should awake from it themselves, and endeavour to awaken the people. If the project cannot be completed, it ought to be given up. If any of the provinces of the British empire cannot be made to contribute towards the support of the whole empire, it is surely time that Great Britain should free herself from the expense of defending those provinces in time of war, and of supporting any part of their civil or military establishments in time of peace, and endeavour to accommodate her future views and designs to the real mediocrity of her circumstances.

~

SUPPLEMENTAL

NOTES AND DISSERTATIONS.

NON enim me cuiquam mancipavi, nullius nomen fero: multum magnorum virorum iudicio credo, aliquid et meo vindico. Nam illi quoque, non inventa, sed quaerenda, nobis reliquerunt.

SENECA.



NOTES
AND
DISSERTATIONS.

NOTE I.

DEFINITION OF LABOUR.

As almost all the reasonings in political economy have either a direct or indirect reference to labour, it is of the utmost importance to have a clear conception of what is meant by that term.

Dr. Smith has nowhere stated the precise meaning he attached to the term labour. It seems, however, that generally speaking, he supposed it to mean the exertions made by human beings to bring about some desirable result.* But he has not always understood it in this confined sense; and if he had done so, it would have been a departure from ordinary usage, and would have involved him in inconsistencies. It has been the universal custom, not of political economists only, but of all who have

* Mr. Senior, the learned professor of political economy in the University of Oxford, in his remarks on some of the definitions in this science, published in the appendix to Mr. Whateley's treatise on Logic, states that the word labour signifies both the act of labour and the *result* of that act; observing that it is used in the second sense when we talk of *accumulated labour*. But the phrase *accumulated labour* is merely a compendious, though inaccurate mode of signifying the accumulated products or results of labour. A steam engine is the produce of labour, but no one ever thought of calling it labour.

ever had occasion to treat of such subjects, to apply the term labour to the exertions made by such of the lower animals as have been domesticated and employed in industrious undertakings. Conformably to this custom, Dr. Smith has denominated the horses and oxen employed by the farmer "labouring cattle;" and I am not aware that any one has ever attempted to deny that this is an appropriate denomination, or that the term labour ought not to be extended so far.

But it seems to me that this term ought to be understood still more comprehensively. It has hitherto been universally admitted that, in an economical point of view, the lower animals can be regarded only as a species of machines. But if it may be justly said that a horse labours, may it not also be said that a steam engine labours? In point of principle there is no real difference between the two operations. In both power is employed to produce a desirable result; and if the *value of the power*, so applied and expended, be the same, the *value of the results* will be the same, although the agents employed may in the one case be sensible of toil and privation, and in the other not. Nor is it easy to see how, under such circumstances, it can be justly considered as in any respect unwarrantable to apply the same common term to express the action or operation by which the wished-for result is produced.

Suppose, still further to illustrate this principle, that a certain piece of work can be performed, or a certain result produced, by the agency of men, horses, machinery, or natural powers, as wind or water: every one would admit that it was correct to say that the work might be performed, or the result produced indifferently by the *action* or *operation* of either of these agents. But nothing more is meant when it is said that it may be performed or produced by the *labour* of either. In this respect labour is perfectly synonymous with action, operation, &c. It consists in the application of power to produce a de-

sirable result. The thing that applies the power is the labouring, acting, or operating instrument: and though it is most certainly true, that the species of instrument is, in other respects, of very great importance, that circumstance affects neither the nature of the operation nor its physical and wished-for results.

It appears, therefore, that labour may properly be defined to be *any sort of action or operation, whether performed by man, the lower animals, machinery, or natural agents, that tends to bring about any desirable result.* In so far, however, as that result is effected by the labour or operation of natural agents, that can neither be monopolized nor appropriated by a greater or smaller number of individuals to the exclusion of others, it has no value. What is done by these agents is done gratuitously. Every one may avail himself at pleasure of their services; and when such is the case, it is plain that no one will part with any portion of what has cost him any trouble to acquire in order to get possession of what may be obtained in unlimited quantities for nothing. Thus, in the instance of the corn that is ground by means of a *wind-mill*: the action or labour of the wind in turning the machinery of the mill is the spontaneous gift of nature, and is therefore of no value, and fetches no price; so that the price of grinding the corn, or the value of the work that has been performed, is determined, partly by the value of the immediate labour of the persons employed in working the mill, and partly by the cost of that portion of the capital and labour originally expended in the construction of the mill, that may be supposed to be wasted in the operation. No one can doubt, to give another instance, that the impulse of the wind, and the buoyancy of the water, contribute infinitely more than the direct labour of the sailor to transport our ships from one hemisphere to another. But the labour or services performed by these agents is the free gift of Providence, and cannot be monopolized. And

hence it is, that in estimating the freight of goods brought from a distant port, the aid derived from natural agents is wholly neglected, and it is by the labour of the sailors and the value of the ship or capital that has been employed, that it is exclusively determined.

It follows, therefore, that all effects may be properly considered as the product or sequence of labour of some sort or other : but the value of these effects is entirely dependent on the quantity of the immediate labour or action of man, or of capital, or the accumulated produce of the anterior labour or action of man, expended in bringing them about. And, therefore, when it is said that commodities are in all cases wholly produced by means of labour, reference is necessarily made to all sorts of labour, whether of man, capital, or natural agents. But when it is said, that the value of the commodity or product is determined by the quantity of labour expended in its production, reference is made only to that species of labour which is possessed of value, that is, to the labour of man, or of capital expended upon the commodity or product. In so far as non-monopolized natural agents concur in production, what they do is done gratis. Their operations are often of vastly more consequence than those of man, or the capital produced by man ; but as they are performed spontaneously, they are neither valuable themselves, nor can communicate that quality to any thing else.

It has been said, and by those who admit the accuracy of the principles now stated, that it might notwithstanding be advisable to restrict the term labour, so as to make it expressive only of the action or operation of man and the lower animals, or of such beings as are susceptible of the feelings of toil and privation; and to call the action or operation of machinery and natural agents by some other name. But a distinction of this sort, though in some

respects perhaps it might be desirable, is on the whole objectionable; because it gives countenance to the idea that there is some radical difference between the labour of man and of machinery, &c. whereas, in so far as the doctrines and conclusions of political economy are concerned, they are in all respects the same. If a capitalist expends the same sum in paying the wages of labourers, in maintaining horses, or in hiring a machine, and if the men, the horses, and the machine can all perform the same piece of work, its value will obviously be the same by whichever of them it may have been performed. And as all the investigations of political economy turn upon either the production, the distribution, or the consumption of articles or products possessed of value, it is clear that whatever actions or operations have the effect to communicate the same value to the same or different articles or products, ought to be regarded in precisely the same point of view; and that, in order to prevent any one from supposing that their operation is different, they ought all to be designated by the same common term.

But admitting that it may be best to express the action or operation of men, the lower animals, and machinery, or, in other words, that it may be best to express the action or operation of men and capital, in the bringing about a desirable result, by the same common term, still it may be contended, that it is wrong to apply this term to express the action or operation of natural powers or agents. But the production of a desired effect, of some sort or other, seems to be the only criterion of labour that can safely be adopted. When we succeed in employing water or wind in any industrious undertaking, it is uniformly said that we make them perform a part of what must otherwise have been wholly the work of man, that is, we *make them labour or work* for him. It is true, as has been already stated, that in so far as natural agents perform any piece of work themselves, without the aid

either of man or capital, what they do is done gratuitously. But their labour is not the less real on that account. The action of the wind on the sails of a ship, is as sensible as the action of the hand on the helm or of a fire on the boiler of a steam engine; though, as it is not like them, either wholly or partially the immediate or remote result of human industry, it has no value.

Those who object to the extension of the term labour, or, which is in effect the same thing, to the application of the same common term to designate the action or operation of man, capital, and natural agents in the production of commodities, are involved in inextricable difficulties. There are a variety of products which, after they are brought into a certain state, and are no longer subjected to the immediate and direct action of man or machinery, notwithstanding undergo further changes, and in consequence acquire additional value. Now the question is, of what are these changes and this increased value the result? Those who contend that the increased value is not the result of labour, say that it is a compensation for the *time* the capital invested in the commodities is retained in a state of inaction. But that this cannot possibly be the case, is obvious from the circumstance, that were no *change* produced upon the commodities, they might be retained in a cellar or a warehouse for the most lengthened period, without acquiring the smallest additional value. It follows, therefore, that the change that has been effected is the proximate and immediate cause of the additional value acquired by the commodities; and as *time* can of itself produce no change or effect, and is only, if I may so speak, the space wherein really efficient agents operate, it seems abundantly clear that it can have nothing to do with the matter.*

* To resort to time, is in truth to attempt to explain phenomena by the aid of *occult causes*, by the ringing of changes on words and names, and serves only to obscure and perplex what admits of a sufficiently satisfactory explanation.

There is not, indeed, a shade of difference, in point of principle, between the processes of fermentation, &c. carried on inside a cask of wine or beer, and the action of the wind on the sails of a ship, or the blades of a wind-mill. And if we are justified in saying that corn is ground by means of labour, we must also be justified in saying that wine or beer is purified by means of labour. A cask of new wine is a capital which represents, or is the result of the labour expended in cultivating, gathering, pressing, &c. the grapes of which it is made; and the action or labour of fermentation, and of the other processes carried on inside the cask, has precisely the same effect on this capital that the action or labour of the wind has on the capital invested in a ship or a mill. It produces the desired change or effect; but the *value* of that change is not increased by, and is in no degree dependent on, the operation or labour of the natural agents concerned, but on the amount of capital, or the produce of previous labour, that co-operated in the production of the effect; just as the cost of grinding corn does not depend on the action of the wind or water that turns the mill, but on the amount of the capital wasted in the operation.

M. Say contends, in his valuable work on Political Economy, that natural powers or agents, by contributing materially to the production of most sorts of commodities, not only add to the mass of useful and desirable products, but also to their value in exchange. (*Ils ont non seulement une valeur d'utilité mais une valeur échangeable.**) This is a fundamental error into which M. Say has been led from his confounding the utility with the value of commodities. There is, however, no more analogy between the utility of a commodity, or its capacity to satisfy our wants and desires, and its value in exchange as compared with other commodities, than there is between its weight and colour. M. Say observes, that

* *Traité d'Economie Politique*, tome i. p. 36. 5me edit.

when a manufacturer, by availing himself of some natural power, reduces the cost of an article from twenty to fifteen francs, those who purchase the commodity have five francs more than they had before to expend on other things. This is no doubt true, but instead of its proving that the employment of the natural power has been productive of these five francs, or of any value, it proves the very reverse. Those who buy the commodity at its reduced price obtain the same *utility*, or the same quantity of produce, as before the reduction took place; but they do this precisely because the commodity has *declined in value*—because a natural power or agent whose services cost nothing, and are therefore wholly incapable of communicating value to any thing, has been employed to perform a part of that work which had previously been performed either by man or by capital. It is singular, that notwithstanding this radical error was set in a very striking point of view by Mr. Ricardo, M. Say has allowed it to continue to infect and vitiate every part of his work.

In conclusion, therefore, it may be observed that every useful or desirable result must be brought about by the action, operation, or labour of man, capital, or natural agents. Inasmuch, however, as the labour or action of natural agents is, except in cases where they admit of being monopolized and appropriated by a greater or smaller number of individuals, performed gratuitously; it follows that the *value* of the result or effect produced is to be measured by the quantity of the immediate labour or action of man, or of capital, or the accumulated produce of the labour or action of man, required to produce it.

NOTE II.

DEFINITION, SOURCES, AND REGULATING PRINCIPLES
OF VALUE.

A KNOWLEDGE of the sources whence the value of commodities is derived, and of the principles by which it is limited and determined, being of essential importance in all inquiries in political economy, I shall here beg leave to submit the following observations on these points, by way of supplement to those that have been made by Dr. Smith in the fifth chapter of the first book of *Wealth of Nations*, and other parts of that work.

I. *Definition of Value.*—When it is said that an article or product is possessed of *value*, it is meant that one or more individuals are disposed to give a certain quantity of the labour of man, or a certain quantity of some other article or product obtainable only by means of that labour, in exchange for it.

II. *Sources of Value.*—The power or capacity which particular articles or products possess 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.

Possessing utility commodities derive their value from *two* sources:—*First*, from the labour required to produce, procure, or preserve them; or *second*, from their being placed under a natural or an artificial monopoly.

(1.) 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. It is true that if it be destitute of utility of some species or other, it can never become an object of demand; but how necessary soever any article may be to our comfort or even existence, still, if it

be a spontaneous production of nature—if it exists independently of human agency—and if every individual can command indefinite quantities of it without any voluntary exertion or labour of any sort, it is destitute of value, and can afford no basis for the reasonings of the economist. A commodity or a product is not valuable simply because it is useful; but it is valuable because it is useful, and because it cannot be procured except by the exertion of labour, or by the sacrifice of a certain amount of sweat and toil, or of the produce of such sweat and toil. 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 are possessed of that exchangeable value of which air is totally destitute. The reason is, that food and clothes are not, like air, gratuitous products; they cannot be had at all hands and in any quantity without exertion; on the contrary, labour is always required for their production or appropriation, or both; and as no one will voluntarily sacrifice the fruits of his industry without receiving an equivalent in return, they are truly said to possess exchangeable value.

(2.) The expenditure of immediate labour, or of the produce of anterior labour, in the production or acquisition of commodities is not, however, the only source, though it is by far the most abundant one, of exchangeable value. *Provided a commodity or product in demand can be appropriated and enjoyed by one or a number of persons to the exclusion of others*, it may have exchangeable value, or other persons may be disposed to give a portion of their labour, or of its produce, in exchange for it, though it has not really cost its owners anything. This results from the circumstance of the commodity existing only in a *limited degree of abundance*, and consequently under such circumstances as admit of its being *monopolized*. A person who has a water-fall on his estate may in an

advanced stage of society draw a considerable rent for it; and a person who has stumbled upon an antique gem may be able to sell it at a very high price. The number of water-falls and of antique gems is limited, and cannot be increased; fresh capital and labour cannot be applied to their production. And, therefore, although the water-fall originally cost nothing, it may, notwithstanding, come to be let for a sum equivalent to the value of the labour it will save to the individuals who employ it to turn machinery, or to produce some desired effect. The value of the gem will not be thus regulated; for, inasmuch as the demand for it must depend wholly on the caprices of taste and fashion, and on the wealth of those who are desirous to possess such rarities, its value may fluctuate to almost any extent.

Abstracting, however, from those natural powers or capacities which may be monopolized, and the value of which must always be limited by the value of the labour they can save to those who have a demand for them, such *commodities* as are either absolutely limited in their quantity or admit of being monopolized, are but few and unimportant when compared with the great mass of commodities in circulation. When, however, it is said that the labour of man is either immediately and directly, or remotely and indirectly, the chief source and limiting principle of exchangeable value, it must always be understood that all descriptions of monopolized products and commodities are excepted, and that reference is made to those only whose quantity may be indefinitely increased by the application of fresh capital and labour to their production, and which are not subjected to any species of fetter or restraint.

The word *value* has been frequently employed to express, not only the exchangeable worth of a commodity, or its fitness for exchanging for other commodities obtainable only by means of labour, but also its *utility*, or its fitness for satisfying our wants, and 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, or of water to quench thirst—is a totally different and distinct quality from their capacity of exchanging for other commodities. Dr. Smith perceived this difference, and has shown the importance of carefully distinguishing between the utility, or, as he expressed it, the “*value in use,*” of commodities, and their value in exchange. To confound such essentially different qualities, would evidently lead to the most absurd conclusions. And hence, to avoid all chance of error from mistaking the sense of so important a word as value, it would be better not to use it except to signify exchangeable worth or value in exchange; and to use the word *utility* to express the power or capacity of an article to satisfy our wants or gratify our desires.

Having premised these observations with respect to the source or origin of value, the next object of importance is to discover the principle by which its amount is limited or determined.

Suppose that two commodities, A and B, are produced in the precise degree that is necessary fully to supply the effectual demand for them, or the demand of those who are able and willing to pay the expense of their production, that the quantity of each may be indefinitely increased, and that *double* the labour* is required to produce a given quantity of A that is required to produce an equal quantity of B. Under such circumstances, one A would obviously exchange for, or be worth, two B. The labour required for their production forms, by the supposition, the *only* source and measure of their value; and hence, if double the quantity of labour that

* It is, perhaps, unnecessary to remark, that the word labour means here, and in all discussions respecting value, unless the contrary be distinctly mentioned,—either the immediate labour of man, or the labour of the capital produced by man, or both; as was explained in the note on Labour.

is required to produce the one be required to produce the other, it must necessarily be of double value.

It results from this principle, that the value of such commodities as are the product of labour, and are not subjected to any species of monopoly, is exclusively determined, so long as their supply is adjusted according to the effective demand, by the quantities of labour required for their production.

It has sometimes been said, that it cannot truly be affirmed that the supply of commodities is ever adjusted precisely in proportion to the effective demand; and if reference is made to the entire mass of commodities, this is most probably true. It must, however, be always kept in view, that the efforts of the producers are uniformly directed to the establishment of this proportion; though, owing to the changes which are perpetually taking place in the demand for certain articles, and the unforeseen changes that are occurring in the supply of others, it very rarely happens, that when a considerable number are brought to market, the quantity of some of them is not either too great or too small; and if so, their value will, in the former case, be depressed below its natural level, and in the latter, it will be raised above it. An unusually luxuriant harvest, by increasing the supply of corn above its average amount, will sink its value or price; while an unusually deficient harvest will have a directly opposite effect, or will, by reducing the supply of corn below its average, increase the competition of the buyers, and raise its value or price; though the quantity of labour expended in producing the whole crop in both years may have been the same; and so of any other commodity.

And hence, in order to disentangle this important subject, and to set it in a clear point of view, it is necessary to distinguish between the *exchangeable value*, and the *real* or *cost value* of commodities or products. By the *first*, or the exchangeable value of a commodity or product, is meant its power or capacity of exchanging either

for other commodities or for labour; and by the *scarcity* or its real or cost value, is meant the quantity of labour which it required for its production or appropriation, or rather the quantity which would be required for the production or appropriation of a similar commodity at the time when the investigation is made.

I. Exchangeable value, or the capacity of exchanging for labour or its produce, is a quality inherent in all commodities which are in demand, and which are either not the spontaneous productions of nature, or exist in limited quantities only; but it is one that can neither be manifested nor appreciated, except when commodities are compared with each other or with labour. It is indeed quite impossible to speak of the value of a commodity, without either referring to some other commodity, or to labour as a standard. No one article, or product, can have any exchangeable value except in relation to some other article or product that either is or may be exchanged for it. It would be just as correct to talk about absolute height or absolute depth, as about absolute value in exchange. A is said to be valuable, or possessed of value, *because* it has the power of exchanging for a given 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.

It follows, from the circumstance of exchangeable value being the power which a commodity has of exchanging for other commodities or for labour, that the exchangeable value of no one commodity can vary without occasioning a simultaneous variation in the exchangeable value of all those with which it is compared. Suppose that a bushel of corn exchanged, in 1820, for five shillings, and that it now exchanges for ten shillings; in this case, it is evident that corn has doubled in value as

compared with silver; or, which is the same thing, that silver has lost half of its value as compared with corn. This case is, *mutatis mutandis*, the identical case of all commodities or products exchanged against one another. If A rises, it must be in relation to something else, as B; and if B falls, 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 one B, two C, three D, &c. its exchangeable value will be constant, provided it always preservés its present relation to them, but not otherwise. And it is obvious, that to communicate this constancy of value to A it would be indispensable that those circumstances, whatever they may be, that now determine its relation to, or its power to exchange for or purchase the commodities, B, C, D, &c. should, in all time to come, continue to exert precisely the same relative influence on it and them.* Experience, by exhibiting the exchangeable value of commodities in a state of constant fluctuation, sufficiently proves that the circumstances under which they are actually produced are widely different in their operation from those now supposed. Perhaps, however, it may be worth while to observe, that if commodities had been really produced under these circumstances, not A only, but every other commodity would have been an invariable standard; just as any given commodity in a market may be used as a standard to which we refer the value of all the rest. It is evident too, that the possession of such an invariable standard would be of no use

* The conditions essential to the production of an invariable measure of exchangeable value were first clearly pointed out in the Dissertation on the Nature, Measures, and Causes of Value, p. 17.

whatever. All that it would teach us would be, that the causes which first made A exchange for B continued to affect them both to the same proportional extent; but of the nature of those causes, and the intensity of their operation, we should be left wholly in the dark.

II. But by carrying our researches a little farther back, we arrive at some more definite conclusions. Every commodity possessed of value must either be of the class which requires labour for its production or appropriation, and which may be produced in indefinite quantities, or it must be of the class of those that exist only in a limited quantity, or which are placed under a monopoly. But it has been already seen that the value of monopolized commodities does not depend on any fixed or ascertainable principles, but varies according to the varying tastes and wealth of their owners, and those who wish to acquire them. This class being therefore left for the present out of view, suppose that A and B are two commodities of the former class, which readily exchanged twelve months since for each other; and suppose farther, that A now exchanges for two B. The fact of this variation having taken place, will communicate nothing that can teach us how it has arisen; for it might have been occasioned by causes exclusively affecting A, or exclusively affecting B; or which had affected them both, but in unequal degrees. It is clear, however, that if it were really impossible to trace these causes, and to determine their precise operation, the science of political economy, as now understood, could not exist; inasmuch as it would be worse than idle to set about inquiring into the causes which determine the value of commodities, if that value were altogether capricious, and dependent on no fixed principle.

But we are not thus left in the dark. Let it be supposed that when A and B were brought to market twelve months since, the supply of each was adjusted precisely in proportion to the demand for them. It is

plain that, under such circumstances, their exchangeable value must have been limited, and determined exclusively by their *real value*, or by the quantity of labour which was required to produce them and bring them to market.

Now the subsequent variation in the relation of A to B must have arisen from one or other of the following causes : either from some variation in the demand as compared with the supply of these commodities, or from some change in the quantities of labour required for their production, or partly from the one cause and partly from the other.

With respect to the influence of variations in the supply and demand, their operation would be easily discovered and appreciated, and could not obtain for any considerable period. The producers of commodities, the demand for which happens to increase in a greater degree than the supply, must in consequence obviously gain more than the common and average rate of profit, while the producers of those for which the demand happens to decline in a greater proportion than the supply, must as obviously gain less than this common and average rate : In such a case, therefore, capital would be transferred from the production of the latter class to that of the former, and would continue flowing in that direction until the supply of those commodities which were more in demand had been sufficiently augmented, and those which were less in demand had been sufficiently reduced, and conversely. “Ce qu’une sage administration publique doit désirer,” to use the words of M. Garnier, who has set this subject in a clear point of view, “ce qu’elle doit chercher à établir, c’est que toute marchandise ou production soit à son *prix naturel*. Toute déviation du prix naturel est un désordre et porte dommage à la richesse nationale. Les marchandises et productions qui sont à leur prix naturel sont celles où la consommation et la reproduction ont toute l’étendue et l’activité dont elles sont susceptibles. Il est de l’intérêt du consommateur de ne donner ni

plus ni moins que l'équivalent de chaque article qu'il consomme. S'il est forcé de donner plus que l'équivalent, il faut qu'il s'impose, pour y suffire, la privation de quelque autre chose qu'il aurait eu droit de consommer avec ce surplus. S'il paie moins que l'équivalent, il décourage la reproduction, et il ne tardera pas à éprouver les effets d'une rareté qui l'obligera à sacrifier beaucoup plus que l'équivalent, et lui fera payer beaucoup plus que la vileté momentanée du prix lui a fait gagner. Il est également de l'intérêt du producteur, soit manufacturier, soit agricole, de vendre à ce prix naturel qui lui rembourse le juste équivalent de ses avances avec le profit convenable. S'il reçoit plus que cet équivalent, la consommation ne sera pas long-temps sans diminuer, et il perdra bientôt, par le rétrécissement du marché, fort au-delà du bénéfice accidentel produit par l'exagération du prix. *Il n'y a de durable que le prix naturel*; ce n'est que sur ce prix qu'on peut établir des calculs certains et entreprendre des spéculations vraiment avantageuses. Tout gain, toute économie qui procède d'une déviation du prix naturel, est un appât trompeur, comme celui d'une loterie, dont les perfides présens sont toujours les avant-coureurs d'une perte plus considérable."* It is clear, therefore, that no *permanent* variation in the value of one commodity, or set of commodities, as compared with another, can ever be occasioned by fluctuations in the supply and demand, and that all such permanent variations must arise from some other cause.

Now this cause can be no other than a variation in the *real* or cost value of commodities, or in the quantity of labour required to produce one set, as compared with that required to produce another set. Suppose that the commodities A, B, C, &c. exchange for each other in the market. If A suddenly rises in value as compared with the others, the presumption might be, supposing we

* Richesse des Nations, tome v. p. 289, ed. 2nde.

were ignorant of the circumstances, that something had occurred either to increase the demand for A, or to lessen its supply, or both. But these are temporary and accidental causes of variation, and must, for the reasons that have now been stated, speedily disappear. And, therefore, if it should be found that A continued to maintain its increased value as compared with B, C; &c. it would be a conclusive proof either that the quantity of labour required for its production had been increased, or that the quantity required for the production of the others had been diminished in the same proportion. It is labour, therefore, that is the true and only measure of the real value of all things: and where there are no monopolies, and the supply of commodities in the market is exactly proportioned to the effectual demand, their exchangeable value is identical with their *real* value, or their *cost*; so that in every such case the quantity of labour required for their production is a measure both of the one species of value and the other.

These principles are in the main the same with those advanced by Dr. Smith in the beginning of the fifth chapter of his first book. "The *real price* of every thing," says he, "what every thing really costs to the man who wants to acquire it, is the toil and trouble of acquiring it. What every thing is really worth to the man who has acquired it, and who wants to dispose of it or exchange it for something else, is the toil and trouble which it can save to himself, and which it can impose upon other people. What is bought with money or with goods is purchased by labour as much as what we acquire with the toil of our own body. That money or those goods indeed save us this toil. They contain the value of a certain quantity of labour which we exchange for what is supposed at the time to contain the value of an equal quantity. 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; and its value, to those who possess it, and who want to exchange it for some new productions, is precisely equal to the quantity of labour which it can enable them to purchase or command.”*

The quantity of commodities produced by equal quantities of labour is not always equal: but the *real value* or the *cost* of a commodity depends on the quantity of labour, or of toil and trouble, that has been expended in its production, and not on the mode in which it has been expended, or the degree of its productiveness. The various inventions and discoveries by which the productive powers of labour are augmented, add nothing either to its real 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 the machines used by the labourer comparatively inefficient, will undoubtedly yield a very different quantity of produce from a day's labour in an advanced and civilized 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 quite as great in the one case as in the other. 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 quantity of labour* may be laid out, and whatever may be the amount of its produce, its performance must unavoidably occasion the same sacrifice to those by whom it is performed; and hence it is plain that the products of equal quantities of labour, or of toil and trouble, must, however much they may differ in magnitude, always be of precisely the same real value.

Suppose an individual could produce *two* pecks of wheat

* Vol. i. p. 54.

by a day's labour in 1800, and that, from being obliged to cultivate bad soils, or any other cause, he can now produce only *one* peck by the same quantity of labour; this one peck will be deemed by that individual, and by every one else, to be of exactly the same value that the two pecks were before. 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 those commodities that continue to be produced by the same amount of labour as in 1800, that the two pecks did then. Nothing that is valuable can be obtained except by the exertion of a certain amount of labour or of physical force. This is the price that man must pay for all things not spontaneously furnished by nature; and it is plainly by the magnitude of the price so paid, and not by the magnitude of the things themselves, that their real value is to be estimated.

It appears, therefore, that the *exchangeable* value of, or the power of purchasing belonging to any given commodity, must be measured or determined by the quantity of some other commodity, or of labour, for which it will exchange; whereas the *real* value of a commodity is measured or determined by the amount of the sacrifice it has cost, or, which is the same thing, by the quantity of labour required to produce or obtain it.

It follows from what has been previously stated, that the *real* value of a commodity, or its value estimated in labour, may increase at the same time that its *exchangeable* value, or its value as compared with any other commodity, may diminish, and conversely. Suppose that A and B are commodities produced by equal quantities of labour, and that the supply of them brought to market is exactly proportioned to the effectual demand, their real and exchangeable values will in such a case be equal. Suppose now that, from some cause or other, the quantity of labour required to produce A is doubled, and the quantity required to produce B trebled:

In this case it is plain that the real value of A will be double what it was before; but ^{as} the real value of B has increased still more rapidly, the exchangeable value of A will have sunk as compared with B in the same proportion in which the labour required to produce the latter exceeds that required to produce the former, or in the proportion of two to three. And, on the other hand, it is plain that if A and B had both declined in real value, but in unequal degrees, the exchangeable value of the one whose real value had declined least rapidly, would have increased as compared with that which had declined most rapidly.

Assuming, then, that the magnitude of the quantities of labour expended in the production of commodities is the sole determining principle of their *real* value, it follows that, if any commodity required at all times the same quantity of labour, or of toil and trouble, for its production, it would be *invariable* in its real value. It is obvious, however, that no such commodity can possibly exist. The varying fertility of the soils to which recourse must successively be had, and the various improvements that are always being made in the application of labour, occasion perpetual variations in the quantities of labour required to produce all sorts of commodities. And, therefore, 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 *real* value.

It has sometimes been said, that if such a commodity as that now supposed did really exist, 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 exchangeable value of commodities and their real value were at all times identical. This, however, is but occasionally and rarely the case. The exchangeable value of a commodity is liable to be raised above its real

value, either by a sudden increase of the usual demand, or a sudden deficiency in the usual supply, and to be depressed below it by the opposite circumstances. And though it is true that any given fluctuation is seldom of very 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, be involved in the most inaccurate conclusions 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 exchangeable value: For the value in exchange 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 commodity with which it was to be compared. If A was 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 else 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, if a variation took place in the relation that had formerly 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 although a knowledge of the comparative quantities of labour required for the production of such com-

modities as are freely produced, and may be indefinitely increased in quantity, will not enable us to pronounce as to their exchangeable value at any given moment, we may notwithstanding be assured that it must, generally speaking, be identical with their real value. The latter, if I may so speak, forms the centre or pivot round which the former oscillates: and when a sufficiently lengthened period is taken into account, the oscillations on the one side necessarily balance those on the other; so that the *medium* market, or exchangeable value of the commodities in question, uniformly coincides with their *real* value, that is, *they exchange for each other, on an average, in proportion to the quantities of labour required for their production.*

When it is said that a given quantity, or the produce of a given quantity of labour, is always of equal *real* value, it is not meant to affirm, that those who buy labour always give the same proportion of the produce of an unvarying quantity of labour for the same quantity of labour. What is really meant is, that when the market is not affected by either real or artificial monopolies, and when the supply of commodities is equal to the effectual demand, the comparative quantities of labour required for their production will determine the *proportions* in which their possessors will exchange them for each other, and for labour. A commodity produced by a certain quantity of labour will, in the state of the market now supposed, uniformly exchange for, or buy any other commodity produced by the same quantity of labour. It will never, however, exchange for, or buy exactly the same quantity of labour that produced it; * but though it will

* In point of fact, it will always exchange for more; and it is *this excess that constitutes profits.* No capitalist could have any motive to exchange the produce of a given quantity of labour already performed for the produce of the same quantity of labour to be performed. This would be to lend without receiving any interest on the loan.

not do this, it will always exchange for, or buy *the same quantity of labour as any other commodity produced under the same circumstances, or by means of the same quantity of labour, as itself.* When a capitalist exchanges capital or commodities for labour, he really exchanges the produce of labour already performed, for labour *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 the labourers engaged in the production of new commodities, that the quantity of produce they receive in exchange for their labour, or their wages, must vary according to the variations in the amount of that capital, and in their number. At one period, the labourers may be so numerous, compared with the capital that is to maintain them, that a labourer may be willing to offer a future day's labour for the existing produce of an hour's labour already performed; while, at another period, the number of labourers, compared with capital, may be so much reduced, that a labourer may be able to obtain the produce of *ten* hours performed labour for *twelve* hours future labour. But the real, and, in all ordinary states of the market, the exchangeable value of those commodities, on which *equal quantities* of labour have been laid out, is not in any degree affected by these variations. The change is not in the principle that regulates and determines value—the physical exertion, or the 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.

In stating that the quantity of labour required to produce commodities is at once the only determining principle and measure of their real, and also of their *average* exchangeable value, it is taken for granted, of course, that all sorts of labour are reduced to the same standard

of skill and intensity. The inequalities in the physical force of those individuals who have attained to their full growth, and who are perfectly formed, are in themselves immaterial; and when they are considered in a general point of view, they entirely disappear, for, whatever superiority may obtain amongst a few on the one hand, is sure to be balanced by a corresponding deficiency amongst as many on the other.

It may, perhaps, be thought, that though the statements and reasonings by which I have endeavoured to trace all permanent variations in the exchangeable value of such commodities as are not subjected to any species of monopoly, to variations in the comparative quantities of labour required for their production, should be in other respects conclusive, they are defective inasmuch as no allowance has been made for the value of the *raw material* of which commodities are composed. But it is easy to see that no such allowance ought to be made. The raw material of commodities is the free gift of Providence, and is, therefore, wholly destitute of any value. Suppose, to illustrate this principle, that you take any article of convenience or luxury in your possession, and abstracting from it all that it owes to labour, observe what you will have at last. Take, for instance, a gold watch: If you abstract from it all that it owes to the labour of the watchmaker, the smelter and refiner of the ore, the miner, &c. you will have, in the end, only a few grains of mineral sunk six hundred fathoms, perhaps, below the surface of the earth, and as absolutely destitute of value as the dust that you trample under foot. I say *destitute of value*; for, it will be observed, that when the miner has dug his way down to these grains of mineral, he gets them for the lifting; so that their value, when brought to the surface of the mine, must be wholly dependent on the quantity of labour required to fetch them there. The same principle holds universally. We often hear, to give another instance, of the value of the

raw material in a piece of cotton cloth. But what is so improperly called the raw material, is the cotton in a pretty advanced stage of its manufacture, and after a great deal of labour has been expended upon it. The raw material of cotton consists wholly of the carbon and other constituent elements of the plant—elements which are gratuitously furnished by nature, and which are, for that reason, completely destitute either of real or exchangeable value. A similar analysis might be made in the case of all other commodities; and in no case would it be found that their value is in any degree dependent on quantities of matter; but that in all cases in which either a natural or an artificial monopoly is not interposed, it is wholly owing, in periods of average duration, to the *labour* necessary to appropriate that matter, or to give it the desired shape, or both.

The principal results of the previous statements and reasonings may be shortly summed up as follows:—

1st, That the utility of certain articles or products, or their capacity or power to minister to our wants and desires, renders them objects of demand; and is, consequently, the cause of labour being expended in their acquisition, or, in other words, of their value.

2d, That value is of two sorts, *exchangeable* and *real*.

3d, That the *exchangeable* value of any one commodity is measured by the quantity of any other commodity, or of labour for which it will exchange; and that this quantity depends upon, and is regulated partly by the quantities of labour required for the production of the commodities compared with each other, or with labour, and partly by the state of their supply as compared with the effective demand for them.

4th, That the *real* value of a commodity is measured by, and is wholly dependent on the quantity of labour required for its production.

5th, That to whatever extent fluctuations in the demand and supply of freely produced commodities, whose quan-

tity may be indefinitely increased, may sometimes raise their value in exchange above, they must at other times equally sink it below their real value; so that upon an average their exchangeable is identical with their real value, that is, it depends upon, and is measured by the quantities of labour required for their production.

From the nature of the determination by the production

NOTE III.

OF THE NATURE, ORIGIN, AND PROGRESS OF RENT.

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

The price of every commodity, according to Dr. Smith, must on the average be at least sufficient to replace the capital necessarily expended in producing it, together with the ordinary profits of stock; because, if the price were permanently lower than this, the commodity would not be produced. But although this is the lowest price at which a commodity can be sold for any length of time, it is not the highest. Some commodities indeed can never permanently sell for more than the lowest price which will enable them to be brought to market; but

others can. Corn, cattle, and all the most important articles of raw produce, compose the latter class; their price is usually such as to leave a surplus, after replacing with the ordinary profits the whole expense of producing them and bringing them to market: and this surplus falls to the landlord, since the farmer cannot permanently receive a profit on his capital exceeding what that capital could obtain in other trades.

Dr. Smith's investigations appear to have stopped at this point. It is obvious, however, that the nature of rent was yet only half-explained, or rather was not explained at all. It is no explanation to say, that rent is a surplus above the ordinary profits of stock; because the very fact to be explained is the existence of such a surplus. If the price of every other commodity depends upon what is necessary for replacing with the ordinary profits the capital expended in its production, and a competition will not suffer it for any length of time to exceed this limit, why does not competition also keep down the price of raw produce to what is sufficient for replacing the capital, and affording the ordinary profits? Dr. Smith apparently did not consider this to require explanation, or deemed it sufficiently explained by the greatness of the demand. "There are some parts," says he, "of the produce of land, for which the demand must always be such as to afford a greater price than what is sufficient to bring them to market:"*—a reason which we must suppose him to have assigned rather because no other occurred to him, than because he was entirely satisfied with it, or had deduced it from any very careful analysis. A great demand is by no means sufficient to account for a high price. There are some commodities which, whatever might be the demand, would always be cheap; because they could always be produced and

* Vol. i. p. 241.

brought to market at a low price. Others, however trifling the demand, must always be dear; because if they were not dear, they could not be brought to market at all. Price, in short, does not depend upon the greatness of the demand. To produce a high price, the demand must be attended with some principle of limitation in the supply. Had Dr. Smith attended to this important truth, of which he has elsewhere proved himself to be well aware, he would have proceeded to inquire what is the principle of limitation in the case of corn; and this inquiry would most probably have disclosed to him the true theory of rent.

In the preceding note on *value*, commodities were divided into two classes; those which cannot be increased in quantity as the demand increases, and those which can. It was shown, that to the price and exchangeable value of the former class there is no limit, except the inability or unwillingness of the purchasers to give more; but that, of the other class, comprising the great mass of the physical objects of human desire, the price and value are determined by the cost of production; that is, by the quantity of labour required to produce them and bring them to market. Raw produce belongs to the latter class; since its quantity may be increased by additional labour, so as to meet any conceivable increase of demand. The value of raw produce, therefore, depends upon the cost of its production. But there is a peculiarity, in the circumstances under which raw produce is produced, which causes an apparent deviation from this law.

The value of every thing which is not limited in quantity, depends upon its cost of production. But suppose that there is a commodity which has two costs of production. The case is conceivable, and the following are the circumstances under which it would arise. Suppose that a commodity may be produced in two ways; one of them being much less expensive than the other, but depending upon the possession of a particular instrument, existing

in limited quantity: and let there be a demand for a larger supply of the commodity than can be produced in the cheaper of the two ways; so that recourse must be had to the dearer for a part of the supply. This commodity might be said to have two costs of production. Which of these costs of production would regulate its value? Evidently the dearer of the two; that which yields the smallest produce to a given amount of labour and capital. For if the value of the produce were not sufficient to replace with its profits the expense of producing the commodity in the dearer mode, no portion of it would be produced in that mode; and as the other mode is assumed not to afford enough to satisfy the demand, its value would rise, from scarcity, to the point which would enable a larger supply to be sent to market. It could not rise above this limit, otherwise the producers of the additional supply would obtain more than the ordinary rate of profit; which the competition of other capitalists would necessarily prevent.

It is clear, however, that the value or price which affords the ordinary profits of stock to those who produce a commodity by a certain process, must afford more than these ordinary profits to those who produce it by a less expensive process. And if the instrument by which the cheaper method of production is effected can be engrossed and appropriated by one or more individuals to the exclusion of others, the whole excess of profits which it yields—that is, the whole amount of produce, or its value, produced in the cheaper mode, over and above that which is produced in the dearer mode—will belong to the proprietors of the instrument, and will form RENT.

It appears, therefore, that any commodity, of which, from the necessary circumstances of its production, equal quantities of labour or equal capitals yield unequal returns, may yield a rent as soon as, from the extension of the demand, the most productive of the capitals becomes unable to supply the whole market. The value and price

of the commodity, too, must always be sufficient to replace with its ordinary profit the least productive of the capitals; but, if such a quantity of the commodity as the least productive capital can produce, affords to that capital the ordinary profit, an equal quantity will yield the ordinary profit to each of the other capitals: whatever, therefore, any of them produces beyond this, constitutes a fund to the extent of which rent may be paid.

Now, the produce of land is actually obtained under circumstances precisely analogous to those supposed in the above investigation. The quantity of corn or cattle in existence, may be increased by the employment of an increased quantity of capital or labour, but it cannot *always be increased in the same proportion as the capital*. A double capital applied to the manufacture of hats, will in general produce a double quantity of hats. A double capital applied to the growth of corn, will seldom afford a double quantity of corn. In the earlier stages of cultivation the quantity of produce may perhaps be doubled, and even more than doubled, by doubling the outlay. But land does not admit of being indefinitely forced with an equal return. And notwithstanding the occasional occurrence of improvements, it is invariably found that in the long run the effects of these improvements are overbalanced by the decreasing productiveness of the land; and that, speaking generally, additional supplies of food can only be obtained by a greater proportional sacrifice of capital and labour.

When an increased supply of corn comes to be required, it may be got in one of two ways. Land which remained uncultivated may be taken into cultivation; or the old land may be made to afford a greater produce, by a more complete system of drainage, the use of more powerful manures and implements, the employment of additional cattle or additional hands, &c.* It is characteris-

* This is what is meant by the application of additional capital. Inasmuch as all capital was originally produced by labour, it is the

tic of both these methods of increasing the produce, that a diminished quantity is, on an average, obtained in return for the same expenditure of labour and capital. In the case of new land this is obvious, since it would have been cultivated before, if its cultivation had not been less advantageous, all things considered, than that of the land which *was* cultivated. It is equally true, that when it is from the old cultivated land that the additional food is obtained, the additional capital which is employed scarcely ever produces so much in proportion to its amount, as the previous capitals. And if any proof of this be required, it is sufficient to observe, that otherwise none but the best lands, in fertility and situation taken together, would ever have been cultivated; for if the growing demands of the community could always have been supplied from those lands, without any enhancement of expense, the price of corn would never have risen sufficiently to enable the cultivation of any other lands to yield a profit.

It being established, therefore, that after a certain stage of cultivation a further supply of food must be obtained (if obtained at all) not only at a greater absolute, but at a greater comparative expense, it follows that when a further supply is wanted, the value and price of food must rise in proportion to the necessary increase in the cost of production;—and this, for one of the best of all possible reasons, viz. that until it has so risen, the food will not be produced. The exchangeable value of corn, therefore, has a constant tendency to rise with the increased demand occasioned by an increase of population.

The produce of land, then, being a commodity which has not one only, but several costs of production, and the greatest of these being of necessity the sole regulator

application of additional labour. Either the one phrase or the other may be used indiscriminately, as was explained in the note on Labour.

of its price, it follows, in the manner which has been shown in the supposed case before examined, that the inequality in these several costs of production is at once the principal cause and the measure of rent.

If the nature of the land had been such that it had always yielded the same or a greater proportional return to every fresh outlay of capital and labour upon it, the entire supply of food required by the most populous nation, might, it is obvious, have been raised from one acre as easily as from millions. In such a state of things, prices could never have risen, and rent would have been wholly unknown. Neither could prices have risen, nor rent appeared, had there been an unbounded extent of good land. But it is because the earth is of limited extent, and because it yields, on an average, a constantly decreasing return, according as cultivation is extended, to the same outlay of capital and labour, that prices rise and rents are paid.

When, in the progress of cultivation, that indefinable stage is attained, at which the proportional return to any further application of capital begins to decrease, production will be carried no farther without a rise of prices. The cultivators will, in preference, invest their savings in some other employment, until the increase of population produces an increase of demand, which, not being met by a corresponding supply, must of course raise prices. In consequence of this rise, fresh capital may now be applied by the agriculturists either to improve the best lands, or to cultivate those of a somewhat inferior degree of fertility. As much, therefore, of the return to the old capital as is over and above the return to the new, will now be over and above the ordinary profits of stock; it will therefore constitute rent.

Suppose, for instance, that the productiveness of capital, on a particular piece of land, of the first degree of fertility, begins to decline after it has been made to produce twenty bushels of corn. Let it be supposed,

that by superadding another capital equal to the first, not twenty, but fifteen bushels would be added to the produce. These fifteen bushels might with propriety be spoken of as the produce of the second capital, and the twenty bushels as the produce of the first. As soon as this additional quantity of produce is called for, by the increase of the demand, corn must rise in value and in price until the fifteen bushels exchange for as much money, and as much of all other things whose value has remained constant, as the twenty bushels did before; for the twenty bushels, at their former price, did not afford more than the usual profits of stock; the fifteen bushels, therefore, will not afford so much as the usual profits until they rise to that price. But when fifteen bushels come to afford the ordinary profit to the second capital, which is equal to the first, fifteen bushels will afford it likewise to the first capital. The remaining five bushels are thus over and above the ordinary profit of stock; and this being the case, the competition of the farmers will render them willing to pay them as rent to the landlord.

To carry the illustration a little farther, let the population continue to increase until it becomes necessary to raise a still greater supply of corn. This is to be obtained by a still farther increase of expenditure upon the soil, which will be attended with a still greater falling off in the proportional return. Suppose, for instance, that a third capital, equal to either of the foregoing, yields a return of no more than ten bushels. Before these ten bushels will be produced, they must have risen to the same price which the twenty bushels were sold for at first, and the fifteen afterwards. Ten bushels will now yield to the producer the ordinary rate of profit upon the last outlay of capital. But if ten bushels afford him the ordinary profit upon one third part of his entire stock, thirty bushels will afford him that rate of profit upon the whole. A surplus of ten bushels will therefore remain out of the produce of the first capital, and another of five out of that

of the second,—in all fifteen; the whole of which, being above the ordinary rate of profit,¹⁷ will constitute rent.*

We may now perceive in what sense we ought to take the proposition of Dr. Smith, that the price of food is always sufficient not only to replace the capital expended with the profit which it would have obtained in other employments, but to leave, besides, a surplus to the landlord. So long as all the food which is raised is raised at the same cost of production, the above proposition is not true in any sense. The value of the produce is then exactly sufficient to replace the capital with its profit, and no more. But when, from the increase of demand, and the limited extent and fertility of the soil, some portion of the total quantity of food produced has of necessity been raised at a greater cost than the remainder, its value rises. It never is more than sufficient, however, to replace, with the ordinary profit, that portion of the whole capital employed which is attended with the least return. But as all the corn sold in the same market must be sold at the same price, and as that price is sufficient to replace with its profit the least productive portion of the capital employed, it must be more than sufficient to replace, with the

* The case here chosen for illustration does not strictly exemplify the real course of circumstances, though it corresponds with it accurately enough for the purpose in hand. The decline in the proportional return to capital does not in reality take place, as is here supposed, at regular intervals or successive stages, but gradually and imperceptibly, from the effect of improvements, and by insensible steps. The fifteen bushels, and afterwards the ten, would not be produced all of them at the same cost; on the contrary, every bushel would probably cost somewhat more than that which preceded it. The slightest increase of demand would accordingly be attended with some rise of price; and every bushel, except the last, would yield a rent equal to the difference between its cost of production and that of the last. When, therefore, there came to be a demand for the whole thirty-five or forty-five bushels, the land would in reality yield a much higher rent than five or fifteen bushels. But to have attempted to express these minutiae by means of numerals, would have produced interminable confusion and complexity.

same profit, all the remainder of the capital. Here, therefore, commences the surplus which Dr. Smith describes, and which he justly considers to be the measure of rent.

Let us now briefly recapitulate the important principles which we have endeavoured to establish :

1. That if the produce of land could always be increased in proportion to the outlay, there could be no such thing as rent.

2. That the produce of land cannot be increased in proportion to the outlay, but in a less proportion.

3. That the least productive, which, speaking generally, is the last portion of the outlay, must yield the ordinary profits of stock ; and

4. That all which the other portions yield more than this, being above the ordinary profits, will constitute rent.

This result may be otherwise expressed in the following propositions :

1. That the causes of rent are, the limited extent of the land, and the inequality in the return to different portions of the capital expended on it.

2. That the rent which a piece of land may pay to its proprietor is equal to the excess of its produce, above what its produce would be if no part of the capital employed on it exceeded in productiveness the least productive agricultural capital in the neighbourhood ; and—

3. (A corollary from the preceding)—That the least productive capital, among all those which supply the same market, pays no rent whatever :—a proposition of which some farther developments will be offered in the sequel.

Difference in proximity to the market is a source of rent precisely analogous to difference in fertility. When the produce of different lands is sold in the same market, and consequently at the same price, the land which is nearest to the market, and pays least for carriage,

enjoys the same sort of advantage over the other as if it were more fertile. The price must be sufficient to indemnify the cultivators of both; it cannot, however, be sufficient to indemnify the one, without being more than sufficient to indemnify the other. It cannot afford to the cultivator of the more distant soil the profits of his stock, without leaving to the owner of the more adjacent one a surplus for rent; an equal price will always enable the nearer soil to be cultivated more highly than the distant one. When the towns are gradually compelled by the increase of their population not only to cultivate more and more highly the lands in their vicinity, but to draw a part of their supplies from a greater and greater distance, it may happen that the advantage of vicinity may more than counterbalance the disadvantage of barrenness, and lands of inferior fertility in the immediate environs of a large town may yield a considerable rent, while much richer land at a distance from the market will afford little, perhaps none. As vicinity to a town is always a cause of rent, so vicinity to a road or a navigable river or canal, by diminishing the expense of transporting the produce to some great market, may have a similar operation. It must be kept in mind that it is not the absolute fertility or position of any given lands, but their superiority, in these respects, as compared with other lands, supplying the same market, that enables their cultivators to pay a superior rent. It is obvious, too, that the larger the surface from which any particular market draws its supplies, the higher, in proportion to their fertility, will be the rent of the lands in its immediate neighbourhood.

The two sources of rent above described, fertility and proximity to the market, are totally distinct from those peculiarities of soil or situation which afford a rent on the common principle of monopoly. A peculiar kind of produce, such as tokay, which can only be obtained from a peculiar soil, and in limited quantity, may, from

deficiency of supply, obtain a price exceeding, in any possible proportion, the cost of production. The whole of this excess, after deducting the ordinary profit upon the capital, will naturally fall into the hands of the landlord. Land laid out in dwelling-houses, gardens, or parks, and possessing peculiar beauties of situation or disposition, is also of the nature of a monopolized commodity, and its rent is governed entirely by the demand. It cannot indeed yield a rent inferior to that which it would afford if devoted to agriculture, but it may yield more, without any assignable limit. When the advantage of any situation consists in its affording greater facilities for business, as, for example, when a shop, by being situated in a frequented part of the town, enables the occupier to obtain greater annual profits than could be made by an equal capital in a shop possessing no peculiar advantages of situation, the difference between these extraordinary profits and the ordinary profits will be added to the rent of the ground. It will be easy for the reader to trace, in this and similar cases, how much of what is termed rent is analogous to the price of a monopolized commodity, and how much is analogous to rent properly so called.

If the theory of rent, thus explained, be sufficiently clear and intelligible, the mode of explanation adopted above has this advantage, that it frees the doctrine at once from a variety of objections which have been very idly urged against it when expressed in other language, and propounded in a different form.

None of the eminent economists, who have given expositions of this theory, ever imagined that it depended wholly on the unequal fertility of different soils. They all knew that the inequality in the returns to different portions of capital successively expended on the same soil, was, equally with the different qualities of soils, a source of rent. Not only indeed were they fully aware

of this cause of rent, but they have all of them directly and unequivocally laid it down; expounded it with the greatest possible fulness, and left none of its important effects on wages, rent, profits, and values, unexplained. When, however, after having been once explained at length, the doctrine of rent had to be incidentally alluded to; for purposes which did not render it necessary to advert to the distinction between one of the two sources of rent and the other, it was shorter and more convenient to speak of the *different qualities of the soil* as being the cause of rent, than to combine the two causes in one expression, and speak co-ordinately of "the different qualities of the soil, and the difference in the proportional returns to the capitals successively applied to the same soil;" it being naturally supposed that every one would judge of the doctrine from the full and formal exposition of it, and not from incidental allusions. This laxity, however, has exposed them to misinterpretations which they can hardly be blamed for not having calculated upon. And it has been repeatedly urged, as a conclusive refutation of the new theory of rent, that there is no land which does not pay rent; that there would be rent if all the land was of uniform quality; and that all the lands of a country must pay rent, after all of them are taken into cultivation.

Any one who has read the foregoing exposition of the theory of rent, will perceive that these assertions, in so far as they are true, are corollaries from the very doctrine which they are supposed to disprove. If rent be the result of the unequal returns to different agricultural capitals, it follows necessarily, that whether the land be of equal or unequal fertility, it will all yield rent as soon as it is all cultivated, *beyond the point after which any farther cultivation would require a greater proportional expense.* Nothing, therefore, can be more idle than the objection, if this be all that is

meant; and if any thing more than this be intended, it is erroneous.

It is not essential to the theory of rent, that there should be no *land* for which some rent is not paid. What the theory requires is, that of the whole *capital* employed in agriculture, there should always be one portion which yields no rent; one portion which barely replaces itself, with the ordinary profits of stock. *This* principle is the real foundation of the theory of rent, and it neither has been nor can be called in question. For if the price of produce be so high as to afford even to the least productive portion of the capital employed in the land, a surplus above the ordinary profit; it is obvious that at least the ordinary profit may be obtained by applying more capital, and cultivating still more highly. But as there is always, on the average, as much corn already grown as there is a demand for at the existing prices, this increase of cultivation, on a part of the land, must be counterbalanced by the entire abandonment of another part, or a glut will unavoidably ensue. In the one case the owners of the deserted land by their competition, in the other case the glut by a consequent fall of price, would extinguish the rent assumed to have been previously afforded by the least productive capital on the land.

It is evident, therefore, that there is always some portion of agricultural capital which neither does, nor at the existing prices can, yield rent. This being admitted, whether there is or is not any *land* which pays no rent, will be matter of mere contingency. It will depend upon the answer to this other question, whether there be in the country any land which returns to the *first* and *most* productive capital expended upon it, exactly the same proportional produce which the other cultivated lands afford to the *last* and *least* productive? If there be any such land it will be cultivated, and from what has been demonstrated above, it is evident that it can yield no

rent. It is sufficiently obvious, that there will in general be land, in every extensive country, of this precise degree of fertility; because, in general, there is in such a country land of every degree of fertility, from the highest in existence down to that land which produces absolutely nothing. But whether there is or not, is, in so far as respects this theory, seldom worth the trouble of ascertaining; though it is unfair to argue that there can be no such land, because no proprietor will let his land gratis. There may be land in every farm which would yield no rent, if offered to be let separately from the rest; there may be entire farms which can yield no rent, and which are therefore farmed by the proprietor. No landlord will let his land gratis; but if his land is so bad that unless it be let gratis it cannot be let at all, he must either let it with other land, farm it himself, or suffer it to lie uncultivated.

Another objection which has been recently urged against the theory of rent, is, perhaps, worthy of a cursory notice, not so much on account of its intrinsic importance, as because it has not yet attracted the notice of any of the principal expounders of this theory. The substance of this objection is, that it is a mistake to suppose, as Mr. Ricardo and others have done, that the most fertile lands are first taken into cultivation. The light and sandy soils, it is affirmed, are usually first cultivated, while the clay and alluvial soils, though ultimately by far the most productive, require a greater original outlay of capital to bring them into cultivation, than can be spared in the early stages of agriculture.

Now, admitting the facts to be as here stated, it is singular how many one could have supposed that they were in any respect subversive of the doctrines previously laid down. If the richest land is sometimes the last cultivated, it follows, indeed, that the last capital expended is not always the least productive; but it does not therefore follow that the least productive capital

does not regulate the price, whether that capital be the first applied or the last. So long as the demand cannot be fully supplied by the cultivation of this rich and fertile land, the cultivation of that which is inferior must be continued; and even though the latter were thrown out of tillage, it would still be true that the price of produce must be determined by the cost of raising that portion which is obtained by the agency of the least productive capital, which it is yet necessary to apply to the ground.

The main purpose, however, for which this objection is propounded, appears to be that of demonstrating the advantage of a high price of corn. Dear corn causes, it is said, the cultivation not merely of barren land, but sometimes also of lands *more fertile than any which are yet under tillage*; and, therefore, it is beneficial! The fallacy of this statement consists in the misinterpretation of the term *fertile lands*. Fertility is here supposed to be a peculiar attribute of those lands on which a great absolute quantity of produce may be raised, without reference to expense; whereas it ought to be considered as belonging more particularly to those lands which yield, not the greatest absolute quantity of produce, but *the greatest produce as compared with the expenses attending their cultivation*. Suppose, for example, that there are two qualities of land in tillage, the one of which yields 100 quarters on a given surface, and the other 150 on the same surface; and suppose farther that an outlay of capital and labour equal to 50 is required in the cultivation of the former, and that the outlay required for the latter is equal to 80. Under these circumstances, it is plain that the land producing the 100 quarters would be deemed by an agriculturist, and by every one else, to be the most fertile of the two; inasmuch as fertility is never estimated by mere quantities of produce, but by the proportion which these quantities bear to the necessary outlay. It might perhaps be possible, by forcing at an immense

expense, to make an acre of Snowden or Ben-Lomond yield as large a quantity of produce as could be obtained, under an ordinary system of management, from an acre in the vale of Gloucester or the Carse of Gowrie; but would any one maintain that they were therefore equally fertile? To suppose, indeed, that the *most fertile* lands should require a higher price of corn to keep them in cultivation than the less fertile, is an obvious contradiction. It is true that in a very early stage of society, when but little capital has been accumulated, it is sometimes necessary to consider, in the employment of it, not what will afford the greatest, but what will afford the most immediate return. Lands may not then be cultivated for want of capital, which it would be highly advantageous to cultivate if there were the means; but when the capital is found, and applied to these lands, *then*, if they are not only more fertile than the old lands, but *more fertile in proportion to the outlay*, they will admit of being cultivated at a *lower* price than before, instead of requiring a higher. The land which needs a higher price to make it equally profitable to the cultivator may be the more productive land, in as far as *gross* produce is concerned, but with a view to *net profit* it is unquestionably the more barren.

Besides the objections which have now been examined and refuted, another has been urged from time to time against the theory of rent, as now explained. The authors of this objection affect to suppose that, Sir Edward West, Mr. Malthus, and Mr. Ricardo, considered the cultivation of inferior land as the *cause* of a high price of corn. But this, they allege, is to invert the order of the phenomena; the cultivation of inferior soils not being the cause but the effect of high price, and this high price being itself the effect of demand. This very doctrine, however, has been explicitly laid down by the distinguished authors previously referred to, and particularly

by Mr. Ricardo.* They have nowhere contended that a high price of corn was *caused* by the cultivation of inferior land; what they contend is, that it is caused by the *necessity* under which every increasing population is placed, of cultivating such inferior land, or of being starved. The wants and desires of man are the *cause* why all commodities are produced, and are, by consequence, the *cause* of their value; but it is the difficulty experienced in gratifying these wants and desires, or, in other words, the cost incurred in the production of commodities, that measures and regulates this value. This is the theory laid down by Mr. Ricardo and the other expounders of the doctrine of rent, and it cannot be in any degree affected by the petty cavils alluded to.

If the view which has been taken in the preceding pages of the regulating principle of rent be the correct one, it will furnish a solution of several problems, which were either unanswered, or answered very inadequately, by Dr. Smith and his immediate successors. One of these is the effect produced upon rent by the various changes incident to the progress of society.

The state of society, so far as respects the accumulation of wealth, is either retrograde, stationary, or progressive. Each of these states affects rent in a different manner; but none of them affects it exactly alike under all circumstances.

In a retrograde state of society, the rent of land has a tendency to fall. The diminution of the national capital, which is the distinctive characteristic of this state, does not indeed of necessity diminish the power of the people to buy corn, because they would probably renounce every other comfort before they would sacrifice their customary supplies of food. But the soil also produces the materials of many important manufactures, and as the consumption of them would certainly be diminish-

* See his Principles of Political Economy, &c. 3d edit. p. 178.

ed, a smaller supply of these materials would be required; and the decline of population, which invariably results from any considerable diminution of the national capital, would in time diminish also the demand for food! The land would then cease to be cultivated so highly; the least productive portion of capital would be withdrawn, or, to use a more correct expression, would cease to be annually renewed; the price and value of raw produce would now be regulated by a more productive portion of capital, and the rent paid by that portion would be annihilated, and the corn rents paid by the superior portions would be reduced by an equal amount, while their value would be reduced by a still greater proportion. To revert to the numerical example previously exhibited, of the three capitals yielding 20, 15, and 10 quarters respectively, and affording a rent of 15 quarters; let the third and last be supposed to be withdrawn in consequence of the diminished demand. The second capital would then yield no rent, and the first no more than five quarters; being a reduction of two-thirds in the corn rent of the land: but as the price and value of corn would also have fallen in the ratio of 15 to 10, or one-third, the real reduction of rent will be, not as 3 to 1, but as 9 to 2. The interest, therefore, of the landlord, in so far as he is affected by a retrograde state of society, coincides with that of the community. What diminishes their wealth diminishes his, and generally in a decidedly greater proportion.

When the wealth of the community is stationary, rent also in general will be stationary. When the wealth of the community is progressive, rent in the most ordinary and natural course of things will be progressive. The growing demand for food requires a higher and higher cultivation, with a return continually diminishing in proportion to the outlay: the wealth of the landlord is therefore doubly augmented, first by the increasing corn rent, next by the continually increasing value of that corn.

The interest of the landlord, considered as affected by a progressive state of society, is so far identical with that of the community; and would be altogether so, were it not that in the progress of cultivation two counteracting principles usually come into play. One of these is an improved system of agriculture; the other is the importation of raw produce from foreign countries. Both these circumstances operate to increase the wealth of the community; both, however, are immediately, the latter perhaps even permanently, injurious to the pecuniary interests of the landlord.

A country which, in proportion to the fertility of its soil, is more thickly peopled than its neighbours, and in which, therefore, the land is more highly cultivated, and corn at a higher price, soon finds that it can increase its supply of food at a smaller sacrifice by purchasing a part of it from other less populous nations, than by pushing the cultivation of its own land any further. From this point, therefore, if importation be free, whatever increase may take place in its wealth and population, the demand for the produce of its land may not be increased, nor the price of that produce raised; and the income of the landlord may remain stationary, while that of the community is increasing; or, if a forced increase of rent be produced by excluding foreign corn, and compelling the community to go on supplying its increasing demand by a higher cultivation of its own soil, the prohibition could not afterwards be taken off without depriving the landlord of the accession which he had gradually received to his income by the progress of population, co-operating with a restricted corn trade. The wealth of the landlord would thus be, in the first instance at least, diminished by what would both immediately, and ultimately add to the opulence of the community. The interest of the landlord is, in this respect, no longer coincident with, but is in some respects, opposed, to the interest of the nation.

Improvements in agriculture, also, though beneficial to the community, are generally, at least for a time, injurious to the landlord. They enable the same produce to be obtained with a smaller capital. The least productive portion of capital, therefore, would be withdrawn, or rather would cease to be renewed; and it is unnecessary, after the explanations already given, to repeat in what manner this would affect the price of the produce and the income of the landlord. If indeed the demand for corn were to increase in proportion to the cheapness, so that the same capital as before would still be required, the landlord would be uninjured. If, for instance, instead of 20, 15, and 10 quarters, 40, 30, and 20 could now be produced with the three capitals before supposed, and that the increased cheapness should encourage consumption so much that the whole of this increased quantity could find a market, the rent which before was 15 quarters, would now be 30, but as the value and price of corn would be reduced one half, the landlord would be benefited only in the greater cheapness of the corn which he consumed in his family. If, on the other hand, as is perhaps most probable, the demand did not increase in the same proportion as the cheapness, the landlord, as such, would sustain a positive diminution of his income.

It is not unusual to hear surprise and sometimes even indignation expressed at the paradox; (for such it is often considered,) that the landlords are not benefited by the improvement of agriculture. There is, however, nothing paradoxical in the opinion when properly explained. Every landlord is benefited by the improvement of his own estate. But why? because it increases the produce of his estate, without so far increasing that of the whole country, as perceptibly to lower the general price of corn. The proper way to try the truth of the proposition, is to consider, not whether it is the interest of a landlord to

improve his own estate, but whether it is his interest that his neighbours should universally improve theirs.

Improvements in agriculture, however, are, in the end, highly beneficial, even to landlords, by removing the ultimate limit of cultivation to a greater distance. The limit beyond which cultivation cannot, under any given system of cultivation, possibly extend, is that at which the last labourer employed barely reproduces his own subsistence. But an increase in the general productive powers of the soil, occasioned by an improvement, evidently enables more labourers and more capital to be applied before this point is attained. As every application of additional capital, with a diminished return, adds to the rent, improvements in agriculture enable an amount of rent to be ultimately paid, which could not have been paid under other circumstances. And notwithstanding the undeniable tendency of agricultural improvements to produce a temporary diminution of rent, it may be doubted whether that tendency has ever, to any considerable extent, been realized. The improvements which have been introduced into agriculture are so extremely limited, when compared with those of which some branches of manufacture have been found susceptible; and they are, besides, so very slow in making their way against those old habits and prejudices, which are perhaps more deeply rooted among the farmers than among any other class of producers, that the progress of population seems in most instances to have kept pace with the improvement of agriculture, and, in the same proportion as corn could be obtained cheaper, more corn has been required. It has not hitherto, indeed, been at any time the effect of an improvement to drive capital from the land, nor consequently to lower rent.

The adoption, by any considerable portion of the population, of a less costly food, of potatoes for instance, instead of wheat, is, in its effects upon cultivation, prices,

and rents, exactly similar to an improvement in agriculture.

The above observations are of the greatest importance for removing the fallacies which frequently intrude themselves into discussions on the corn laws, and all other subjects involving the consideration of rent. Another corollary of equal importance from the principle of rent is the proposition, that rent does not form a part of the cost of production; or, as it is commonly, but somewhat vaguely expressed, that rent does not enter into price.

Dr. Smith, though his language on this point is not always clear or consistent with itself, seems to have perceived that rent does not form a part of the cost of production of raw produce. He lays it down, in substance, that *corn is not high because rent is paid, but rent is paid because corn is high.** Being of opinion, however, that from some cause or other the value of raw produce always exceeds its cost of production; and knowing that the cost of raw produce forms one part of the cost of all manufactured articles, he concluded, that the excess of the price of raw produce above its cost of production, or, in other words, rent, entered into the cost of all manufactures. The price of a manufactured article he thought must always be sufficient to pay not only the wages of the labour, and the profits of the stock, directly and indirectly employed in producing it, but likewise the rent of the land on which the raw material was grown; and thus, as he thought, rent, or at least the excess, which constitutes rent, is not only an effect but a cause of high price; since if that excess or that rent did not exist, all manufactures might be sold at a smaller price.

It has now, however, been seen, that the price of raw produce does not exceed the cost of production, including in that expression the ordinary profits of the producer's capital. The aggregate price exceeds the aggregate

* Vol. i. p. 241.

gate cost of production; but this is because the cost of production is unequal. The price exceeds the lowest, but not the highest cost of production. And this highest cost, since it regulates the price of the whole, may be considered, without impropriety, as the cost of the whole; and the rent to be a peculiar privilege of favoured individuals; just as if a bounty were given to a select party of cotton manufacturers, who were not sufficiently numerous to supply the whole market, it could not properly be said, that the cost of producing cottons had been diminished; though it would be really diminished to the favoured individuals.

If therefore there were no such thing as rent, neither raw produce, nor consequently manufactures, could be sold cheaper than they are; rent has no influence either on value or price, and may be entirely left out of consideration, whenever these subjects are discussed.

It only appears necessary further to observe, concerning the rent of land, that it is not to be confounded with the consideration, annual or otherwise, which is paid to the landlord for building houses or fences, cutting drains, or effecting any other improvement on the land, which requires to be regularly renewed. These are as much a part of the capital employed in cultivation, as ploughs or thrashing machines, and differ only by being in general the property of the landlord. If the landlord supplied half the stock on the farm, part of his income would evidently be profit, not rent; nor is the case different when he supplies not only the land, but any of its appurtenances, which, if they did not exist, must be provided from the capital of the farmer.

The rent of mines is regulated by principles very similar to those which determine the rent of land. The cost of production at the least fertile of all the mines which must be worked to obtain the requisite supply, regulates the price of the produce obtained from all the others. The

ideas of Dr. Smith, on this subject, were, as has been previously remarked, extremely inaccurate.*

The chief difference between the principle of agricultural and that of mining rent, is, that the great law of the application of capital to land, the inequality of the return to different portions of the capital employed, does not apply to mines. It is true that the difficulty of working a mine increases as it becomes deeper. The return, therefore, to any new capital, applied to a mine, is generally a diminished return; but the return to the old capital diminishes along with it: there are not, as in the case of land, two portions of capital invested in the same mine, one of them producing more, and another less. Among the consequences which flow from this circumstance, one is, that the least productive mining capital may yield a rent. The productiveness of different mines does not differ by imperceptible degrees, like that of different capitals on the same soil. If, for example, the richest mine could singly supply the demand of the whole world, the undertaker might keep the price of his produce above the cost of production at his own mine, provided he kept it a little below the cost of production at any other; and by this surplus, as by every other surplus of the same kind, it would not be the capitalist but the proprietor who would benefit.

The theory of rent, explained in the foregoing note, was, with the exception of the principle of population, to which alone it is inferior in importance, the first great discovery which followed the publication of the *Wealth of Nations*. It was first announced to the world in two pamphlets, published in 1815, by Mr. West, (now Sir Edward West, chief-justice of Bombay,) and Mr. Malthus. A pamphlet explanatory of the same doctrine was published by Mr. Ricardo, two years after: but, although he was posterior to the authors above nam-

ed, in promulgating the doctrine, and less happy in his mode of explaining it than Sir Edward West, it is well known to many of his friends that he was in possession of the principle, and was accustomed to communicate it in conversation, several years prior to the publication of the earliest of these works. This is no disparagement of the merits of Sir Edward West, the originality of whose views cannot be doubted; and whose exposition of the principle, as well as of several collateral conclusions, evinces a thorough understanding of the subject, together with a perspicuity of style and clearness of arrangement, which entitle his essay to a very high rank among the works of political economists. His mode of treating the subject, being that which is best adapted to a reader who comes directly from the perusal of the *Wealth of Nations*, has for the most part been adopted in this note. Mr. Malthus also, though not quite so comprehensive and methodical, has clearly explained the fundamental principle of rent, but has fallen into some errors in its application, of which the length to which this note has already extended forbids any particular examination. The most important of them consists in supposing, that if an improvement took place in agriculture, which had the effect of economizing labour, or if the wages of labour were reduced, the saving thus made would be added to the rent of the land. It has been shown above, that in the first of these two cases, the price would fall, and the benefit of the saving would be given to the consumers. It will be shown hereafter, in treating of profits, that what would be saved to the producer by the other cause, a fall of wages being a saving not peculiar to agriculture, but common to all employments whatever, would be added to profits, and gained, not by the landlord, but by capitalists in general.

NOTE IV.

POPULATION.

Comparative Increase of Population, and of the Means of Subsistence—Progress of Population in Great Britain in Ireland—Changes in the Laws of Mortality in Europe since 1780.

I HAVE already observed, (Introductory Discourse, p. lxxxiii.) that the publication of the Essay of Mr. Malthus on the Principle of Population, had effected one of the greatest improvements that have been made in the science of political economy.* The prevalent opinion had previously been, that an increase of population was the most decisive mark of the prosperity of a state, and that it was the duty of government to endeavour to stimulate its increase, by encouraging early marriages, and granting exemptions from certain public services, and bestowing rewards on those who had reared the greatest number of children.

Mr. Malthus has set the erroneous nature of this policy in the most striking point of view. He has shown, by a careful examination of the state of countries in every stage of civilization, and placed under the most opposite circumstances, that the number of the inhabitants is

* Mr. Malthus has no claim to be considered as the discoverer of the true theory of population. Its constant tendency to outrun the means of subsistence had been set in a very clear point of view by Sir James Steuart, in the first book of his Treatise on Political Economy, and by the Rev. Mr. Townsend in his excellent Essay on the Poor Laws, published (under the signature of a Wellwisher to Mankind) in 1786. But Mr. Malthus was the first to treat and unfold the subject in a systematic and scientific manner, and to show, by a very extensive induction, the universal application and constant operation of the principle.

everywhere proportioned to the means of subsistence; that the natural tendency of population is not to fall below, but to exceed these means; and that, consequently, wherever the number of the inhabitants is not kept down to its necessary level, by the influence of moral restraint, or by the exercise of a proper degree of prudence and forethought, in the formation of matrimonial connexions, it must be kept down by the influence of mortality originating in vice, want, and misery.

The different progress of population in different countries and periods, is not a consequence of any variation in the principle or instinct which prompts man to multiply his species, but depends entirely on the different degrees of facility with which food, and the various articles necessary for his subsistence and accommodation, may be procured under different circumstances. The passion between the sexes has appeared in all ages, and under every diversity of circumstances, so nearly the same, that it may be said, in the language of mathematicians, to be a *constant* quantity; while the power or capacity of acquiring subsistence is liable to very great variations. But how great soever may have been the facility with which subsistence has been sometimes obtained, population has never failed to advance with corresponding rapidity. This is particularly evinced by the progress of all those colonies, both in the ancient and modern world, that have been planted in advantageous situations; where the fewness of the aboriginal inhabitants, or their inferiority to the colonists in the arts of civilized life, has enabled the latter to extend themselves over the country. The Greek colonies of Syracuse and Agrigentum in Sicily, Tarentum and Locri in Italy, and Ephesus and Miletus in Asia Minor, rose from the smallest beginnings, in the course of one or two centuries, to an equality in power and population with their parent states. But, not to dwell on these remote instances, the progress of the European settlements in America bears the most decisive

testimony to the truth of what has now been stated. It has been proved that the population of some of the states of North America has, after making the most ample deduction on account of immigrants, continued to double for a century past, in so short a period as twenty, or, at most, twenty-five years; and there seems no reason to doubt, had supplies of food, and other articles necessary for the accommodation of man, been increased in a more rapid proportion, that the population would have kept pace with their progress. But without entering upon any hypothetical reasonings with respect to what might have been the rate of increase of the population of the United States, under other circumstances than those that have actually obtained, we have the most unquestionable evidence to show, that when the means of subsistence are supplied in sufficient abundance, the principle of increase in the human race is powerful enough to cause population to advance 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 twenty-five years. It follows, therefore, taking the present population of the United States at eleven millions, that if it increase during the next hundred years at the same rate that it has done during the last hundred, it will amount, at the termination of that period, to 166 millions; and should it go on for a second century in the same proportion, it would amount to the prodigious sum of 2,656 millions!

It is easy, however, to show, in the *first* place, that the food, and by consequence the population of old settled countries like Great Britain, France, &c. cannot be augmented so rapidly as in newly-settled countries like the United States; and, in the *second* place, that the food, and by consequence also the population of the United States, cannot continue to increase for any very considerable period, so rapidly as they have increased during the last hundred years.

I. It is obvious, inasmuch as the entire food of man

must, in all cases, be derived from the soil, that the facility with which increased supplies of it may be obtained must depend, in a very great degree, on the fertility of the soil under cultivation: and suppose, on the one hand, that the population of any given country is so very thin as to render it unnecessary to cultivate any but lands of the highest degree of fertility; under such circumstances a comparatively small quantity of labour would yield a large quantity of produce, and there would, of course, be a comparatively rapid accumulation of wealth and population: and suppose, on the other hand, that the population of another country is so very dense, that not only all the good lands have been brought under tillage, and been highly improved, but that cultivation has been extended to lands of very inferior productive power. Now, it is obvious, assuming the science of agriculture to be equally advanced in the two countries we are contrasting, that the power or capacity of the former to add to her supplies of food, and consequently to her population, will exceed that of the latter, in the proportion in which the produce obtained by a given quantity of labour applied to the soil last taken into cultivation in the former, exceeds the produce obtained by the same quantity of labour applied to the soil last taken under cultivation in the latter.

In illustration of this principle, it may be observed that the difference between the produce *per* acre obtained at present from the best and worst lands under tillage in England and Wales, has been estimated, by the most intelligent agriculturists, to be in the ratio of 36 or 40 bushels to 8 or 9, or about 4 to 1. So that if we had two countries with the same system of agriculture, the one cultivating no soils yielding less than 36 bushels an acre, and the other cultivating soils that yield only 9 bushels, it is plain that the means of obtaining additional supplies of food would be *four* times greater in the former than in the latter, and that consequently her population might,

supposing other things to be the same, increase *four* times more rapidly.

Now this is the precise situation of America, as compared with Great Britain, and also with France, and most other continental states. The Americans are masters of an immense extent of rich and hitherto unoccupied land. They enjoy most of the advantages of civilization, with but few of its inconveniences. They are acquainted with all the arts and sciences of Europe, and they apply themselves only to the cultivation of soils of the highest degree of fertility. Their industry is, in consequence, extremely well rewarded. Each cultivator has a great deal more produce than is required for his own consumption, or that of his family; and as he accumulates the surplus, he has a proportionally great demand for labour. There is, therefore, every motive to form early marriages; while the comparatively comfortable situation of the parents enables them to bestow due attention to the rearing of their children, and lessens that mortality which is so destructive in the early period of life.

But the situation of Great Britain, and of all old settled, and comparatively populous countries, is entirely different. Our most fertile lands have been long since brought under tillage; and we are now obliged to raise whatever additional supplies of food we require, either by forcing the more fertile lands, or by resorting to such as are of very inferior productive power. The consequence is, that agricultural industry is here comparatively ill rewarded. The produce that remains to the cultivator, after the expenses of its production are deducted, is much less than in America. And there is thus a comparatively slow increase of capital, or of the means of subsistence, and consequently of population.

But it must be kept in mind, that notwithstanding the facility of obtaining additional supplies of food is thus

much greater in the United States than in Great Britain and most other European countries, the sexual passion is equally strong in the latter as in the former. Man, however, is not, like the lower animals, actuated by instinct only. The reason with which he is endowed enables him to perceive and appreciate, with more or less accuracy, the consequences of his conduct. In the United States every industrious individual, who has attained to a marriageable age, may enter into the matrimonial contract without dreading its results. But experience has shown that similar conduct on the part of a poor man in this country could hardly fail to be productive of the most ruinous consequences to himself and his offspring. There are a few, no doubt, on whom this experience is thrown away; and who scruple not to enter into the most improvident unions. But the great mass of society act on sounder principles. They have felt that the exercise of a certain degree of moral restraint was necessary to enable them to maintain their place in society. In consequence, marriages are very generally deferred to a much later period than in America, and a much larger proportion of the population find it expedient to pass their lives in a state of celibacy. And it is most fortunate that this is the case; it is most fortunate that the good sense and prudence of the people, and their laudable desire not to impair their condition, have made them control the violence of their passions, and disregard the dicta of so many spurious advisers. Man cannot possibly increase beyond the means of subsistence available to his support; and, therefore, it is quite obvious and certain that if the natural tendency to multiplication in countries advanced in the career of civilization, and where there is, in consequence, a considerably increased difficulty of providing supplies of food, be not checked by the prevalence of moral restraint, or by the forethought and consideration of the people, it

... must occasion the constant prevalence of 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 years; but as the limited extent and limited fertility of the soil render it impossible to go on permanently producing food in this ratio, it necessarily and unavoidably follows, that unless the passions are moderated, and a proportional diminution be effected in the number of births, the standard of human subsistence will not only be reduced to the lowest assignable limit, but famine and pestilence will be perpetually at work to relieve the population of wretches born only to be starved.

II. The same necessity under which the inhabitants of old settled countries are placed, of controlling the principle of population, in order to prevent the birth of a greater number of human beings than can be furnished with the means of subsistence, must, at no very distant period, be as sensibly felt in America as in either England or Holland. The rate of doubling once every twenty-five years, which we have seen has obtained in North America for a century, may perhaps obtain during the next half century, or until the population has increased to 44 millions, but it is hardly possible to suppose that it should continue for twenty-five years longer, or until the population had increased to 88 millions. Long before it had attained to this magnitude, the inhabitants would be spread over the whole continent, vast as it undoubtedly is; the good lands would be all, or mostly all, occupied; and the supplies of food required for the increased number of inhabitants could only be obtained by a greater sacrifice of labour and expense from soils of an inferior degree of productiveness. Sooner or later, therefore, population must, under any circumstances, arrive at that limit when the previous rate of in-

crease can no longer be maintained; and when, therefore, either the number of births must be diminished by the greater prevalence of moral restraint or of some other *preventive* check, or the condition of the whole population will be depressed, and an increased rate of mortality will take place. Even though America were ten times more fertile, and ten times more extensive than she really is, a very few generations would see her peopled up to the highest limit to which her present system of cultivation would admit population to be carried. But when she had arrived at this point, when lands of every description had been forced for supplies of food, and when we may suppose its quantity could not, without great difficulty, be increased, the same power that is now doubling the population every five and twenty years would still be in existence; and would, consequently, unless its operations were restricted by the prudence and consideration of the people, deluge the whole country with the most appalling mass of wretchedness.

It may be said, perhaps, that in the previous statements and reasonings no allowance has been made for the effects of the improvements which may be supposed to take place in agricultural science in the progress of society, or for the possible introduction, at some future period, of new and more prolific species of crops. But it is easy to see that the influence of such improvements and changes must, supposing them to be realized in the fullest manner, be of very temporary duration; and that it cannot affect the truth of the principle, that the power of increase in the human species must always, in the long run, prove an overmatch for the increase in the means of subsistence. Suppose that, by some extraordinary improvement, the quantity of food and other articles required for the subsistence and accommodation of man, annually produced in Great Britain, were suddenly doubled: the

condition of all classes being in consequence signally improved, there would be less occasion for the exercise of moral restraint; the period of marriage would therefore be accelerated; and such a powerful stimulus would be given to the principle of increase, that in a very short period the population would be again on a level with the means of subsistence: and there would also, owing to the change that must have been made in the habits of the people with respect to marriage during the period that the population was rising to the level of the increased supply of food, be an extreme risk lest it should become too abundant, and produce an increased rate of mortality. Although, therefore, it is not possible to assign any certain limits to the progress of improvement, it is notwithstanding evident that it cannot continue for any considerable period to advance in the same proportion that population would advance, supposing food were abundantly supplied. The circumstance of inferior lands, which require a greater outlay of capital and labour to make them yield the same supply as those that are superior, being invariably taken into cultivation in the progress of society, demonstrates, what is otherwise indeed sufficiently obvious to every one, that in despite of improvements the difficulty of adding to the supplies of food is progressively augmented as population becomes denser.

Mr. Malthus has endeavoured to show, that while population has a power to increase indefinitely in a geometrical proportion, or in the proportion of 1, 2, 4, 8, 16, 32, 64, 128, 256, &c., doubling itself every five and twenty years, the supplies of food and other necessary accommodations could not be made to increase faster, during the same periods, than in an arithmetical proportion, or in the ratio of the numbers 1, 2, 3, 4, 5, 6, 7, 8, &c. But it is impossible to lay down any fixed or certain principle with respect to the ratio of the increase of

food. I should, however, be inclined to think that the ratio stated by Mr. Malthus would be found to be too high for countries whose best lands have already been brought under tillage. But whether Mr. Malthus has over or under stated the increase of food, is of no consequence to the theory of population. It is, at all events, unquestionably true, on the one hand, that an increased difficulty of obtaining increased supplies of food, though occasionally obviated for a while by new discoveries and inventions, is uniformly experienced, according as society advances and population becomes denser: while, on the other hand, it is equally true that the power to produce fresh human beings, a power capable of doubling the population every five and twenty years, sustains no diminution. And hence it results, as was stated at the commencement of this note, that the *natural tendency* of population is to outrun production; and that if this tendency be not counteracted by the prevalence of moral restraint, it must be counteracted by want, misery, and increased mortality.

It appears, therefore, that an increase of the means of subsistence is the only sure criterion of a real, and permanent, and beneficial increase in the population of any country. If these means be not increased, an increase in the number of marriages and births can be productive only of misery and of increased mortality. Such governments as attempt directly to stimulate population begin at the wrong end. The difficulty never is to bring human beings into the world, but to feed, clothe, and educate them when there. The principle of increase never requires any artificial encouragement. We should never try to strengthen, but always to control and regulate it. "The natural tendency to marriage is in every country so great, that without any encouragements, wherever a proper place for a marriage occurs, it is always sure to be filled up. Such encouragements must

therefore be either perfectly futile, or produce a marriage where there is no room for one; and the consequence must necessarily be, increased poverty and mortality. Montesquieu, in his *Lettres Persannes*,* says, that in the past wars of France, the fear of being enrolled in the militia tempted a great number to marry without the proper means of supporting a family, and the effect was, the birth of a crowd of children, *que l'on cherche encore en France, et que la misere, la famine et les maladies en ont fait disparoitre.*†

The effect of wars, plagues, and epidemic disorders, those terrible correctives, as they have been justly termed by Dr. Short, of the redundance of mankind, on the principle of population, sets its operation in the most striking point of view. These scourges tend to place an old country in the situation of a colony. They lessen the number of the inhabitants, without, in most cases, lessening the capital that is to feed and maintain them. And the increased power over subsistence that is thus acquired by the survivors, accelerates the period of marriage and the subsequent increase of the population. The consequences which followed the pestilence that desolated the Prussian dominions and the middle parts of Europe in 1710 and 1711, are in this respect most remarkable. Susmilch, whose accuracy is well known, mentions that previously to this pestilence, the average annual number of marriages, in a district of Prussia which had been carefully surveyed, amounted to about 6,000; and though the pestilence is supposed to have swept off a full third of the inhabitants, yet, in the year immediately following this excessive mortality, the marriages amounted to about double their former number, or to about 12,000 ‡ It

* Lettre cxxii.

† Malthus on the Principle of Population, 5th ed. vol. i. p. 453.

‡ Id. vol. ii. p. 198.

would be easy to produce a thousand similar instances of the prodigious activity of the principle of population, and of its capacity to repair the most dreadful ravages. 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 bloody 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. The abolition of the feudal privileges of the nobles, and of several 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 the supply of labour in the market, and raising the rate of wages, gave such a stimulus to the principle of increase, that in 1815 the population was supposed to be about three millions greater than it had been in 1789. The establishment of a tyrannical or vicious system of government, by destroying the industry of the inhabitants of a country, and diminishing their supplies of food and other accommodations, must necessarily occasion a corresponding diminution in the number of the inhabitants. But an accidental calamity, such as a war or pestilence, how afflicting soever it may be to humanity, can have no lasting influence on the average population of a country. It is not the plague, but the bigotry and oppressiveness of the government that is the real cause of the depopulation of the countries subjected to the sway of the Turks.

It was long a prevalent opinion that the emigrations to the New World had occasioned the depopulation of Spain, and it was also suspected that they had diminished the population of England. There is not, how-

ever, the least ground for any such opinion or conjecture. The depopulation of Spain has proceeded from a very different cause,—from the vicious nature of her political institutions and the intolerance of her government. Ustariz, a Spanish author of distinguished talents, and who had the best means of acquiring accurate information, has proved beyond dispute that Andalusia, Biscay, and the other provinces that have sent the greatest number of adventurers to the colonies, have, at the same time, been the most populous.* There is, in truth, no way of effecting a lasting diminution of population, except by diminishing the means of subsistence, or by increasing the prevalence of moral restraint. So long as the circumstances under which the people of any country have been placed with respect to the facility of acquiring subsistence, and the habit of marriage continue unchanged, the most extensive emigration will have no permanent influence on the population. If it were, on any emergency, suddenly carried to such an extent as to make any material deduction from the number of inhabitants, it would, unless some very powerful checks were interposed, by raising wages, and improving the circumstances of those that remained at home, have the same effects as, has been seen, invariably follow the ravages of pestilence and famine. The number of marriages would be increased, and in a few years the blank would be entirely filled up. Nothing, therefore, can be more perfectly futile than the fears of depopulation from emigration; and the laws which have occasionally been enacted to prevent certain classes of persons from leaving their native countries, are alike unnecessary and oppressive.†

* Theory and Practice of Commerce, vol. i. p. 45, Eng. Trans.

† The true doctrine with respect to emigration was forcibly stated by Sir Josiah Child. “Such as our employment is for people,” says

Mr. Malthus has been very much blamed for what he has stated with respect to the ravages of the small-pox and other diseases; but it appears to me that the greater number of the reproaches thrown out against him have originated either in misapprehension or in a desire to misrepresent his doctrines. "I am far from doubting," says he, "that millions upon millions of human beings have been destroyed by the small-pox. But were its devastations, as Dr. Haygarth supposes, many thousand degrees greater than the plague, I should still doubt whether the average population of the earth had been diminished by them. The small-pox is certainly one of the channels, and a very broad and deep one, which nature has opened for the last thousand years, to keep down the population to the level of the means of subsistence; but had this been closed, others would have become wider, or new ones would have been formed. In ancient times the mortality from war and the plague was incomparably greater than in modern. On the gradual diminution of this stream of mortality, the generation and almost universal prevalence of the small-pox is a great and striking instance of one of those changes in the channels of mortality which ought to awaken our attention and animate us to patient and persevering investigation. For my own part, I feel not the slightest doubt that, if the introduction of the cow-pox should extirpate the small-pox, and yet *the number of marriages continue the same*, we shall find a very perceptible difference in the increased mortality of some other diseases."*

he, "so many will our people be; and if we should imagine we have in England employment but for one hundred people, and we have born and bred amongst us one hundred and fifty; I say the fifty must away from us, or starve, or be hanged to prevent it, whether we have any foreign plantations or not." (Discourse of Trade, Glasgow ed. p. 140.)

* Vol. iii. p. 136.

I do not see how it is possible, on any fair principle, to contest the perfect accuracy of this statement. So long as the same number of births, as compared with the means of subsistence, take place in a country, so long *must* there be the same number of deaths. The laws of nature are not to be defeated by human contrivances. We may, it is true, stop up one or more of the existing channels of mortality; but if we do not, at the same time, lessen the current that was previously carried off by their means, we shall assuredly either open new ones, or enlarge those already opened, or both. The real advantage of medical discoveries, of improvements in the art of surgery, and of the greater prevalence of habits of cleanliness, sobriety, &c. amongst the poor, does not consist in their adding to the population, for nothing can do this if the means of subsistence be not at the same time increased,* but in their enabling the population to be maintained with a less proportion of births and deaths, and consequently with a less amount of animal suffering. Whatever has a tendency to prolong human existence, has, at the same time, a tendency, by lessening the field for new comers, and adding additional force to the principle of moral restraint, to increase the prudential virtues, and lessen the sum of human misery. The fact that the principle of increase in the human race is strong enough to repair the loss of the multitudes which famine, epidemics and war sweep into an untimely grave, can never be alleged as a reason why we should intermit our efforts to guard against such calamities. We are not to estimate the disastrous effects of such destroying scourges by the mere suffering they occasion to their immediate victims, though that is sufficiently appalling; we must also

* This, of course, supposes the habits of the people not to be deteriorated.

take into view the sorrow, misery, and perhaps destitution of their surviving relatives and friends. Nothing surely that has any tendency to lessen the frequency of such calamities can be too highly valued; and this is what medical discoveries and improved habits and modes of living effect. They prolong the average duration of human life; and, by diminishing the demand for fresh supplies of children, discourage marriage, and cause the population to be maintained with fewer births, and consequently with a smaller waste of animal existences.

The influence of the various causes of increased healthiness, whether arising from discoveries in medical and surgical science, from improvements in the habits, diet, dress, and lodging of the labouring poor,* from the drainage of

* The change that has taken place in the manners, dress, and diet of the English people since the sixteenth century is much greater than those who have not paid some attention to the subject would, at first, be disposed to believe. Erasmus, who visited London in the reign of Henry VIII., ascribes the sweating sickness, and the plague, from which England was then hardly ever free, to the inconvenient form and bad exposition of the houses, the nastiness of the streets, and the almost inconceivable sluttishness that prevailed within doors. "*Conclavia*," says he, "*sola fere strata sunt argilla, tum scirpis palustribus, qui subinde sic renovantur, ut fundamentum maneat aliquoties annos viginti sub se fovens sputa, vomitus, mictum canum et hominum, projectam cerevisiam, et piscium reliquias, aliasque sordes non nominandas.*" Hentzner, speaking of the presence chamber at Greenwich Palace in the time of Queen Elizabeth, observes, that "the floor, after the English fashion, was strewed with hay." Chimnies were hardly known in England previously to the sixteenth century. Dr. Heberden, whose excellent tract on the *Increase and Decrease of Diseases*, contains a great deal of curious and important information on this subject, is clearly of opinion that the great plague, which raged in London in 1665, was chiefly occasioned by the filthiness of the streets and houses, and the want of water and ventilation; and he ascribes the subsequent absence of the plague, and the extraordinary increase of health that has taken place since 1750 or 1760, principally to the different circumstances under which the population are now placed,

bogs and marshes, &c. has been strongly manifested in every part of Europe during the last half century, but nowhere so powerfully as in Great Britain. A very considerable part of the increase of population in this country since 1770 has been the result of the extraordinary diminution that has since taken place in the rate of mortality. Notwithstanding the great increase of population between 1780 and 1800, it is stated in the preliminary remarks to the census of 1821 that the annual average number of burials did not differ materially during that period. It appears, from the returns* obtained under the population acts, that in 1780 the rate of mortality in England and Wales was in the ratio of 1 in 40, meaning by this that 1-40th part of the whole population died annually. In 1790, the rate of mortality was reduced to 1 in 45. In 1801, the rate of mortality, owing to the scarcity of that year, was considerably increased; † but when it is estimated on an average of the four or five preceding years, it is found to have been about 1 in 47. In 1811, the mortality was 1 in 52. And it has since gone on progressively diminishing, so that in 1821, when the late census was taken, it was only 1 in 58.

This extraordinary diminution in the rate of mortality could not, as has been already observed, have taken place had the number of births continued to bear the same proportion to the means of subsistence that they did previously to 1780. But in consequence of the improved tastes and habits of the poorer classes, and the greater prevalence of moral restraint, the proportional number

their greater love of cleanliness and ventilation, and the various improvements that have been made in their dress and diet.

* P. 28.

† In 1801, the number of burials in England and Wales amounted to 204,434, while the average number in 1804 and 1805 was only 181,208. The effect of scarcity in decreasing the number of births is equally striking. In 1801, they amounted to 237,029; and in 1803, to 294,108. (Preliminary Remarks to Census of 1821, p. 23.)

of births has been diminished ; so that while some of the former channels of mortality have been dammed up, the current to be carried off by the others has been lessened.

It appears, for example, that in 1760, when the population of England and Wales is calculated to have amounted to 6,736,000, there were 57,848 marriages, being at the rate of one marriage in every 116 persons. In 1770, when the population amounted to 7,428,000, the marriages amounted to 63,693, being at the rate of one in every 118 persons. In 1780, the proportion of marriages to the whole population, calculated in the same way, was one in every 123 persons. In 1790, it was one in every 122½. In 1801, it was in the ratio of one in every 136 ; but as this was a year of extreme scarcity, the influence of which in increasing the rate of mortality, and diminishing the number of marriages, is always very considerable, the fair and average ratio ought not perhaps to be estimated at less than one in 125 or 126. In 1811,* the proportion of marriages was one in every 124 persons. And in 1821, when the last census was taken, the proportion was as low as one in 134. And it is reasonable to expect that, according as the legislature and the public become better informed with respect to the true theory of population, and have learned in how great a degree the comfort and happiness of all classes must always be dependent on the proportion which the population bears to the means of subsistence, the principle of moral restraint will acquire additional force, and that no institution will be suffered to exist that has any very direct tendency to counteract or weaken its influence.

The number of baptisms to a marriage is stated in the late Population Abstract as follows :—

* In 1811, the number of marriages was greater than usual. I have, therefore, divided the population for that year, inclusive of a proportional allowance for the army and navy, by the average number of marriages in 1810, 11, and 12.

Years.	Baptisms.		Marriages.
1760	366	to	100
1770	361	to	do.
1780	366	to	do.
1790	359	to	do.
1800	340	to	do.
1810	360	to	do.
1820	369	to	do.

It should, however, be observed, that the register of baptisms is very defective, owing partly to the circumstance of many classes of dissenters and others not requiring to have their children registered, and partly to a disinclination on the part of some clergymen of the established church to register any who are not publicly baptized. But an act passed in 1812, has obviated some of these sources of error, and the register has in consequence become more perfect than formerly. Children who are stillborn, or who die before they are baptized, are not entered in the register of burials, so that the proportion of deaths to births is not affected by this omission.

The following account of the population of England and Wales, during the last century, is extracted from the preliminary remarks (p. 29) prefixed to the census of 1821.

Years.	Population.	Years.	Population.
1700	5,475,000	1760	6,736,000
1710	5,240,000	1770	7,428,000
1720	5,565,000	1780	7,953,000
1730	5,796,000	1790	8,675,000
1740	6,064,000	1800	9,168,000
1750	6,467,000		

The population of Scotland in 1700 has been estimated, though necessarily upon very loose and unsatisfactory grounds, at 1,050,000; in 1755, it was estimated at 1,265,380; and in 1801, it amounted to 1,599,068. I subjoin

A Summary and Comparative Statement of the Official Enumerations of the Population of Great Britain in 1801, 1811, and 1821.

	Population 1801.	Rate of		Population 1811.	Rate of		Population 1821.
		Increase, per cent.	Diminution, per cent.		Increase, per cent.	Diminution, per cent.	
England -	8,331,434	14 $\frac{1}{2}$	--	9,538,827	18	--	11,261,437
Wales -	541,546	13	--	611,788	17 $\frac{1}{2}$	--	717,438
Scotland -	1,599,068	13	--	1,805,688	15 $\frac{2}{7}$	--	2,093,456
Army, Navy, &c. -	10,472,048	14	--	11,956,303	17 $\frac{2}{3}$	--	14,072,331
	470,598	36	--	640,500	--	50	319,500
Totals -	10,942,646	15	--	12,596,803	14 $\frac{1}{4}$	--	14,391,631

Dr. Smith has stated,* that “the most decisive mark of the *prosperity* of any country is the increase of the number of its inhabitants.” It is plain, however, from the principles already established, that this remark must be received with very great modification. By a prosperous country I understand a country whose inhabitants, whether few or many, are liberally supplied with the various necessaries, conveniences, and enjoyments of human life; and by an unprosperous country, one whose inhabitants are but indifferently supplied with these accommodations. But it is obvious that so long as the population and the means of subsistence march abreast, or increase or decrease in the same proportion, no change can take place in the condition of the inhabitants. Their numbers may in the one case be doubled, and in the other case they may be reduced to a half of what they had previously been; but so long as they preserve the same relation to the food and other accommodations be-

* Vol. i. p. 117.

longing to the society, they will of necessity continue in the same state of prosperity.

It has already been shown, that population is, generally speaking, on a level with the means of subsistence—that is, that the number of people in a country is, in all ordinary cases, equal to what the supply of food and other necessary articles in that country is able to support, according to the *existing habits and customs of the society*. But these habits and customs are not fixed and unalterable; on the contrary, they are susceptible of very great variation: and when, owing either to the more general diffusion of sound instruction or any other cause, they are changed for the better, the opinions of the mass of the people with respect to what is necessary for their comfortable support become elevated; and they rather choose to defer the period of marriage than to incur the risk of depriving themselves and their offspring of comforts and conveniences they deem essential. In this way, the principle of moral restraint acquires new force; and the ratio which the increase of population previously bore to the increase in the means of subsistence being diminished, the *prosperity and happiness* of the country will, in consequence, be augmented, whether the absolute amount of the population increases, continues stationary, or is diminished.

But if the habits of the people, and their opinions with respect to what is necessary for their comfortable subsistence, should, from the decline of foreign commerce or domestic industry, the pressure of taxation, the intolerance of government, or any other cause, be unhappily lowered, the influence of moral restraint would be proportionally weakened; and the number of the people would be augmented, not only without an increase, but with a positive and perhaps very considerable diminution of the national resources.

Nothing, therefore, can be learned with respect to the real condition of the inhabitants of a country from the

mere circumstance of the absolute amount of the population having increased or diminished during a given period. Every thing depends on the proportion between the population and the means of subsistence. If, on the one hand, the proportion of population to subsistence be increased, the condition of the inhabitants will infallibly be changed for the worse; and if, on the other hand, that proportion be lessened, the condition of the inhabitants will as infallibly be changed for the better. The *political* power of a country, or her power as compared with others, is increased when both her capital and population are augmented in a greater proportion than theirs. But it is impossible that the wealth and comforts of the people of the same country can be augmented, unless when its capital increases faster than its population; and it is also true, that in comparing two countries, which increase equally in the means of subsistence, but unequally in population, the power and influence of the one whose population increases least rapidly, will obtain an ascendancy over the other. For her citizens will obviously have a greater amount of wealth at their disposal, and her government will in consequence be able to maintain more powerful fleets and armies.

The case of Ireland furnishes a striking illustration of the truth of what has now been stated. The rate at which the population of that part of the empire has increased since 1780, has not been very inferior to the rate of its increase in the United States. It has not, however, been attended with any visible improvement in the condition of the great mass of the people. Population has always been pressing hard upon the extreme limits of subsistence. Moral restraint seems scarcely to have had any operation. Procreation, in Ireland, has uniformly been what Sir James Steuart has justly called "abusive;" and its wretched progeny have been kept down to the impassable limit prescribed by the supply of food, either

by emigration to other countries, or by the ravages of disease.

The first authentic account of the population of Ireland, is given by Sir William Petty, in his tract entitled the *Political Anatomy of Ireland*. Sir William had been employed by government to superintend the survey and valuation of the forfeited estates, instituted during the protectorate; and so well did he execute his task, that this survey still continues, after the lapse of near two centuries, to be the standard of reference in the courts of law, as to all points of property. He had, therefore the best means of obtaining accurate information with respect to the numbers and condition of the people; and as the results of his researches on these points are exceedingly curious, it is best to give them in his own words.

“The number of people now in Ireland (1672) is about 1,100,000, viz. 300,000 English, Scotch, and Welch Protestants, and 800,000 Papists; whereof one-fourth are children unfit for labour, and 75,000 of the remainder are, by reason of their quality and estates, above the necessity of corporal labour; so that there remains 750,000 labouring men and women, 500,000 whereof do perform the present work of the nation.

“The said 1,100,000 people do live in about 200,000 families or houses, whereof there are about 16,000 which have more than one chimney in each, and about 24,000 which have but one; all the other houses, being 160,000, are wretched nasty cabins, without chimney, window, or door-shut, even worse than those of the savage Americans, and wholly unfit for the making merchantable butter, cheese, or the manufactures of woollen, linen, or leather.

“By comparing the extent of the territory with the number of people, it appears that Ireland is much under-peopled; forasmuch as there are above 10 acres of good land

*to every head in Ireland ; whereas in England and France there are but four, and in Holland scarce one !**

In 1731 an inquiry was instituted, by order of the House of Lords of Ireland, for ascertaining the population, through the medium of the magistrates and established clergy, the result of which gives a population of 2,010,221. At this period, and for long after, Ireland was essentially a *grazing* country. To such an extent, indeed, was the pasturage system carried, that, in 1727, during the administration of Primate Boulter, a law was made to compel every occupier of 100 acres of land to cultivate at least *five* acres, under a penalty of 40s. !

According to the returns of the hearth-money collectors, the number of houses in Ireland in

1754, was	395,439		2,372,634
1767, —	421,616	Which allowing <i>six</i> inhabitants to each house, gives a population of	2,541,276
1777, —	418,126		2,690,556
1785, —	474,322		2,845,932
1788, —	650,000		3,900,000
1791, —	701,102		4,206,612

In 1805, Mr. Newenham estimated the population at 5,395,156. An incomplete census was taken in 1812, from which the population was computed at 5,937,856 ; and by the last and complete census taken in 1821, it appears that Ireland contained, at that epoch, a population of 6,801,827, which were thus distributed :

Leinster,	-	-	-	1,757,492
Munster,	-	-	-	1,935,612
Ulster,	-	-	-	1,998,494
Connaught,	-	-	-	1,110,229
				<hr/>
				6,801,827

According to an estimate laid, by Sir Henry Parnell,

* Pol. Anatomy of Ireland, pp. 114 and 118, ed. 1719.

before the Emigration Committee of the House of Commons, there is good reason to think that the population of Ireland is at present (1827) little short of *nine* millions!

But although the population had not increased since 1821, Ireland, instead of being, as in the days of Sir William Petty, one of the thinnest, must at present be about the most densely peopled country in the world. Her area is supposed to be about 31,640 square miles, of 69.15 to a degree; which, taking the population at only 6,801,827, gives, on an average, 215 persons to each square mile. But the average of Leinster, Ulster, and Munster, excluding Connaught, is not less than 240,—a density of population far exceeding what is to be found in the richest and best cultivated countries of which we have any authentic accounts. In England and Wales there are only 207 persons to a square mile; and the Netherlands, crowded as they are with cities and people, have only 212 persons to a square mile, which is twenty-three less than the average of Munster! It is plain, therefore, that Ireland is the most densely peopled country of any considerable extent in Europe, and I suspect it may also be said in the world.

I shall not enter, in this place, into any disquisition with respect to the causes which have occasioned this extraordinary increase in the population of Ireland. Part of it ought most probably to be ascribed to the long continued misgovernment and oppression of the mass of the people; and I shall afterwards have occasion to show, that a good deal of it has certainly been owing to the dependence universally placed by the Irish people on the potato for food, and to the vicious and injurious custom of subdividing farms among all the sons and sometimes also the daughters of a family, and subletting them to strangers. But to whatever causes it may be owing, it has not been a blessing but a curse to Ireland. The population of the country having increas-

ed in a proportion that is at least equal, if it has not been greater, than the means of subsistence, the inhabitants have been habitually involved in the most squalid and abject poverty. Their cabins continue to be in no respect superior, perhaps not equal, to the wigwams of the American Indians; they are destitute of chimnies, and of any thing that can be called furniture; many families are without either beds or bed-clothes; and the children, generally in rags, are often absolutely naked. The number of persons soliciting employment, compared with the demand for their labour, and with the means of remunerating it, is so great, that very many are altogether unemployed, while the wages of those who are employed are reduced to the lowest sum that can purchase the smallest supply of the coarsest and cheapest species of food by which mere animal existence may be sustained. Under these circumstances it is not surprising that whenever the potato crop becomes even in a slight degree deficient, the scourge of famine and disease should be felt in every corner of the country. Mr. Maurice Fitzgerald informed the Committee on the *Employment of the Irish Poor*, that "he had known the peasantry of Kerry quit their houses in search of employment, offering to work for the merest subsistence that could be obtained, for twopence a day, in short for any thing that would purchase food enough to keep them alive for the next twenty-four hours." Mr. Tigho mentions, that "the number of persons in Ireland supported by charity is quite inconceivable; they must be supported either by charity or by pillage and plunder; to the want of employment I attribute every thing that afflicts and disgraces the country."* "In the part of the country (Cork) with which I am best acquainted," says Mr. O'Driscoll, "the condition of the people is the very worst that can possibly be; nothing

* Report, pp. 158, 108.

can be worse than the condition of the lower classes of labourers, and the farmers are not much better. The land is overpeopled and exhausted."* Dr. Rogan, a physician of eminence, employed by government to report on the state of disease in the north of Ireland, states, in his valuable work on the Fever in Ulster, that "throughout the extensive counties of Tyrone, Donegal, and Derry, the population is only limited by the difficulty of procuring food. Owing to the universal adoption of the cottier system, and to the custom of dividing farms among sons at the death of the father, *the labouring classes are infinitely more numerous than are required for the purposes of industry.* Under these circumstances, they are engaged in a constant struggle for the bare necessities of life, and never enjoy its comforts." (p. 8.) And, not unnecessarily to multiply references, I shall only further subjoin the following extract from the evidence of Dr. Doyle, the Catholic Bishop of Leighlin. "The population is immediately increased, as every one must perceive, by improvident marriages; but those marriages themselves, in my opinion, result in a great measure from *the extreme poverty of the people*; for that poverty has paralysed their energies; it has prevented them taking such an interest in creating a respectable situation for themselves in life, as men possessed of some property always feel; for those wretched people say their state cannot be worse when married than before, and hence they go together. *Their depression throws them together, like savages in a wood.* It is a frightful state of society; and when it is considered, it fills me with so much pain and horror, that I have frequently prayed to God, if it were his will, rather to take me out of life than to leave me to witness such evils."†

A thousand statements to the same effect might be

* Report on the State of Ireland, p. 380.

† Report, p. 208.

produced, but they are not necessary. Those now brought forward are sufficient to show, (1) That a vast increase has taken-place in the numbers of the Irish people; and (2) That this increase, by rendering the population redundant, is the immediate cause of the misery and wretchedness in which the inhabitants are involved. It is idle, therefore, to expect that any thing effective can be done to alleviate the pressure of poverty in Ireland so long as population proceeds at its present rate. Before the situation of the poor can be really improved, measures must be devised for throwing such obstacles in the way of the future increase of population as may be able to repress it; and though it must always be a very difficult task to effect any considerable change in the habits of a people, there seems every reason to think, that such measures might be adopted as would, by putting down religious and political distinctions, by extending and improving the system of education, by altering the mode of occupying land, &c. materially retard the progress of population, and consequently improve the condition of the people.

The excess to which population has now arrived in Ireland, and the extreme misery of the inhabitants, threatens, by causing an extraordinary emigration from Ireland to Great Britain, to have the most pernicious influence on the condition of the labouring classes here. This is, indeed, a subject of paramount importance, and which calls loudly for the immediate attention of government. If the existing sources of pauperism be left to flow unchecked in Ireland, and to seek a vent for themselves, it is not easy to see how we shall be able to prevent ourselves from being overrun by them. Nothing but the abolition of all connexion and intercourse between the two countries would be sufficient for our protection. Pauperism, like water, will find its level. It cannot be heaped up in Leinster and Ulster, without overflowing upon England and Scotland. But it is needless to reason

hypothetically on this subject. The process of equalization has already commenced; and at this moment a very large proportion of the labourers in the west of Scotland and the west of England consists of Irishmen. It has been estimated that there are at present about 40,000 natives of Ireland established in Glasgow and its immediate vicinity; and they are proportionally abundant in London, Liverpool, Manchester, &c. They are everywhere, indeed, supplanting the Scotch and English labourers in those departments of industry in which strength is of more importance than skill; and they are rapidly gaining on them in others. A double injury is in consequence inflicted upon the native population of Britain. In the first place, their wages are reduced by the competition of the Irish; and, in the second place, their notions with respect to what is necessary for their comfortable and decent subsistence, are lowered by the contaminating influence of example, and by familiar intercourse with those who are content to live in filth and misery. I am firmly persuaded, that nothing so deeply injurious to the character and habits of our people has ever occurred as the late extraordinary influx of Irish labourers; and yet this influx may be said to be only commencing. Previously to the increased facilities of communication afforded by means of steam navigation, the expense of the passage from Ireland to Great Britain, trifling as it was even then, formed a serious obstacle to the influx of Irish poor. But this expense has been reduced to next to nothing; and it may be said, almost without a metaphor, that floating bridges have been constructed between Dublin and Liverpool, and Belfast and Glasgow, to carry the people of Ireland to our shores. We ought not, therefore, to flatter ourselves with the delusive and unfounded idea, that the misery and degradation of the Irish people is a matter which only affects us indirectly and remotely. On the contrary, it is certain that nothing ever exerted so direct, so

powerful, and, at the same time, so destructive an influence over all our best interests. If another bias be not given to the current of emigration, Great Britain will necessarily continue to be the grand outlet for the pauper population of Ireland; nor will the tide of beggary and degradation cease to flow in this direction until the plague of poverty has spread its ravages equally over both divisions of the empire.*

For these reasons, it does certainly appear that a vigorous and persevering effort ought to be made to promote emigration from Ireland on a very large scale to our transatlantic possessions, and to foreign countries. An emigration of this sort would stop the influx of Irish poor into Great Britain, at the same time that it would improve the condition of the remaining population of Ireland. It is, however, true, that unless the emigration were accompanied by subsidiary measures calculated to prevent the vacuum that might thus be made in the population from being again filled up, it would only have a very temporary effect, and would it is probable, eventually lead to an increase of the evil. But it has been shown that it is possible, by laying restrictions on the building of cottages, and the acquiring of patches of land, to oppose an effectual obstacle to the farther increase of a redundant population; and consequently, to prevent the advantages that emigration would, in the first instance, realize from being again obliterated through the improvidence and bad habits of the people.†

The mere increase of population is not, therefore, an object that ought ever to be aimed at. If its increase

* Whatever may be the results with respect to the state of health, &c. in Great Britain when the next census is taken, it is certain that the continued influx of Irish poor must reduce the average considerably below what it would otherwise amount to.

† See Edinburgh Review, No. 89, art. Emigration; and the Reports from, and evidence taken before the Emigration Committee of the House of Commons.

be exactly commensurate with the increase of the means of subsistence, the condition of the people will, in so far as their command over the necessaries and conveniences of human life is involved, continue stationary. If the increase of population be *less* rapid than the increase of the means of subsistence, the condition of the population will be improved; and, if it be *more* rapid, it will be deteriorated. It results, therefore, that it ought to be a principal object of every wise government to take away every artificial stimulus to the increase of population; and to adopt such measures as may tend, by giving the greatest security to property, and the greatest freedom to industry, as well as by enlightening the public with respect to their real interests, to accelerate the increase of the means of subsistence as compared with the population.

I have already observed that an improvement in the health of the people, and a retardation of the period of marriage, similar, though inferior in degree, to that which has taken place in Great Britain, has been experienced in France and most other continental states. In illustration of this curious and interesting subject, I shall now subjoin the substance of a Memoir, read by M. Benoiston de Chateauneuf, who is extremely well versed in statistical inquiries, to the Royal Academy of Sciences at Paris in January 1826, and subsequently published in the Bulletin of M. de Ferussac.* In this Memoir M. de Chateauneuf endeavours to show what was the average rate of mortality in most countries of Europe in 1780, or thereabouts, and what is its average rate at this moment. There must, of course, be a good deal of looseness in the estimates from which some of the conclusions are drawn; but in general they seem to be accurate, and as far as respects France, they may be confidently relied upon.

“Of a given number of individuals newly born in the

* For February 1826.

period from 1775 to 1780, the half died during the first ten years.

“ Three-fourths had perished before fifty years, and four-fifths at sixty ; or, in other words, of a hundred individuals, eighteen only arrived at this age.

“ From eighty to a hundred years, none remained : a whole generation had run its course.

“ The average proportion of deaths to the whole population was determined to be as one to 32.2, and that of births as one to 27.7.

“ It was reckoned that there was one marriage for every hundred and ten or hundred and fifteen individuals, and that the degree of fecundity might be taken, on an average, at four children for each couple, although, at the same time, this, as well as all the other relations, was liable to vary according to the places.

“ These facts have been deduced from the calculations of Necker, Moheau, and Pommelles in France ; Short and Price in England ; Sussmilch in Germany ; and Wargentin in Sweden.

“ Such then, about the year 1780, were the principal laws to which a more or less perfect state of society, a more or less active industry, and a more or less limited command of subsistence, subjected the course of human life in Europe.

“ Since then facts have been multiplied, and have, at the same time, been more accurately observed ; great political changes have taken place ; civilization and the industrious arts have advanced with rapidity ; and science demands that we examine what may have been their influence upon human life.

“ We have seen what were its laws half a century ago : with the old state let us compare the present.

“ At the period in which we write, (1825) of a given number of children born in Europe, there dies, in the first ten years, a little more than a third (38.3 in 100), instead of the half (49.9) which formerly died.

“ Fifty years after the period of birth, three-fourths of a generation (74.2 in 100) were formerly found to be extinct. At present, the proportion of dead to living, in the same period of time, is not more than thirteen-twentieths, or 65 in 100.

“ Lastly, twenty-three persons in a hundred now arrive at the age of sixty, instead of eighteen who attained that age half a century ago.

“ These proportions are mean terms; taken separately they become still more favourable. Thus in France, the proportion of those who survive at sixty years is 24.3 in the hundred, while formerly it did not exceed fifteen (14.7).

“ These results, sufficiently remarkable of themselves, give rise to others which are not less so.

“ From the 40th degree of latitude to the 65th, that is to say, upon a line which extends from Lisbon to Stockholm, embracing an extent of about a thousand leagues, and in a population of sixty-five millions of individuals inhabiting Portugal, the kingdom of Naples, France, England, Prussia, Denmark, and Sweden, the proportion of deaths is 1 to 40.3; that of births 1 to 30.1; that of marriages 1 to 123.3; and the fecundity, four children by each marriage.

“ On comparing these proportions with those of the last century, we are struck with the extraordinary difference which exists between the rate of mortality in early life at these two periods, a difference which is not less than between 38 and 50 in 100.

“ This difference is sufficient to attest the happy effects of vaccination, to which it is partly owing; but it also proves a great amelioration in the treatment of children; and their treatment indicates the greater prosperity and improved condition of families. If we reflect that it is amongst the lower classes that the mortality of children is greatest, we may conclude, that if these classes lose fewer at the present day, it is because they

are better able to take care of them, and bring them up.

“ It is evident also, that unless these and other causes had extended their benign influence beyond the years of childhood, they would only have had the melancholy effect of delivering over a greater number of victims to death in the immediately subsequent stages of human life. The contrary, however, takes place, and at the present day more individuals attain the age of fifty and sixty than formerly. The action of the preserving causes of childhood must therefore continue to operate upon the grown up person during the remaining part of his career; and these preserving causes seem to resolve themselves into an improved state of society, a more diffused civilization, from whence results a more happy and comfortable existence.

“ Along with the fact of a diminution in the number of deaths, we have to place a second, which equally results from the comparison of the two epochs, namely that of a *diminution of marriages*. They were formerly in the proportion of about one in every hundred and ten individuals; they are now in that of about one in every hundred and twenty-three. This, which is a mean term, is even too high for some countries. In France, where, according to the calculations of Necker, there was, in 1780, one marriage for every hundred and eleven individuals, there is now only one for every hundred and thirty-five.” And we have already seen that in England, where the proportion of marriages to the whole population in 1760 was one in a hundred and sixteen, and in 1770 one in a hundred and eighteen, it is now one in a hundred and thirty-four.

“ The natural consequence of the diminution of marriages is that of births. But this diminution is only relative to an increased population; for though the proportion of marriages to the population has fallen from a hundred and ten to a hundred and twenty-three, and that

of births from twenty-eight to thirty, the absolute numbers of both are notwithstanding augmented.

“ The fruitfulness of marriages appears to have remained the same. In the present century, as in the last, the numerical expression which represents it is four children for each marriage. But this proportion is somewhat beyond the true one, since we are obliged to include illegitimate children among the births, from the want of proper distinctions in the accounts with respect to them, especially in foreign countries. In France, the exact proportion of legitimate births to marriages is 3.965 to 1.

“ The proportional number of marriages, as well as births, has diminished in Europe within these fifty years, and yet the population is seen to increase. This apparent contradiction is explained by the very great diminution in the proportion of deaths. There was formerly one death in thirty-two individuals: there is at present only one in 40.3. This diminution of mortality is chiefly perceptible in the earlier stages of life. But while there are, on the one hand, more newly-born individuals that survive, there are on the other more adults that grow old.

“ The necessary result of this state of things, is the prolongation of the mean duration of life, which has extended beyond the limits within which it was formerly confined.

“ This simultaneous diminution of the marriages and deaths throughout Europe, confirms Mr. Malthus's observation, that wherever the deaths are numerous, the marriages are so also; for then the vacancies must be filled up, and there is room for every body; and that, on the contrary, wherever there are few deaths, there are also few marriages. The reason is, that from the period when the augmentation of individuals is fully equal to the demand for them, the means of subsistence become

scarce and even uncertain. People must then be restrained from gratifying the desire of marrying, and having a family, by the difficulty which is foreseen of providing for one. Thus, although it may appear paradoxical, it is not the less true, that there is a period when population forms an obstacle to population, and industry arrests industry.

“ From all that has been stated, it would appear that the following conclusions may be drawn :

“ The laws of mortality in Europe, such as they were established fifty years ago by the philosophers who were then engaged in their investigation, appear since that period to have undergone the following modifications :

Mortality at different Ages.

	1780.	1825.
From birth to the age of 10,	50 in 100	38.3 in 100
50,	74.4	65.0
60,	82.0	77.0
Proportion of deaths to the whole		
population, . . .	1 : 32.2	1 : 40.3
births, . . .	1 : 27.7	1 : 30.1
marriages, . . .	1 : 110.4	1 : 123.3
Fecundity,	4.0	4.0

“ This table, without doubt, contains errors, owing to the incorrectness of the data. These might however be obviated, if persons accustomed to such calculations, or learned societies, would publish accounts similar to those given above. From these various elements, a general and accurate mean might be obtained.

“ I subjoin a state of the population of France, such as it is represented to have been by Necker, who had the best means of acquiring accurate information,* in 1780,

* *Administration des Finances*, tome i. p. 206.

and such as it is at the present day, (1825) according to the official accounts given in the *Annuaire du Bureau des Longitudes* for the year 1826.

	Population on an average of ten years, ending with 1780.	Population on an average of seven years, ending with 1825.
	24,800,000 inhabitants.	30,400,000 inhabitants.*
Deaths on an average of		
10 years,	818.491 a year.	761.230 a year, on an average of 7 years.
Births, do. do.	940.935	957.970 do. do.
Marriages, do. do.	213.774	224.570 do. do.
Natural Children,	20.480($\frac{1}{17}$)	65.760($\frac{1}{11}$) †

* The population of France in 1826 was estimated at about 31,500,000.

† This increase in the proportion of illegitimate children is ascribed by M. Peuchet, (*Statistique Élémentaire*, p. 232,) partly to the effects of the Revolution, but chiefly to the marriage law of 1803. The enactments of this law seem to be in no common degree vexatious and oppressive, and must undoubtedly have a very considerable influence in increasing the number of illicit amours.

Had it not been for the increase in the number of illegitimate births, the increase of health in France since the Revolution would have appeared considerably greater. It was formerly supposed that the mortality amongst illegitimate children, during the first three or four years, was about *twice* as great as amongst those born in wedlock; and though there is reason to think that this extraordinary disproportion has been lessened, still there are a variety of considerations, that must at once suggest themselves to the mind of every one, which render it certain that a much larger proportion of illegitimate children must, in all cases, perish in infancy. “Les conjonctions illicites,” says Montesquieu, “contribuent peu à la propagation de l’espèce. Le père, qui a l’obligation naturelle de nourrir et d’élever les enfans, n’y est point fixé; et la mère, à qui l’obligation reste, trouve mille obstacles, par la honte, les remords, la gêne de son sexe, la rigueur des lois: la plupart du tems elle manque de moyens.” (*L’Esprit des Loix*, liv. xxiii. cap. 2.)

Mortality at Different Ages.

	Average of ten years, ending with 1780.	Average of seven years, ending with 1825.
From birth to the age of 10,	50.5 in 100	43.7 in 100
" 50,	78.5	67.5
" 60,	85.3	75.7
Proportion of deaths to the whole population,	1 : 30.2	1 : 39.9
births,	1 : 25.7	1 : 31.7
marriages,	1 : 111.3	1 : 135.3
Fecundity, (natural child- ren deducted)	4.4	3.96*

NOTE V.

CONSEQUENCES RESULTING FROM THE USE OF THE
POTATO AS A PRINCIPAL ARTICLE OF FOOD.

It has been justly observed by Dr. Paley, that inasmuch "as the state of population is governed and limited by the quantity of provisions, perhaps there is no single cause that affects it so powerfully as the *kind and quantity* of food which chance or usage has introduced into the country."† In corroboration of this remark, I may observe, that M. Humboldt, who has left nothing untouched that could throw light on the state of the countries which he visited, mentions, in his account of New Spain, that the produce of the same extent of land that would fur-

* The proportion of births to a marriage in England is almost the same as in France—a circumstance which shows the degree of weight that ought to be attached to the singular statements made by M. Sismondi and others, with respect to the prudence displayed by married persons in France.

† Paley's Works, vol. ii. p. 71. London, 1819.

nish food sufficient for *fifty* individuals, if planted with bananas, would not furnish a sufficient supply of wheat for *two* individuals. It is evident, therefore, that a country suitable for the cultivation of bananas, might, providing its situation were in other respects nearly the same, be upwards of *twenty-five* times more populous than if the inhabitants fed on corn! Humboldt observes, that nothing strikes a European newly arrived in Mexico with more astonishment than the extreme smallness of the patches of ground that furnish subsistence for a numerous family; and such, he adds, is the facility with which the banana is cultivated, that two days a week of the most moderate species of labour is all that is required for the tillage of these little patches.*

The climate of Europe is not suitable for the growth of the banana. We are, however, indebted to America for the potato; which, though inferior in productiveness to the banana, is yet much superior in that respect to any other species of crop cultivated in Europe. Those who have investigated the subject differ considerably in their statements as to the number of individuals that might be supported on an acre of land planted with potatoes, as compared with those that might be supported on an acre sown with wheat; some stating the proportion as high as *six to one*, and others at only *two to one*. According to Mr. Arthur Young, one pound of wheat is about equal in nutritive power to five pounds of potatoes. But Mr. Newenham, who has carefully investigated this subject, states that "three pounds of good mealy potatoes are undoubtedly more than equivalent to a pound of bread;"† and his estimate is rather above Mr. Wakefield's.‡ Supposing, however, that one pound weight

* Essai Politique sur la Nouvelle Espagne, tome iii. pp. 29, 36.

† Newenham on the Population of Ireland, p. 340.

‡ Mr. Newenham estimates the daily consumption of a potato-feeding family of six persons at 36 lbs. a day, or 6 lbs. each, on an average; whereas Mr. Wakefield's average is 3½ lbs.

of wheat is fully equal to *four* pounds of potatoes, still the difference in favour of the superior quantity of food derived from a given quantity of land planted with the latter, is great and decided. According to Mr. Young, the average produce of potatoes in Ireland may be taken at 82 barrels the Irish acre; which, at 20 stones the barrel, is equal to 22,960 lbs.; and this, being divided by *four*, to bring it to the same standard, in point of nutritive power, as wheat, gives 5,740 lbs. Mr. Young farther estimates the average produce of wheat by the Irish acre at four quarters;* which, supposing the quarter to weigh 480 lbs. gives in all 1,920 lbs. or about one third part of the solid nourishment afforded by an acre of potatoes. This estimate must, however, be somewhat modified when applied to Great Britain; the soil of which, while it is better adapted to the growth of wheat, is generally supposed not to be quite so suitable for the potato as that of Ireland. But it notwithstanding admits of demonstration, that even here "*an acre of potatoes will feed double the number of individuals that can be fed from an acre of wheat.*"†

It is clear, therefore, on the most moderate estimate, that the population of a potato-feeding country may become, other things being about equal, from two to three times as dense as it could have been, had the inhabitants fed wholly on corn. We are not, however, to ascribe the superior population of Ireland, notwithstanding the want of manufactures and commerce, wholly to the circumstance of the population subsisting chiefly on potatoes, while those of England subsist chiefly on wheat. A considerable part of the difference must be ascribed to the great comparative consumption of butcher's meat in the latter. "Comparatively speaking," says Mr. Newenham, "a very small quantity of animal food is consumed

* Tour in Ireland, appen. pp. 12, 24, &c. 4to edit.

† General Report of Scotland, vol. i. p. 571.

in Ireland; a very great one in England. Much of the sort of food is saved there by religious fasts; and a trifling quantity here. By the lowest class in England, it is, generally speaking, eaten once a week; by the lowest class in Ireland, generally speaking, never. In England, that most numerous class next above the lowest, eat flesh meat three times, or at least twice a week. In Ireland the same class, which is in proportion more numerous than in England, do not, generally speaking, eat it once a month: A great majority of that class do not eat it oftener than *six times in the year*. Substantial farmers and country artificers in England live chiefly on animal food: the same descriptions of persons in most parts of Ireland live chiefly on potatoes and milk. Manufacturers in England subsist for the most part on flesh meat and bread: manufacturers in Ireland subsist for the most part on potatoes, oatmeal, and bread, consuming a very trifling proportion of animal food.”*

But it is admitted on all hands, that a much larger quantity of land is required for the support of an individual who derives a considerable portion of his supplies of food from butcher’s meat, than if he were exclusively fed on wheat. Mr. Newenham states, that the average quantity of land requisite for the support of an individual who subsists on animal food, and uses bread only as a supplementary article, will maintain *four* people who subsist wholly on bread, or *twelve* who subsist wholly on potatoes; and comparing the species of food consumed by the mass of the Irish people with the species of food consumed by the mass of the people of Great Britain, we shall certainly be within the mark if we suppose that the same extent of land which would yield food for *one* individual in England, would yield food for *four* in Ireland!—These are the circumstances to which the superior population of Ireland is chiefly to be ascribed.

* Inquiry into the Population of Ireland, p. 337.

Had it not been for the almost universal dependence of the Irish people on the potato for the principal part of their subsistence, coupled with the facility with which they obtain huts and slips of land, it is quite impossible that population could have advanced so rapidly as it has done during the last fifty years.

But while the use of the potato as a principal article of food has the effect to render population comparatively dense, it has, at the same time, the effect to render the people habitually poor, and to multiply the chances of famine. I shall show, in the following note, that nothing has so much influence in determining the rate of wages, as the species of food consumed by the labourers; and that, other things being equal, wherever food is expensive wages will be high, and wherever it is cheap they will be low. But potatoes being the cheapest species of food hitherto cultivated in Europe, and the Irish labourers being wholly dependent on them, their wages are regulated by the lowest possible standard. Whenever, therefore, the potato crop happens to be deficient, they are left altogether without resource. So long as potatoes are used only as a subsidiary species of food, their introduction serves to improve the condition of the labourer; and they frequently afford him an additional means of support in years when there is a failure of the corn crops. But those who are habitually and entirely fed on potatoes, are placed upon the extreme verge of human subsistence. When deprived of their accustomed food, they are unable, from the smallness of their wages, to purchase what is dearer; and there is nothing cheaper to which they can resort. To a people placed under such unfortunate circumstances, scarcity and famine must be synonymous.

It may be said, perhaps, that had potatoes not been introduced, either wheat, or barley, or oats, would have been the lowest species of food; and that whenever they happened to fail, the population would have been as destitute as if they had been subsisting on potatoes.

It must, however, be observed, that the proportion which the price of wheat, or of any species of grain, bears to the price of butcher's meat, tea, beer, &c. is always decidedly greater than the proportion which the price of potatoes bears to these articles; and it therefore follows, that a people who have adopted wheat, or any species of corn, for the principal part of their food, are much better able to make occasional purchases of butcher's meat, &c. and will consequently be more likely to have their habits elevated, so as to consider the consumption of a certain quantity of animal food, &c. as indispensable to existence. And hence it appears reasonable to conclude, that a people who chiefly subsist on corn, would, in most cases, subsist partially on butcher's meat, and would enjoy a greater or less quantity of other articles; so that it would be possible for them, in a period of scarcity, to make such retrenchments as would enable them to elude the severity of its pressure.

But though the population in corn-feeding countries were dependent on the cheapest species of grain, not for a part only, but for the whole of their food, their situation would, notwithstanding, be much less hazardous than that of a population subsisting wholly on potatoes.

In the *first* place: Owing to the impossibility, as to all practical purposes at least, of preserving potatoes, the surplus produce of a luxuriant crop cannot be stored up or reserved as a stock to meet any subsequent scarcity. The whole crop must necessarily be exhausted in a single year; so that when the inhabitants have the misfortune to be overtaken by a scarcity, its pressure cannot be alleviated, as is almost uniformly the case in corn-feeding countries, by bringing the reserves of former harvests into the market. Every year is thus left to provide subsistence for itself. When, on the one hand, the crop is luxuriant, the surplus is of comparatively little use, and is wasted unprofitably; and when, on the

other hand, it is deficient, famine and disease necessarily prevail.

In the *second* place: The general opinion seems to be, that the variations in the quantities of produce obtained from land planted with potatoes, are decidedly greater than the variations in the quantities of produce obtained from land on which wheat or any other species of grain is raised.

And *lastly*: Owing to the great bulk and weight of potatoes, and the difficulty of preserving them on ship-board, the expense of conveying them from one country to another is so very great, that a scarcity can never be materially relieved by importing them from abroad. In consequence, those who chiefly depend on potatoes are practically excluded from participating in the benevolent provision made by nature for equalizing the variations in the harvests of particular countries by means of commerce, and are thrown almost wholly on their own resources.

We should, therefore, be warranted in concluding, even though we were not possessed of any direct evidence on the subject, from the circumstance of the potato being a crop that cannot be kept on hand, from its natural fickleness, and from the incapacity of importing it when it is deficient, or of exporting it when it is in excess, that the oscillations in its price must be incomparably greater than in the price of wheat: and such, in point of fact, is the case. The oscillation in wheat is thought great when its price is doubled; but in a scarce year the potato is not unfrequently *six* times as dear as in a plentiful one!* And the comparatively frequent recurrence of scarcity in Ireland, and the destitution and misery in which the population are then involved, afford

* Minutes of Evidence taken before the Agricultural Committee of 1821, p. 212.

but too convincing proofs of the perfect accuracy of what has now been stated.

It is, therefore, of the utmost consequence to the well-being of every people, and to their protection in years of scarcity, that they should never subsist principally on the potato. In Great Britain the pressure of a scarcity is evaded by resorting to an inferior species of food, and a lower standard of comfort; but if our people were habitually fed on the potato, this would be impossible. The chances of famine would thus be vastly increased; while, owing to the low value of the potato as compared with most other things, the labourers would have infinitely less chance of acquiring a taste for animal food, or other necessaries and luxuries; and consequently, of changing, at any future period, their actual condition for a better.

For these reasons it seems as if the rapid extension of the potato cultivation was one of the most serious evils with which this and most other European countries are now threatened. Little more than two centuries have elapsed since seedlings of this vegetable were first introduced into Europe,* and so astonishing has been its in-

* It seems to be the prevalent opinion that potatoes were first introduced into Europe by Sir Walter Raleigh. Sir Walter discovered Virginia, where the potato was indigenous, in 1584; but it is doubtful whether he brought any potatoes along with him on his first voyage. They must, however, have been imported previously to 1590; for Gerard, an old English botanist, mentions that he had reared seedlings of the potato about that time, and that it grew as well in his garden as in its native soil, Virginia. Gerard gave the potato the name of *solanum tuberosum*—a name adopted by Linnæus, and which it still retains. Previously to 1684, the cultivation of the potato in England was confined to the gardens of a few of the nobility and gentry. It was then first planted in the open fields in Lancashire, a county in which it is now very extensively cultivated. In an account of the household expenses of Queen Anne, wife of James I., who died in 1618, and which is supposed to have been compiled in 1613, the price of potatoes is stated at 1s. a pound.

Potatoes were not introduced into Ireland until 1610, when a small parcel was sent by Sir Walter Raleigh to be planted in a garden on

crease, that it has already become the almost exclusive food of the people of Ireland, and is used to a very considerable extent also by those of Great Britain and the Continent. The culture of the potato has been vastly extended in the west of Scotland, and throughout England during the last twenty-five years; and, owing to the natural tendency of mankind to increase faster than the means of subsistence, the labouring classes have the strongest temptation to resort to it. They ought, however, above all things, to avoid placing their dependence upon it; for should it ever form the principal part of their subsistence, it is difficult to see what could prevent them from falling into the same miserable state as the peasantry of Ireland; their numbers would assuredly become redundant; and they would have to maintain a constant struggle with the most extreme poverty.

It has been suggested, in order to provide effectually against so tremendous an evil, that it might be expedient for government to interfere, by laying a heavy tax on potatoes, to check their cultivation. But such an interference, though in some respects desirable, would be liable to several, and not easily removed, objections. I should think, however, that there are but few who have reflected on the subject, who would not admit, that though it might be impolitic directly to interfere, to prohibit, or fetter the cultivation of potatoes, it ought not, at any rate,

his estate in the vicinity of Youghall. There is no other instance of the cultivation of an exotic having been so rapidly extended in so short a period as has elapsed since potatoes were introduced into Ireland.

Potatoes were not raised in Scotland, except in gardens, till 1728, when they were first planted in the open fields by Thomas Prentice, day-labourer at Kilsyth. Prentice died at Edinburgh so late as 1792.

Those who wish to enter more at large into the history of this vegetable, may consult Dr. Campbell's Political Survey of Britain, vol. i. p. 246, 4to edit.; Smith's Ancient and Present State of the County and City of Cork, vol. i. p. 128; Sir F. M. Eden on the State of the Poor, vol. i. p. 508; Wakefield's Ireland, vol. i. p. 442, &c.

to receive any artificial encouragement. But it is quite impossible to doubt that such regulations as have the effect to exclude the comparatively cheap corn of other countries, operate, in this respect, in the same way as a bounty on the cultivation of potatoes. By increasing the price of corn, they stimulate recourse to them; and if, either from this or any other cause, they should ever become the principal part of the food of the people, we shall be fortunate indeed if all the pernicious consequences already pointed out do not follow.

NOTE VI.

WAGES OF LABOUR.

DR. SMITH has successfully demonstrated in the tenth chapter of his first book, that when all things are taken into account, the wages earned by the labourers engaged in different employments approach very nearly to an equality; that the higher rate in some is caused by their unhealthiness or disagreeableness, the severity of the labour, or the greater skill and dexterity required to carry it on; and that the lower rate in other employments is caused by the opposite circumstances—by their healthiness or agreeableness, the lightness of the labour, or the little skill required in the workmen. Without, therefore, stopping to investigate the influence of those causes which raise wages in certain employments above, and in others sink them below the common and average rate, I shall confine the remarks, I am now to offer to a brief statement, intended to serve as a supplement to the eighth chapter of Dr. Smith's first book,

of the circumstances which determine the common or average rate of wages, and the more prominent causes and effects of variations in its amount.

To facilitate the acquisition of clear and correct ideas with respect to the circumstances which determine the rate of wages, they may be considered in a double point of view, viz. either (1) as the sum which the labourers receive at any given moment in return for their services, or (2) as the sum which is necessary to enable the required supply of labourers to exist and continue their race. Wages considered in the first point of view, may be denominated market or actual wages; and considered in the second they may be denominated natural or necessary wages.

I. Dr. Smith has said,* that the common or market rate of wages depends everywhere upon the terms of the contract between the workmen and their employers. But we must not infer from this statement that these terms are adjusted on any arbitrary or capricious principle. In businesses of small extent, and placed under some very peculiar circumstances, this may occasionally be the case. But in the vast majority of cases it is not possible for any combination, either of the masters or the workmen, materially to affect the rate of wages. That must always depend on the amount of the capital devoted to the payment of wages as compared with the number of the labourers.

That portion of the capital, or wealth of the country, which the employers of labour intend or are willing to lay out in the purchase of labour, may be much larger at one time than another. But whatever may be its absolute magnitude, it obviously forms the only source from which any portion of the wages of labour can be derived. No other fund is in existence from which the labourers, as such, can draw a single shilling. And

* Vol. i. p. 110.

hence it follows that the average rate of wages, or the shares of the national capital falling, on an average, to each labourer, must entirely depend on its amount as compared with the number of those amongst whom it has to be divided.

An increase of capital, or of the means of supporting and employing labourers, is not, therefore, as is so generally supposed, always productive of an increased rate of wages. It has this effect, when the number of labourers remains stationary, or when it increases in a less proportion than capital, but not otherwise. So long as capital and population increase or diminish in the same proportion, the rate of wages, or the quantity of necessaries and conveniences falling to the share of the labourer, can undergo no change. But if the mass of capital be, on the one hand, augmented without a corresponding augmentation taking place in the population, a *larger* share of such capital will fall to each individual, or the rate of wages will be increased: And if, on the other hand, population is augmented faster than capital, a *less* share will be apportioned to each individual, or the rate of wages will be reduced. The well-being and comfort of the labouring classes are, thus, especially dependent on the proportion which their increase bears to the increase of the capital which is to feed and employ them. In fact there are no means whatever by which the command of the labouring classes over the necessaries and conveniences of life can be increased other than by accelerating the increase of capital, or by retarding the increase of population; and every scheme for improving the condition of the labouring poor, which is not founded on this principle, or which has not for its object to increase the ratio of capital to population, must be entirely nugatory and ineffectual.

It is needless to enter into any disquisition with respect to the circumstances which tend to increase the

national capital. It is, at all events, certain that its increase can be but little accelerated by the proceedings of the poor; and even though it were, it is obvious, from the principles already established in the note on Population, that, that circumstance could be of very little importance in so far as the rate of wages is concerned; for that rate must, in all cases, depend principally on the ratio of the increase of the population, or on the degree of moral restraint displayed by the labourers. An increase of capital, without an increase of prudence, or of moral restraint, could be of no lasting or material advantage to the workmen; but, whatever may be the progress of capital, an increase of prudence can hardly fail permanently to improve their condition. Accidental circumstances may, and indeed frequently do, involve individuals in the greatest distress and difficulties; but national poverty, or, which is the same thing, *a low average rate of wages, is exclusively occasioned by an excess of population.*

The grand object then of all who wish to improve the condition of the poor, ought to be, to render the increase of their numbers slower than the increase of their subsistence and accommodations; and perhaps there is nothing that would contribute so powerfully to this end, that would tend so much to improve the habits of the labouring classes, and to give additional force to the principle of moral restraint, as the early instruction of the young in the plain and elementary principles with respect to population and wages. The causes of national poverty should be explained to all classes of people, that all may be rendered aware of their existence, and enabled to provide against them. Education should be made a means of explaining the constitution of society, and of making the people acquainted with the circumstances on which their condition must always mainly depend. The labouring poor ought to be impressed, from their earliest years, with a full conviction of the important and un-

doubted truth, that the means of comfort and happiness are, to a very great extent, in their own hands; they should be taught that all that others can do for them is but trivial and unimportant compared with what they can do for themselves; and that the best institutions, and the most tolerant and liberal system of government cannot shield them from poverty and degradation if their numbers be too great as compared with the means of subsistence, or with the capital which is to pay their wages. These are plain and obvious truths, and might easily be made level to the comprehension of every one; and if the public were generally made acquainted with them, it can hardly be doubted that a very considerable change would be gradually effected in their habits, and modes of thinking and acting.

It should be kept in mind that, however well the poor may in other respects be instructed, if they are not made acquainted with the circumstances which regulate the rate of wages, comparatively little is done to amend and improve their condition. A mere knowledge of the arts of reading and writing will not enable workmen to obtain higher wages; nor, supposing that they are *all* taught to be more expert in their several trades and occupations, will that circumstance have of itself any considerable effect on their condition. Nothing but a change in the proportion which their numbers bear to the amount of capital can give them an increased command over the necessaries and conveniences of human life. And, therefore, it is plain that the main objects of every system of public education intended to *increase the comfort and happiness of the poor*, ought to be, to show them wherein the power of regulating wages really consists, and to teach them how to use it most advantageously.

The laws with respect to corporations, apprenticeships, combinations, &c. the effect of which on the market rate of wages has been so ably pointed out by Dr.

Smith, have undergone very great modifications since the publication of the *Wealth of Nations*. The statute of the 5th of Elizabeth, by which the duration of apprenticeships in most common trades was regulated in England and Wales, was repealed in 1814; the laws preventing voluntary combinations amongst workmen were repealed in 1824; and the privileges of the different corporations have, in so far as matters of this sort are concerned, long since ceased to be oppressive. A similar change has been made in many of the continental states. The Revolution swept off all the vexatious enactments with respect to apprenticeships and corporations, by which the freedom of industry in France was formerly fettered and restricted; and the same thing has taken place in Prussia, the Netherlands, &c. The compulsory provision for the support of the able-bodied poor is the only institution now existing in England that has any very considerable direct influence on the rate of wages. That, however, is a subject that will be more properly treated of in the note on the Poor Laws.

II. But whatever fluctuations may take place in the rate of wages, and however incautious the labourers may be in supplying the market with labour, there is in all countries a limit below which it is sometimes impossible to reduce wages for any considerable period; and below which they can never be permanently reduced without a change taking place in the habits of the population. This limit forms what has been denominated the natural or necessary rate of wages; meaning by necessary rate the various necessaries and accommodations, or the money sufficient to purchase these necessaries and accommodations, required to enable the labourers to exist and continue their race according to the prevalent habits and customs of the different countries to which they belong.

It is obvious, from what has now been stated, that the natural or necessary rate of wages must be susceptible of infinite variation. It varies in different countries ac-

according to the varying wants and necessities of the labourers; and it varies in the same country according to the changes that occasionally take place in their diet, dress, and lodgings.

The varieties in the climate of different countries occasion considerable variations in the necessary rate of wages. It is stated by M. Humboldt, that there is a difference of about a third between the wages of labour in the hot and temperate districts of Mexico. Nor is it difficult to see why this should be the case. According as the climate becomes colder, warmer, and for that reason, speaking generally, more expensive clothing, more substantially built houses, and a larger supply of fuel become necessary. The influence of these circumstances may, it is true, be either partially or wholly counterbalanced by others; such as the superior progress made by countries with a less genial climate in the arts of civilized life, the possession of unusually productive coal mines, &c. But abstracting from these circumstances, it is plain, as a general proposition, that the rate of necessary wages must vary with variations in the climate; and that, other things being equal, it will be highest in countries where the most expensive clothes and houses and the largest supplies of fuel are required.

The proportion of the wages of labour expended in the purchase of supplies of food must necessarily differ in different countries. In all, however, it is very large; and even in Great Britain, where the labourers consider comfortable clothes and neat cottages as indispensable, it is commonly supposed that, on an average, about *three fifths* of their earnings are laid out on food. It is obvious, therefore, that the necessary, and by consequence also the market rate of wages, must be especially dependent on the sort of food consumed by the inhabitants of a country, and the cost at which it may be raised. Taking, for example, the present average rate of wages in agricultural employments in England at £.25 a year; and

supposing three-fifths of this sum, or L.15, to be expended on food, it is obvious that, if either by a reduction in the price of corn, or by substituting potatoes in the place of corn, or any other means, the cost of this food were reduced to a half of what it now costs, the necessary rate of wages, and, most probably also, the market rate would be reduced in the same proportion, or from L.25 to L.17, 10s. Such a reduction in the price of corn, or such a change in the species of food as has been supposed, would lead to an increase in the means of subsistence; an additional stimulus would in consequence be given to population, and unless there was a greater degree of moral restraint, the supply of labourers would be increased until wages had been reduced to the sum that was still required to enable them to exist and continue their race.

The state of the labouring classes in every country furnishes abundant proofs of the accuracy of what has now been stated. In Bengal, for example, where clothing, lodging, and fuel are of comparatively inferior importance, the necessary wages of labour are almost entirely determined by the cost of the food consumed by the labourer. But as this food, which is the simplest imaginable, and consists merely of boiled rice with split pulse and salt to relieve its insipidity, is produced at very little cost, a labourer is able to subsist on a mere trifle; and the consequence is that the customary rate of wages in common employments is so low as 2½d. a day!*

But it is unnecessary to refer to distant countries or remote periods for an example of this principle. The contrast between the actual condition and the rate of wages of the labouring classes in Great Britain, and the condition and rate of wages of the same classes in Ireland, illustrates it in the most striking manner. In Great Britain the necessary rate of wages is principally deter-

* Colebrooke on the Husbandry of Bengal, pp. 20, 131.

nined by the cost of wheat and butcher's meat, and in a less degree by the rent of a comfortable cottage, the price of clothes, beer, tea, &c. In Ireland, on the contrary, the peasantry rarely taste butcher's meat: they do not even consider bread as necessary to their subsistence; they are generally without either beer or tea; and their hats, clothes, &c. are all of the most miserable description. The rate of necessary wages is there almost entirely dependent on the price of potatoes; and as the price of such a quantity of potatoes as is sufficient for the support of a family does not certainly exceed a third part of the price of the bread and other articles required for the subsistence of a family in England, the necessary rate of wages is proportionally low.* The market rate of wages does not, however, owing to the absence of all moral restraint, differ sensibly from the necessary rate. The principle of increase has filled up the population to the level of mere subsistence; so that while the wages of common labour may be taken on a rough average at 20d. a day in England, they are not supposed to exceed 5d. or, at most, 6d. a day in Ireland.

If we except the influence that would be exerted on the progress of population, and consequently also on the rate of wages, by the prevalence of a greater degree of moral restraint, an increased demand for labour, or a fall in the price of the articles required for the consumption of the labourer, seem to be the only modes in which wages can be raised. From whatever causes an increased demand for labour may proceed, it must obviously raise the rate of wages: and it is hardly less obvious that a fall in the cost of producing any article consumed by the labourer, or that might be consumed by him, must in so far improve his condition. The demand for labour is in most cases immediately increased, and—though the reverse may, under certain circumstances, take place in a particu-

* See previous note.

lar business—it is never generally or permanently reduced by a reduction in the cost of producing one or more commodities. But supposing that the demand for labour continues the same after commodities fall in price, then, as the number of labourers in the market, and consequently the money wages paid them, must also continue the same, it is plain that these wages will purchase a greater quantity of produce, and that the condition of the labourer will be in so far improved. It is no doubt true that, in the event of the population being increased proportionally to the increased demand for labour, or to the fall in the price of produce, the improvement in the condition of the labourer would only be temporary. But it is not very probable that population would be increased in the same proportion. A period of about twenty years must of necessity elapse before the stimulus which an increased demand for labour gives to population can occasion an increase in the number of labourers; and as the existing labourers must, during this long interval, have been accustomed to an improved manner of living, the standard of natural or necessary wages would be elevated; and the majority would feel disposed rather to defer the period of marriage than to run the risk of sinking themselves and their children below the new level to which they had attained.

The effects produced by a decreasing demand for labour, or by a rise in the price of the articles usually consumed by the labourer, are directly the reverse of those now stated. The number of labourers continuing, for some time at least, the same, the rate of wages is necessarily diminished when the demand for labour declines, and it necessarily continues at its old level when prices rise; so that in both cases the condition of the labourer is changed for the worse. In consequence he is obliged to economize; and if the pressure should continue for a considerable period, there is a very great risk lest the habits of the labouring classes should become degraded,

or that they should learn to be satisfied with an inferior species of food, or a lower standard of comfort. Should this change unfortunately take place, the population would accommodate itself to the new state of things; and it would be exceedingly difficult for the labourers to attain, at any subsequent period, to the elevation from which they had been cast down.

When the labourers are already subsisting, as in Ireland, on the lowest species of food, it is of course impossible for them to go to a lower in a period of scarcity; and if their wages, or the means of subsistence falling to their share, should sustain any serious decline, an increase would necessarily take place in the rate of mortality. But in a country like England, where the inhabitants have been long accustomed to superior comforts, and where the constitution has given them various privileges, and inspired them with a decent pride, it is probable that they would pass through a pretty long period of severe privation, and that its effect would rather be to give new efficacy to the principle of moral restraint, and to lessen the proportion of marriages and births, than to induce the labourers to submit to a lower scale of living, or to relinquish comforts they have long enjoyed, and which they have been taught to look upon as indispensable. And as the happiness and comfort of the labouring classes are essential to the tranquillity and happiness of the state, it is of the highest importance that this principle should be strengthened by every possible means.

It has been already seen that the cost of raw produce has a necessary tendency to rise in the progress of society; and as the greater part of the wages of labour either consists of raw produce, or is laid out in its purchase, it is plain that the *real value* of wages, though occasionally reduced by improvements in agriculture, manufactures, &c., has a natural tendency to rise as society advances and population becomes denser. And hence the distinction, to which it is frequently of importance to

advert, between what may be called *absolute wages*, or *wages* estimated in commodities, and *proportional wages*, or *wages* estimated by the proportion of the produce of industry falling to the share of the labourer. The condition of the labourer is always best when he gets the largest quantity of the commodities required for his subsistence and accommodation; but if he inhabits a newly-settled country where only the best lands are in cultivation, this large quantity of commodities may be the produce of a comparatively small quantity of labour; and proportional or real wages may, in consequence, be lower than in a country where the labourer gets a less absolute quantity of produce. Suppose, to illustrate this distinction, that a day's labour can produce a bushel of wheat on the land last taken into cultivation in Kentucky, and only three-fourths of a bushel on the land last taken into cultivation in England; and suppose that the labourers in both countries get half a bushel, or the price of half a bushel a day, as their wages. In this case it is plain that absolute wages, or wages estimated by quantities of produce, would be equal in England and America; but wages estimated by the *proportion* of the whole produce of industry falling to the share of the labourer, or by the quantities of labour required for their production, would be decidedly higher in England than in America. And such, generally speaking, must always be the case with wages in countries far advanced in the career of civilization, as compared with wages in those whose progress is less considerable. The land gradually yields a less and less quantity of produce, according as tillage is extended over inferior soils, or as the superior soils are further and further forced for additional supplies; but as the labourers must always obtain such a proportion of this produce as will enable them to exist and continue their race, it follows that, in the progress of society, proportional wages are invariably augmented; though, unless the principle of moral restraint be in

pretty active operation, this augmentation of proportional wages is not unfrequently accompanied by a decline in the absolute quantity of produce accruing to the labourer.

Dr. Smith has said* that had that original state of things continued in which the whole produce of industry belongs to the labourer, all things would gradually have become cheaper with the various improvements in the arts, and wages would have been constantly augmented. But the principles established in the notes on Rent and Population show the fallacy of this statement. Corn must rise in the progress of society, because good land cannot be indefinitely forced without yielding a diminished return, and because more labour is required to raise it upon inferior lands. And, therefore, it is obvious that though there had been no other class than labourers to share in the produce of industry, their situation would then, as now, have deteriorated in the progress of society, had the increase of their numbers not been lessened in the same degree that the difficulty of obtaining supplies of food was augmented.

NOTE VII.

CIRCUMSTANCES WHICH DETERMINE THE RATE OF PROFIT.

By *profit*, in the science of political economy, is meant the produce, or the value of the produce, obtained by the employment of a capital, for a given time, in any in-

* Vol. i. p. 108.

dustrious undertaking, that remains to the owner of the capital, after replacing the capital itself, or such portion of it as may have been wasted in the undertaking, and every other expense necessarily incurred in carrying it on.

By the *rate* of profit, is meant the proportion which the profit derived from an industrious undertaking bears to the capital employed in that undertaking.

Thus, suppose an agriculturist employs 10,000 quarters of corn, or the value of 10,000 quarters, in the cultivation of a farm, and that the net surplus produce remaining to him at the end of a year, after his capital has been replaced, and he has been indemnified for the trouble of superintendence, and for every sort of expense necessarily incurred in the management of the farm, is 1,000 quarters, or the value of 1,000 quarters. In this case, these 1,000 quarters would constitute the profits of the agriculturist; and they would be to the capital, by whose agency they were obtained, in the ratio of 1,000 to 10,000, or at the rate of ten per cent.

It has been shown by Dr. Smith and others, that the capital invested in businesses not subjected to any species of monopoly, yields, in consequence of the principle of competition, at the same moment the same or nearly the same rate of profit in them all. My object in this note is to state the circumstances which determine the amount of this rate.

In this investigation it is not necessary to inquire whether the capital invested in certain businesses yields rent as well as profits, or whether it yields profits only. The competition of the producers will always reduce profits in every business to the same common level; and as rent is, in all cases, a surplus that is entirely over and above profits, it may, for the present, be left wholly out of view. The laws by which profits are regulated in countries where only the best lands are cultivated, and where no rents are paid, are in no respect different from

those by which they are regulated in countries where cultivation has been widely extended, and where lands of superior fertility yield a high rent.

Suppose, therefore, that rent is deducted or set aside ; it follows, that the whole of the remaining produce of industry must, in the first instance, be divided between the capitalists and the labourers,—that is, between those who furnish the capital and those who furnish the immediate labour required for the production of commodities. And hence, if taxation were either unknown or constant, it is obvious that the proportion of the produce of industry, under deduction of rent, falling to the share of the capitalists, could not be increased without the proportion falling to the share of the labourers being at the same time diminished, and conversely. But the proportion of the produce of industry falling to the capitalists, includes not only the profit on the capital belonging to them, but it also includes the portion which is required to replace the capital that has been wasted in production, and that which is properly the wages of superintendence. And the rate of profit is not, as has been already stated, determined by the ratio which the portion of the produce of industry, falling to the share of the capitalists, bears to the whole produce, but by the ratio which the *amount of profits*, or the produce belonging to the capitalists, after every sort of expense has been deducted, bears to the *capital employed in production*.

Suppose that a capitalist, an agriculturist for example, employs a quantity of capital of the value of 1,000 quarters of corn, or L.1,000, in the cultivation of a farm ; that one half of this capital consists of seed, horses, and other instruments used in agriculture, and that the other half is employed in the payment of wages ; and suppose that he has, after his rent has been deducted or set aside, produce of the value of 1,200 quarters, or L.1,200 ; of this sum 1,000 quarters, or L.1,000, must go to replace his capital ; and supposing that his taxes amount to 100

quarters, or L.100, it follows that 100 quarters, or L.100, will remain for his profits; which are consequently at the rate of ten per cent. Now, in this case, and this case is, *mutatis mutandis*, the case of every undertaker of any business, it is obvious that the rate of profit may be raised in three, but only in three ways, — viz! (1) by industry becoming more productive; or (2) by a reduction in the rate of wages; or (3) by a reduction in the amount of taxation: and it may be reduced by the opposite circumstances; or (1) by industry becoming less productive; or (2) by a rise in the rate of wages; or (3) by a rise in the amount of taxation. It is impossible to point out a way in which profits can be affected that may not be referred to one or other of these heads.

Suppose, to revert to the previous example, that, other things remaining the same, the quantity of produce is increased, by means of the better application of the capital and labour employed, from 1,200 quarters, or L.1,200, to 1,300 quarters, or L.1,300; the gross amount of profits would in this case be increased from 100 quarters, or L.100, to 200 quarters, or L.200, and the rate of profit would be raised from ten to twenty per cent. A similar result would be produced, other things being the same, if wages were reduced from 500 quarters, or L.500, to 400 quarters, or L.400; and if taxation were reduced from 100 quarters, or L.100, to 50 quarters, or L.50, the rate of profit would be raised from ten to fifteen per cent. On the other hand, if we suppose that the quantity of produce, instead of being increased, had been diminished, or that the rate of wages or the rate of taxation had been augmented, the gross amount of profit and the rate of profit would have been proportionally lessened.

Had it not been for the gradually decreasing productiveness of the capital laid out in the cultivation of the soil, the productiveness of industry would have increased

with the various discoveries and inventions for saving labour that we may suppose would have been made in the progress of society; and had wages and taxation continued the same, the rate of profit would have been continually increasing. But it has been already shown, that though improvements may increase the productiveness of agricultural industry for a while, the increase cannot be permanent; and that the constant pressure of population never fails to force recourse to inferior lands, which, of course, yield a less quantity of produce in return for the same outlay. Now, the decreasing productiveness of the capital applied to the soil has a double effect on profits: for, in the first place, it lessens the quantity of produce obtained by the employment of a given amount of capital; and, in the second place, it increases the proportion of that produce which goes to the labourer as wages. The latter must always get such a quantity of produce as is sufficient to enable him to subsist and continue his race; and though, in the event of his resorting to a lower species of food or an inferior standard of comfort, a rise in the price of raw produce may not be, in every instance, followed by a rise in the rate of wages, yet, speaking generally, the one must always be consequent upon the other. The cost of food is the main regulator of the rate of wages; and it is quite impossible to go on, for any very lengthened period, by taking bad land into cultivation, or forcing the good land, to make constant additions to the price of food, without ultimately raising wages. The decreasing fertility of the soil is, therefore, the only cause of a reduction in the rate of profit occasioned by a decline in the productiveness of industry; and it is most frequently also the cause of those reductions that are immediately occasioned by a rise in the rate of wages. The latter, it is true, may also be brought about by the greater prevalence of moral restraint, or by a diminution in the number of labourers, as compared with the capital which is to feed and employ them. But a rise of wages, caused

by the increased cost of necessaries, does not depend on contingent circumstances, or on the intelligence of the labourers. It must be experienced in every country and state of society, according as it becomes more and more difficult to obtain supplies of food for an increasing population. The absolute wages of the labourer, or the quantities of necessaries and conveniences given him for his exertions, may be, and indeed most frequently are, diminished in the progress of society; but when cultivation is far extended, he is necessarily always in the receipt of a larger share of the produce of his labour; so that, as has just been observed, profits are invariably reduced in an advanced stage of society, because the quantity of produce is diminished, and because the labourers have to get a larger share of this diminished quantity.

The theory of Dr. Smith, as to the circumstances which determine the rate of profit, is totally different from that which has now been laid down. He seems not to have entertained the faintest idea of the fundamental principle with respect to the decreasing productiveness of the capital successively applied to the soil; and as he did not imagine that there was any natural cause why the quantity of produce obtained by the expenditure of a given amount of capital and labour should ever be diminished, he supposed that profits were lowered by the *competition* of capitalists; that when capital increased, the undertakers of different businesses became anxious to encroach on each other; and that, in order to attain their object, they were disposed to offer their produce at a lower price, and to give higher wages to their workmen.

But though, on a first view, this theory appears sufficiently plausible, it will not bear the least examination. It is easy to see that competition can never produce a general fall of profits. All that competition can do, and all that it ever does, is to reduce the profits obtained in different businesses and employments to the *same common*

level, to prevent particular individuals from realizing greater or lesser profits than their neighbours. But farther than this competition cannot go. The common and average rate of profit does not depend on it, but on the excess of the produce obtained by the employment of a given amount of capital, after replacing that capital, and every contingent expense. Suppose, for the sake of illustration, that a manufacturer has a capital of L.10,000, the half of which is expended in buildings and machinery, and the other half in paying the wages of his workmen, and that his taxes amount to L.100; suppose now that the produce annually obtained by this manufacturer is 12,000 yards of broad cloth; and that this produce is sufficient, besides replacing the whole of that portion of his capital which is devoted to the payment of wages, and whatever portion of the fixed capital may have been wasted, as well as paying his taxes, insurances, and all other necessary outgoings, to leave him 1,000 yards of cloth, or L.1,000 of surplus. The profits of this manufacturer would be at the rate of ten per cent.; and it is obvious that they could not be affected by the most intense competition. Competition cannot affect the productiveness of industry, neither can it, speaking generally, affect the rate of wages, for, such as the demand for labour is, such will be its supply, and it cannot affect the burden of taxation. It is plain, therefore, that it can have nothing to do in determining the common and average rate of profit. It will prevent any individuals from either getting more, or taking less, than this common rate; but it can have no further effect.

It appears, therefore, that that fall in the rate of profit that is invariably observed to take place as society advances, is not owing to an increase of capital, or to the competition consequent upon that increase, but to an inability to employ capital with equal advantage, resulting either from a decrease in the fertility of the soils to which every advancing country must resort, to a rise of

wages, or to an increase of taxation. But of these causes the first is incomparably the most powerful, and is, at the same time, the only one that is constant in its operation. Not only does it lessen the quantity of produce obtained by the employment of a given quantity of capital and labour, but it is also, as has been already seen, always sure in the end to raise the rate of *proportional* wages. It is, of course, impossible to lay down any fixed principles with respect to taxation. It may either increase or diminish in the progress of society. I have elsewhere endeavoured to show that the high rate of taxation in Holland, during the last century, was the principal cause of the low rate of profit in that country.*

The principles already established show, (1) That when the productiveness of industry is constant, or when it is not diminished, profits cannot be reduced except by a rise in the rate of wages, or in the amount of taxation; (2) That when the rate of wages is constant, profits cannot be reduced unless industry becomes less productive, or taxation is augmented; and (3) That when taxation remains constant, profits cannot be reduced, except by industry becoming less productive or wages being raised. It is here supposed, for the sake of simplifying the statement, that when one of the regulating principles of profit remains constant, the other two vary in the same way. But they might vary in different ways; and if so, their influence on profits would depend on the extent to which the variation in the one exceeded the variation in the other. Suppose, for example, that while the productiveness of industry remains constant, wages rise, and the amount of taxation is at the same time diminished; the effect of these variations will plainly depend on the circumstance of the rise of wages exceeding, or falling short, or being identical with the reduction in the amount of taxation: if it exceeds the reduction of

* Principles of Political Economy, p. 386.

taxation, profits will be lowered proportionally to the excess; if it is less than the reduction of taxation, profits will be proportionally raised; and if the rise of wages and the reduction of taxation are exactly equivalent to each other, profits will undergo no change.

Mr. Ricardo has endeavoured to show, in his chapter on Profits, that, supposing the *real* burden of taxation to be invariable, the rate of profit could never be raised except by a fall of *proportional* wages, nor diminished except by a rise of *proportional* wages. But it is necessary to observe, that Mr. Ricardo did not, in his investigations in the chapter referred to, understand the term profits in the sense in which I have understood it in this note, or as it is uniformly understood in the ordinary business of life. He did not measure the *rate* of profit by the ratio which the aggregate amount of profits bore to the quantity of capital employed in their production, but by the ratio which that aggregate amount bore to the whole produce of industry, under deduction of rent, or which is the same thing, to the wages of labour. Neither did he consider that the amount of profits was to be estimated by the quantity of produce falling to the share of the capitalists, after all the expenses they had been put to in carrying on their respective undertakings had been replaced, but by the *real* value of that produce. And as the produce obtained by a given quantity of labour must always, whether its absolute quantity is large or small, be of the same *real* value, nothing can be more obvious than that so long as it is divided between capitalists and labourers, the proportion, and consequently the *real* value, falling to the share of the one can never be increased except by an equal diminution in the proportion or real value of the share of the other. In a theoretical point of view, therefore, Mr. Ricardo's doctrine with respect to profit is quite unexceptionable. But practically, it is of less importance; and may lead, unless the sense in which Mr. Ricardo understood profits be al-

ways kept in view, to the most erroneous conclusions. It is by the quantities of produce falling to the share of the capitalists and labourers, and not by the real value of that produce, that their condition is always determined. Whenever profits are measured, as they always are measured by the owners and employers of capital, in aliquot parts of the capital by the agency of which they are obtained, it is immediately seen that when any improvement is made, or when industry becomes more productive, both profits and wages may rise at the same moment; so that it would be most incorrect to contend, using the terms profits and wages in their commonly understood sense, that the one could only be augmented by the diminution of the other.

NOTE VIII.

EFFECT OF VARIATIONS IN THE RATES OF WAGES, AND PROFITS ON THE VALUE OF COMMODITIES.

THE laws by which fluctuations of rent, wages, and profits, are determined, having been explained in the preceding notes, we have next to investigate the effect of these fluctuations on the value of commodities.

Dr. Smith was of opinion that in that remote period which preceded the appropriation of land and the accumulation of capital, the quantity of labour commonly employed in acquiring or producing commodities was the only circumstance that determined their exchangeable values, or their values as compared with each other or with labour. But he supposed that after land had been appropriated and capital accumulated, a different rule

obtained. "In this state of things," he observes, "the whole produce of labour does not belong to the labourer. He must in most cases share it with the owner of the stock which employs him. Neither is the quantity of labour commonly employed in acquiring or producing any commodity, the only circumstance which can regulate the quantity which it ought commonly to purchase, command, or exchange for. An additional quantity, it is evident, must be due for the profits of the stock which advanced the wages and furnished the materials of that labour.

"As soon as the land of any country has all become private property, the landlords, like all other men, love to reap where they never sowed, and demand a rent even for its natural produce. The wood of the forest, the grass of the field, and all the natural fruits of the earth, which, when land was in common, cost the labourer only the trouble of gathering them, come, even to him, to have an additional price fixed upon them. He must then pay for the licence to gather them; and must give up to the landlord a portion of what his labour either collects or produces. This portion, or, what comes to the same thing, the price of this portion, constitutes the rent of land, and in the price of the greater part of commodities makes a third component part."*

But with respect to the supposed influence of rent on price, it has been already shown that it is altogether imaginary. If, on the one hand, the produce obtained by the last capital laid out on the land should yield more than the common and ordinary rate of profit, agriculture would obviously be the best of all businesses, and capital would, in consequence, be immediately attracted from manufactures and commerce to it, until the supply of produce had been so much increased, that the last quantity brought to market yielded only common and average profits:

* Vol. i. p. 85.

And if, on the other hand, the last capital applied to the land did not yield this common and average rate, capital would be withdrawn from agriculture, until the last remaining capital yielded this rate. Rent, therefore, has nothing to do with the cost of producing commodities; it is a surplus which is over and above that cost. Nor, provided other things were to continue the same, would the giving up of rent by the landlords enable raw produce to be obtained at a reduced price: for, such a measure would not diminish, nor in any respect affect, the expenses incurred by those who produce that portion of the necessary supply that is obtained by the agency of the capital last applied to the land; and nothing which has not this effect can have any influence on the cost of production, or, by consequence, on average prices.

Rent, therefore, must be left wholly out of view in this discussion. The variations that take place in its amount, are not the cause, but the *effect* of variations of price.

It remains then that we investigate the effect of variations in the rates of wages and profits on the value and price of commodities.

I. In so far as the *real* value of commodities is concerned, it is plain it cannot be in any degree affected by fluctuations in the rate of wages, or in the rate of profit. The real value of a commodity depends, as was formerly shown, wholly on the quantity of labour, or of sweat and toil, required for its production. But a variation in the rate of wages does not mean a variation in the quantity of labour required to produce any given article, but merely a variation in the price paid for that labour. Wages, though most commonly paid or rated in money, form, in *all* cases, a part of the produce of industry; they are the return to the immediate labour employed in producing commodities, as profits are the return to the capital, or the produce of anterior labour, employed for the same purpose. And supposing, as was shown in the preceding note, the productiveness of industry

to remain *constant*, an increase in the rate of wages infers that the labourers are not only getting a larger absolute quantity of produce, but that they are also getting a larger *proportion* of the produce, which, under deduction of rent and taxes, must be divided between them and the capitalists. Under such circumstances wages and profits must vary inversely, or when the one rises the other must equally fall. But whatever changes may take place in the division of the portion of the produce of industry falling to the share of the capitalists and labourers, can have no effect on its *real* value. This depends entirely on the aggregate quantity of labour required for its production; and not on the mode in which, when produced, it is divided between those who furnished the immediate labour, and the produce of the anterior labour, that were expended upon it. In short, variations in the rate of profit and the rate of wages are the consequence of a change in the proportion in which commodities had previously been divided between capitalists and labourers: and as nothing can occasion variations in the real value of commodities but a variation in the quantities of labour required for their production, it is clear it cannot be in any way affected by variations of profits and wages.

II. In inquiring into the effect of variations in the rate of profit and the rate of wages on the *exchangeable* value of commodities, it is necessary to bear in mind that these rates must, when allowance has been made for the peculiarities affecting particular businesses and employments, be respectively the same, at the same time, in them all. It is unnecessary here to recapitulate the reasonings by which Dr. Smith has demonstrated this equality. It is obvious that if the workmen engaged in any particular employment were to obtain a higher or a lower rate of wages than was required to place them, all things considered, on the same footing as those engaged in other employments, there would, in the one case, be an influx of labourers into that employment, and in the other

there would be an efflux of labourers from it. The same equality obtains in the case of profits. The principle of competition will not permit that either the wages or the profits obtained by those who are employed, or who have capital invested in a particular business, should materially differ, for any considerable period, from the common rates of wages and profits in other businesses; so that in all theoretical inquiries they may be considered as being substantially the same in them all.

Now, it is plain, from what has been already stated, that if all capitalists were placed in the same situation, that is, if they all employed the same proportions of their stock as fixed capital, or in the form of machinery, houses, &c. and as circulating capital, or in the payment of wages, &c. and if the fixed capital that they respectively employed were of equal degrees of durability, no variations in the rate of wages or in the rate of profits could have any influence on the exchangeable value of commodities.*

(1) A rise or fall of wages would, under the circumstances supposed, affect all classes of producers to precisely the same extent; and it is obvious that whatever affects them all to the same extent cannot possibly change the relation which the commodities produced by any one class bear to those produced by any other class. Suppose that A and B are commodities produced by immediate labour or by equal proportions of capital and immediate labour, and that the one exchanges for or buys the other. Suppose now that wages vary, and observe the result. It is obvious, inasmuch as the variation cannot be confined to any one department of industry, that the wages of the labourers employed in the production of A will vary in the same way, and in the same proportion, as the wages of those employed in the production of B, and conversely: and such being the case, the commodi-

* See Introductory Discourse, p. lxxii.

ties will of necessity continue to preserve the same relation to each other, whether wages rise to a guinea or fall to sixpence a day; the only difference being that, in the one case, a very large proportion of the commodities will go to the labourers as a return to their labour, and a very small proportion to the capitalists as a return to their capital. It is no more possible to change the relation of commodities produced under similar circumstances by varying the rates of wages and profits, than it is to vary the relation of numbers to each other by multiplying or dividing them all by the same numbers. Before the relation of A to B can be varied, one of them must be affected by a cause which does not extend its influence, or the same degree of influence, to the other. And as variations in the rates of wages and profits are equal and universal in their operation, it follows that whenever we find two or more sets of commodities that are produced by the agency of about equal proportions of fixed and circulating capital, we may be sure that their exchangeable value, or their value as compared with each other or with labour, cannot be affected by variations in the rates of wages and profits; and that any change which may take place in it must be the effect of a change in the quantities of labour that were previously required for their production.

(2) It is easy, from what has now been stated, to discover the mode in which fluctuations in the rates of wages and profits affect commodities that are produced under different circumstances, meaning by different circumstances, with different proportions of fixed or circulating capital, or with capital of different degrees of durability. Suppose, for the sake of illustration, that A and B are commodities that exchange freely for each other; that A is produced chiefly by the aid of fixed capital or machinery, and that B is produced chiefly by manual labour; and suppose, further, that wages rise. Now, in this case it is obvious, inasmuch as A is produced chiefly by machinery,

that its producers will not be so much affected by a rise of wages as the producers of B, which is chiefly the product of manual labour. The profits of the latter will, therefore, be diminished in a greater degree by the rise of wages than the profits of the former. And, in consequence, capital will be diverted from the production of B to the production of A; until by diminishing the supply of the former, and increasing that of the latter, their quantities are adjusted so that they respectively yield the same rate of net profit to their producers.

It appears, therefore, on comparing two sets of commodities together, one of which is produced by the aid of a larger quantity of fixed capital than the other, that when wages rise, the exchangeable value of the set produced by the greatest amount of fixed capital, is raised as compared with the other set, and conversely when wages fall.

It is necessary, however, to observe, that these effects will not be produced by the labourers getting higher or lower wages estimated in money, or in absolute quantities of produce, unless the *real* value of money and the productiveness of industry should have remained constant. Nothing connected with wages, unless it be a change in the rate of *proportional* wages, can vary the relation of commodities to each other. If the real value of money declines, wages and prices of all sorts will rise when rated in money; but it is plain that in such a case prices rise, not because more money is given to the labourer, but because a given quantity of such money is now obtained by a less sacrifice of labour than formerly.

It results, from what has been previously stated, that if we assume any one commodity, as gold or silver, as a standard by which to measure variations in the value of other commodities, when wages rise all those commodities that are produced by larger proportional quantities of fixed capital than the standard will *fall* in value, and

those that are produced by larger quantities of circulating capital or of immediate labour will *rise* in value; the opposite effects being of course produced by a fall of wages; while the commodities that are produced under the same circumstances with the standard will neither rise nor fall, however wages may vary, but remain stationary.

Variations in the value of commodities occasioned by a rise of *real* or proportional wages, being of necessity always accompanied by a fall in the aggregate amount of profit, the one effect has a tendency to neutralize or destroy the other. And it is only when we compare commodities in the production of which fixed capital or machinery very decidedly preponderates with commodities in the production of which the preponderance is equally on the side of immediate labour, that the difference is at all sensible. The value of all that very large class of commodities which is produced by nearly equal quantities of both sorts of capital, would not be in any degree affected by the fluctuations in question.

It is necessary also to remember that though the exchangeable value of a particular commodity may be affected by a rise or fall of wages or profits, its *real* value undergoes no change, and the exchangeable value of some other commodity must vary to the same extent in a contrary direction. The aggregate value of all sorts of commodities continues, therefore, always the same. And though it may not, in all cases, be strictly true of a particular commodity, that its exchangeable value is directly as its real value, or as the quantity of labour required to produce it and bring it to market, it is most true to affirm this of the mass of commodities taken together.*

* Those who wish to enter more at large into the investigation of the various topics touched upon in this note, are referred to the first chapter of Mr. Ricardo's Principles of Political Economy and Taxation; to Mr. Mill's Elements, p. 100; and to my Principles of Political Economy, p. 288.

NOTE IX.

MONEY.

SECTION I.—*Principles which determine the Value of Money*
—(1) *When the supply of Money may be increased at the pleasure of individuals—and, (2) When that power is placed under limitation and restraint.*

Dr. SMITH has given, in the fourth chapter of his first book, a full and clear account of the circumstances which led to the origin and use of money, or to the adoption of some commodity to serve as a common medium of exchange; and of the qualities belonging to the precious metals, which have induced every people emerging from barbarism to employ them in preference for that purpose. But he has not given, either in this or any other part of his work, a sufficiently distinct account of the circumstances which determine the value of these metals. He observes, indeed, that “gold and silver, like every other commodity, vary in their value, are sometimes cheaper and sometimes dearer, sometimes of easier and sometimes of more difficult purchase. The quantity of labour which any particular quantity of them can purchase or command, or the quantity of other goods which it will exchange for, depends always upon the fertility or barrenness of the mines which happen to be known about the time when such exchanges are made. The discovery of the abundant mines of America reduced, in the sixteenth century, the value of gold and silver in Europe to about a third of what it had been before. As it cost less labour to bring those metals from the mine to the market, so when they were brought thither they could pur-

chase or command less labour; and this revolution in their value, though perhaps the greatest, is by no means the only one of which history gives some account.”*

The principle laid down in this paragraph, that the value of the precious metals depends on the quantity of labour required to produce them and bring them to market, is certainly correct, in the event of every one being invested with power to employ his industry in their production. It ought, however, to have been elucidated at much greater length; and the effect produced by limiting or restricting the power to supply the market with gold and silver, or with the materials used as money, on their value, ought also to have been clearly explained. But Dr. Smith has not entered into this part of the investigation, and his theory of money is, therefore, in many respects, incomplete and defective. It is chiefly, indeed, from not sufficiently distinguishing between the circumstances under which money is supplied, and supposing that the principles which determine its value in one case determine it in every other case, that the extreme prevalence of erroneous opinions with respect to it has proceeded.

For these reasons I shall divide what remarks I have to make on the value of money into two parts; the *first* embracing an inquiry into the principles which determine its value, when every one has the power to bring additional supplies of money to market; and the *second*, an inquiry how far these principles are liable to be affected by the operation of monopoly.

I. It has been contended, by Mr. Locke and others, that the value of the precious metals is *imaginary*, or that it depends on the consent of the nations who have adopted them, to serve as a circulating medium. Mr. Locke was betrayed into this erroneous opinion, from his con-

* Vol. i. p. 57.

founding the useful qualities of the precious metals, or the qualities which fit them to be used as money, with the circumstances which determine their value in exchange. But it has been already seen, that the value of all commodities which may be freely produced, and whose quantity may be increased proportionally to the increased demand for them, is in no degree dependent on the qualities they possess, but wholly on the cost of their production, or on the amount of labour and capital required to produce them and bring them to market. Gold is not more valuable than iron, or lead, or tin, because of its greater brilliancy, durability, or ductility, but simply because an infinitely greater outlay of capital and labour is required to produce a given quantity of gold than is required to produce the same quantity of either of these metals. The distinction between the *utility* and *value* of commodities is of fundamental importance, and must never be lost sight of. Those who confound qualities so essentially different, need not expect to arrive, except by the merest accident, at any sound conclusion in treating of such subjects. Suppose that gold, in its native or unmanufactured state, had been infinitely more useful than it really is; if the quantity of labour, or of sweat and toil, required to obtain a given quantity of it had been the same as at present, this greater utility could have added nothing whatever to its value. The capacity or aptitude which certain articles or products possess of gratifying our wants or desires, is either the spontaneous gift of nature, or the result of the labour and industry of man. But though utility derived from the first of these sources may make an article an object of demand, it cannot, inasmuch as it has cost nothing, contribute any thing to its exchangeable worth. And hence, when different articles or products are brought to market, which have required equal quantities of labour for their production, their values are equal, though some of them may perhaps be incomparably more useful

than others. It must also be remembered that wherever industry is free, the principle of competition will reduce the rate of net profit in different businesses to nearly the same level. It is sufficiently well known that those who employ their capitals in the working of gold or silver mines, do not, upon an average, obtain any greater returns than those who are engaged in the raising of coals or the manufacture of bricks. The production of the precious metals is not subjected to any species of monopoly or restraint. All individuals at their pleasure may employ capital in the extraction of bullion from the mines; and there are no conceivable limits to the extent to which its supply may be increased. But it is plain that, under such circumstances, the competition of the producers will force the bullion to be sold at its necessary price, or at such a price as will afford them the common and ordinary rate of profit on their capitals, and no more. If new and more abundant mines, or improved methods of working the old ones, should be discovered at some future period, the value of bullion would proportionally fall; and if, on the contrary, the more productive mines should be exhausted, and it should become necessary to resort to those that are less rich, the value of bullion would necessarily sustain a corresponding rise.

It is not meant, by any thing that has now been stated, to deny that the value of gold and silver is liable to be affected by variations in the supply of and demand for them. It is difficult, however, to suppose that such variations can ever take place to any great extent, unless they have been preceded by a change in the cost of producing the metals. The intimate commercial relations that are now established between the remotest quarters of the world, have had the effect to distribute the precious metals, so that their value in any one country differs but little from their value in others; and while their great durability prevents any sudden diminution of

their quantity, the immense surface over which they are spread, and the various purposes to which they are applied, render the effect of a considerable increase of supply on their value hardly sensible. All great and permanent variations in the value of the precious metals must, therefore, be occasioned by corresponding variations in the cost of their production. It was not by increasing the supplies of gold and silver, but by enabling them to be obtained at a less expense, that the discovery of America produced the great revolution that took place in their value in the sixteenth century. The bullion that had been accumulated by the natives was very soon exhausted; and if its importation produced any effect on the value of bullion in Europe, it must, had there been no other cause in operation, have been very slight and temporary. But the value of gold and silver was permanently and greatly reduced, because, owing to the greater richness of the American mines, unlimited supplies of these metals could be obtained from them for about a *fourth* or a *fifth* part of the labour that had been previously required to extract them from the mines of the old world. In consequence of this reduction, the demand for gold and silver was vastly augmented; a proportionally greater supply was required for money; and instead of being confined to the houses of a few noble and opulent individuals, the use of plate became universal among the middle classes, at the same time that immense quantities of bullion were consumed in gilding, embroidery, &c. It is clear, therefore, that those who suppose that the value of bullion fell, because its quantity was increased, mistake the effect for the cause; the truth being, that its quantity was increased, because *its value had been previously lowered*, because means had been discovered of obtaining the same supply of gold and silver for about a fourth or a fifth part of what it had previously cost.

After gold and silver have been brought to market,

they may be converted either into coin or manufactured commodities; their conversion into the one in preference to the other depending entirely on a comparison of the profits that may be derived from each operation. No person would take bullion to the mint, if he could realize a greater profit by disposing of it to a jeweller; and no jeweller would convert bullion into plate, if he could turn it to greater account by converting it into coin. The value of bullion and coin must, therefore, in countries where the expenses of coinage are defrayed by the state, nearly correspond. When there is any unusual demand for bullion in the arts, coin will be melted down; and when, on the contrary, there is any unusual demand for coin, plate will be sent to the mint, and the equilibrium of value maintained by its fusion.

It appears, therefore, that while competition is allowed to operate without restraint on the production of gold and silver, they are, like all other commodities produced under similar circumstances, valuable only in proportion to the cost of their production—that is, in proportion to the quantity of labour necessarily laid out in bringing them to market. And hence, while they form the currency of the commercial world, the price of commodities, or their value compared with gold or silver, will vary, not only according to the variations in the *real* value of the commodities themselves, but also according to the variations in the *real* value of the gold or silver with which they are compared.

II. With respect to the *second* branch of our inquiry, or that which has for its object to discover the laws which regulate the value of gold and silver coins when the power to supply them is placed under restraint: It is obvious that if competition were not allowed to operate on the production of the precious metals, if they were monopolized and limited in their quantity, their exchangeable value would no longer depend on the principles pre-

viously laid down. Whenever the supply of money is *limited*, its value must vary *inversely* as the quantity of money compared with the quantity of commodities brought to market, or with the business it has to perform. If, on the one hand, double the usual supply of commodities were brought to market in a country with a limited currency, their money price would be reduced a half; and if, on the other, only half the usual supply of commodities were brought to market, their price would be doubled; and this, whether the cost of their production had increased or diminished. Guineas, sovereigns, livres, dollars, &c. would then really constitute mere tickets or counters, to be used in computing the value of property, and in transferring it from one individual to another. And as small tickets or counters would serve for that purpose quite as well as large ones, it is unquestionably true that a debased currency may, by first reducing, and then limiting its quantity, be made to circulate at the value it would bear if the power to supply it were unrestricted, and if it were possessed of the legal weight and fineness; and by still further limiting its quantity, it may be made to pass at any higher value.

It appears, therefore, that whatever may be the *material* of the money of any country, and however destitute it may be of all *real* value, it is yet possible, by *sufficiently limiting its quantity*, to raise its value in exchange to any conceivable extent.

Suppose, still better to illustrate this principle, that the money now in circulation in Great Britain consists of fifty or sixty millions of one pound notes, and that we are effectually prevented from increasing or diminishing this sum, either by issuing additional notes or coins, or by withdrawing those already in circulation; and suppose farther, that no considerable change takes place in the rapidity of circulation, or in the modes in which money is economized and made use of: it is obvious, on this hypothesis, that the quantity of commodities for which such

notes would exchange, would vary inversely, according to the increase or diminution of the quantity of commodities brought to market. If we suppose that twice the amount of products that were offered for sale when the limitation of the currency took place, are offered for sale five or ten years afterwards, prices would obviously fall to a half of their former amount; or, which is the same thing, the value of the paper money would be doubled: and if, on the other hand, the products brought to market should be diminished in the same proportion, the value of the paper notes would be equally reduced.

Again, let us assume, as before, that our currency consists of fifty or sixty millions of sovereigns, and suppose that government withdraws them and supplies their place with fifty or sixty millions of sovereigns of half the weight of those now in circulation; and suppose farther, that the issue of any additional coins, or of paper money, is effectually prevented: in such a case, it is plain, that if the same quantity of commodities were brought to market, there would be the same number of pieces of gold coin to exchange against them. There could not, therefore, unless the supply of commodities varied, be any change whatever in their price. The hat that had previously sold for a sovereign would still sell for one. It is true that the sovereign for which it now sells is only half the real value of the one previously in circulation; but this deficiency of real value has been fully compensated by the artificial value which the monopoly has given to the lighter sovereign. The country has a certain number of exchanges to perform; and it is quite obvious that if the currency which is to perform these exchanges were sufficiently limited, a shilling might be made to do the business, or to pass at the value of a guinea.

The principles now stated are of the utmost importance to a right understanding of the real nature of money. In inquiring into the circumstances on which its

value depends, we must always ascertain, in the first place, whether the power to supply it is free or monopolized. Up to a very recent period, it was universally maintained that the value of money depended entirely on the relation between its amount and the demand. But this is true only of a gold or silver currency when its quantity is *limited*, and of a currency formed of materials having little intrinsic worth when its quantity is *limited*, and when it is not made convertible, at the pleasure of the holder, into some more valuable commodity. It is obvious, indeed, without any reasoning on the subject, that the value of a currency consisting of *inconvertible* paper, or of any other very cheap material, must depend on the proportion which its total amount bears to the amount of commodities brought to market, or to the demand. And wherever a currency of this kind, or a monopolized gold currency, is in circulation, the common opinion, that the prices of commodities are regulated exclusively by the proportion between the quantity of them brought to market and the supply of money, is quite correct. But it is altogether different with a freely-supplied currency consisting of gold or silver, or of any other article possessed of considerable value. The fluctuations in the supply and demand of such currency have no permanent effect on its exchangeable value; this depends exclusively on the comparative *cost of its production*. If a guinea commonly exchanges for a couple of bushels of wheat or a hat, it is because the same expense has been incurred in its production, as in that of either of these commodities; while, if with a limited and inconvertible paper money, these commodities exchange for a *guinea note*, it is because such is the proportion which, *as a part of the general mass of commodities offered for sale, they bear to the supply of paper, or money, in the market*. This proportion would, it is evident, be not only immediately, but permanently, affected by an increase or diminution of the supply either of paper or of commodi-

ties. But the relation which commodities bear to a freely-supplied metallic currency, cannot be permanently changed, except by a change in the cost of producing the commodities or the metals.

Such are the circumstances which determine the value of money, both when the power to supply it is not subjected to any species of monopoly, and when it is monopolized and limited. In the former case its value depends, like the value of all other commodities, on the cost of its production; while, in the latter case, its value is totally unaffected by that circumstance, and depends entirely on the extent to which it has been issued compared with the demand.

I have been induced to state these principles with respect to the effect of limiting the quantity of money on its value, so much at large, because those who are not familiar with them can form no accurate idea with respect to the circumstances which determine the value of paper currency. It may, however, be proper to observe that the operation of the principle of limitation on the value of metallic money could hardly, supposing an attempt were made to act upon it, have any considerable effect. From the smallness of their bulk in proportion to their value, the precious metals are very easily smuggled. And supposing that government were to attempt, by limiting the quantity of gold and silver in circulation, to give a considerable artificial increase to their value, such an overpowering temptation would be held out to the clandestine importation of these metals from foreign countries as no vigilance on the part of the custom-house officers could counteract. And, therefore, while it is most true that when the currency *can be limited* it may be made to pass at a much higher value than that which naturally belongs to it, it is no less true that this principle cannot be practically acted upon, at least to any material extent, in a country whose currency consists wholly of the precious metals, or of any thing else that is immediately con-

vertible into them; the facilities of importing them from other countries being so great as to prevent any considerable limitation of their quantity being either made or maintained.

It must not, however, be supposed that because it is impossible, by limiting the supply of metallic money, to raise its value considerably above the value of bullion, it would therefore be improper to impose a moderate seignorage or duty on the coinage of money. Coins on which a seignorage equal to the expense of coinage has been charged, do not pass at a higher value than what naturally belongs to them, but *at that precise value*; whereas when, as in Great Britain, the expenses of coinage are defrayed by the state, coins pass at less than their real value. A sovereign is of greater utility and of greater real value than a piece of pure unfashioned gold bullion of the same weight; because while it is equally well fitted as bullion for being used in the arts, it is, owing to the additional labour expended upon it, better adapted for being used as money, or in the exchange of commodities. On what principle, then, should government decline to charge a seignorage or duty on coins, equal to the expenses of the coinage, or, which is the same thing, to the value which it adds to the coins? Those who contend that the state ought to defray the expenses of the coinage of gold and silver, might, with equal cogency of reasoning, contend that it ought also to defray the cost of manufacturing gold and silver tea-pots, vases, &c. In both cases the value of the bullion is increased by the cost of the workmanship; and it is only fair and reasonable that those who carry bullion to the mint ought to be obliged, equally with those who carry it to a jeweller, to pay the expenses necessarily attending its conversion into coin.

It is unnecessary to recapitulate the clear and satisfactory reasonings by which Dr. Smith has shown that the imposition of a seignorage would prevent the expor-

tation of coin, on every slight fall of the exchange, and would also tend to prevent the fusion of the coins. Abroad a British coin is only worth so much bullion; but if a seignorage were charged upon it, its value here would be increased by the cost of that seignorage. The exchange would, therefore, have to fall to a greater extent than at present, before it would suit a merchant to export such coins; and though they were exported they would, under the circumstances supposed, stand a much better chance of being preserved entire, and of being again sent back to us the moment the exchange became favourable.*

SECTION II.—*Defects incident to a Currency consisting of the Precious Metals—Variable value of these Metals—Expense of a Metallic Currency—Means by which that expense may be lessened.*

Notwithstanding the almost universal adoption of the precious metals as a medium of exchange, and the many qualities that so peculiarly fit them for that purpose, they are still very far from forming a perfect currency. And before proceeding to treat of the substitutes that have occasionally been introduced in the place of gold and silver, it may be proper to endeavour to point out the circumstances which form the great drawbacks to their use as money.

These circumstances may be classed under two prominent heads—*first*, the *variable* value of the precious metals; and *second*, the heavy expense which it costs to maintain a currency, consisting exclusively of them, in circulation.

(1) With respect to the first of these circumstances, or the variable value of the precious metals, it is obvious,

* See vol. ii. pp. 437—445.

inasmuch as their value depends, like that of all other commodities, on the cost of their production, that in the event of the more fertile mines becoming exhausted, it would be increased proportionally to the increased difficulty of obtaining them; and it is farther obvious, from the circumstance of the sums in almost all contracts being estimated, or rated in money, that according as its value increased there would be a change in the relative situation of the debtor and creditor portions of society—that the condition of the former would be improved, and that of the latter depressed. And if, on the other hand; we suppose that instead of the mines becoming exhausted, new and more productive ones should be discovered, or that more improved methods of mining should be introduced, the opposite effects would follow. In this case the value of gold and silver would *fall*; and all classes of debtors would be enriched at the expense of their creditors. Every one knows that this effect was very strongly felt after the discovery of the American mines. Owing to the greater facility with which gold and silver were then obtained, their value, as compared with the mass of commodities, sunk during the sixteenth century and the first half of the seventeenth, when the fall seems to have ceased, to about a *fourth* part of what it had previously been: so that the heirs of an individual, who had bought a perpetual annuity in 1490 of one hundred pounds a year, were not really receiving more in 1650 than L.25 a year of money of the same value as that which had been in circulation, and in the contemplation of the parties, when the contract was entered into.

But with the exception of the fall that took place in consequence of the discovery of America, the precious metals have been comparatively steady in their value. It is supposed indeed by many, that we are now on the eve of a new revolution in this respect; and that the efforts of the various associations that have been formed for working the mines of Mexico and South America, will

lead to a very great reduction in the value of gold and silver. Time only can decide as to the credit due to these anticipations. Those who confine their attention to the price of plate, and to the interest of the adventurers in these schemes, will be disposed to wish that the lottery in which they have embarked may be more productive than such lotteries generally are: but those who consider the subject in its different bearings, and who reflect on the wide-spread mischief of that virtual subversion of contracts which any considerable fall in the value of money must occasion, will probably be disposed to take a different view of the matter. These, however, are contingencies from which no commodities that could be selected as a standard to which to refer the value of others, can ever be wholly exempted. They are all the product of labour; and must consequently be all liable to vary in their value according to the degree of skill with which that labour may be applied. But though the precious metals fall very short of being a perfect standard, they certainly are the best of any that have hitherto been suggested. Their quantity cannot be suddenly diminished; while the great demand for them is sufficient to prevent any unusual productiveness of the mines from speedily lowering their value. And, therefore, it may be concluded, that although the value of gold and silver may be very different at distant periods, because of the varying productiveness of the mines, and of improvements in the art of mining and working metals, it is, in all ordinary cases, abundantly uniform to secure us against any risk of sudden and injurious fluctuations.

(2) With respect, in the *second* place, to the expense consequent upon the use of a currency consisting of gold and silver, it is undoubtedly a most important consideration. If, for example, the currency of Great Britain amounted to fifty millions of gold sovereigns, and if the customary rate of profit were *five* per cent., this currency, it is plain, could not cost less than two and a half mil-

lions a year ; for, had these 50 millions not been employed as a circulating medium, they would have been invested in branches of industry, in which, besides affording employment to some thousands of individuals, they would have yielded five per cent., or two and a half millions a year, of net profit to their owners. Nor is this the only loss that the keeping up of a gold currency would occasion. The capital of 50 millions would not merely be withheld from the great work of production, and the country deprived of the large revenue it would have derived from its employment, but it would be liable to perpetual diminution. The ordinary wear and tear of the coins is by no means inconsiderable ; and supposing the expenses of coinage to be defrayed by a duty or seignorage, the deficiency in the weight of the old worn coins, when they are called in to be recoinced, has to be paid by the public. There is, besides, a constant loss from shipwrecks, fire, and other accidents ; and, when due allowance is made for these different causes of waste, perhaps it would not be too much to suppose, that a country which had 50 millions of gold coins in circulation, would have annually to import the 50th part of that sum, or *one* million, to maintain its currency at its proper level.

If these remarks are well founded, it will follow that if the customary rate of profit in Great Britain were five per cent. it would cost us *three and a half* millions a year to maintain 50 millions of gold coins in circulation ! And though it is true that a reduction of the rate of profit would cause a proportional reduction in the nominal amount of this expense, yet as the reduced expense would continue to bear the same proportion to the total income of the country that the higher expense did, the cost of the currency would not be in any degree diminished by a fall of profits.

The case of France furnishes a still more striking example of the heavy charges attending the general use of a metallic currency. The total amount of the gold and

silver currency of that kingdom has been estimated by Necker at 2200 millions of francs, and by Peuchet at 1850 millions. Now, taking the mean of these estimates, as most likely to be nearest the truth, and supposing the rate of profit to be six per cent., this currency must cost France 121 millions of francs a year, exclusive of the wear and tear and loss of the coins; and supposing as before, that these amount to a 50th part of the entire mass, it will make its whole annual expense amount to the immense sum of 161 millions of francs, or to nearly six and a half millions sterling.

But this heavy expense, though certainly the greatest, is not the only drawback attendant on the use of the precious metals as currency. The possession of great value in small bulk is one of the circumstances which have recommended their adoption as money, or rather it is one of the circumstances which particularly fit gold for being used for that purpose. Still, however, the weight of a large sum in gold is so very considerable as to render its transportation from place to place a matter of considerable difficulty and expense. One thousand sovereigns weigh no less than 16 lbs. avoirdupois; and a carriage would be necessary to convey the gold required to discharge a debt of L.50,000; while, if silver were employed in making the payment, upwards of *five* tons of that metal would be required!

The wish to lessen the original expense of a metallic currency, and the subsequent expense, trouble, and risk attendant upon its continual conveyance from place to place for the purpose of discharging debts, has doubtless been the chief source of the various contrivances that have been devised for economizing the use of money, and fabricating it of less costly materials. The most important of these contrivances may be classed under the heads of bills of exchange, banks of deposit, and banks of circulation.

I. Bills of exchange were invented in order to obviate

the necessity of conveying money from one place to another. When commerce begins to be carried on to any considerable extent, each commercial town has most commonly within itself individuals who are creditors and debtors of the towns with which it maintains an intercourse. There are, for example, in Liverpool persons who have creditors in Glasgow and others who have debtors, and Glasgow is, of course, in precisely the same situation with respect to Liverpool. When, therefore, a merchant A, in one of these towns, as Liverpool, has to pay a debt due by him to B in the other, he does not transmit money to Glasgow for that purpose, but he goes to one of his neighbours, C, of Liverpool, to whom some person, D, in Glasgow is indebted, and having paid him a sum equivalent to his debt to B, he obtains from him a letter or order, technically denominated a bill of exchange, addressed to D, requesting him to pay that sum to A or his order; and A transmits this letter or order to B, who presents it to D, and receives payment. By this means the debt due by A to B, and by C to D, is extinguished; the debtor in one place is exchanged for the debtor in the other; and the expense and trouble of carrying money from Liverpool to Glasgow to pay the debt of A to B, and from Glasgow to Liverpool to pay the debt of D to C, is rendered quite unnecessary. Each debtor gets payment from his immediate neighbour, so that the convenience as well as the interest of all parties is consulted.

In highly commercial countries, like Great Britain, every possible facility is given to the settlement of transactions by means of bills of exchange. The banking companies established in all our considerable towns maintain a constant correspondence with each other and with London; so that an individual residing in any part of the country, who may wish to make a payment in any other part, has always the means, by applying to the bank nearest him, of getting a bill for the amount. By far the greatest propor-

tion, both of the inland and foreign bills, is made payable in London, the grand focus to which all the great pecuniary transactions of the empire are ultimately brought to be adjusted. And in order still farther to economize the use of money, the principal bankers of the metropolis are in the habit of sending a clerk each day to the *clearing house* in Lombard Street, who carries with him the various bills in the possession of his house that are drawn upon other bankers, and having exchanged them for the bills in the possession of those others that are drawn upon his constituents, the balance on the one side or other is then paid in cash or bank of England paper. By this admirable contrivance the bankers of London are enabled to settle transactions to the extent of several millions a day by the intervention of not more on an average than from L.200,000 to L.300,000 of cash or bank notes.*

The facilities for the purchase and sale of foreign bills of exchange, or of bills drawn on individuals resident in foreign countries, are almost equally great. The bill-merchants, or bill-brokers resident in London, and all the great commercial towns, are always ready either to buy or sell bills in every quarter with which we have either directly or indirectly any commercial intercourse: so that means are always at hand of effecting the largest payments in any quarter of the world without requiring the transmission of a single ounce of gold.

II. The second species of device for economizing the use of money, consists in the establishment of *banks of deposit*. Bills of exchange, it is plain, can only be conveniently used in the payment of considerable sums owing

* Mr. Burgess has shown, in his Letter to Mr. Canning on Internal Bills of Exchange, (p. 21,) how the money required for the balance at the *clearing house* might be still further diminished. For an account of the technical operations at the *clearing house*, see Mr. Gilbert's valuable and useful little work entitled Practical Treatise on Banking, p. 16.

by persons residing at a distance from each other. But there is everywhere, and especially in large towns, an immense number of payments that are constantly being made by one set of individuals to another. And in order to facilitate the making of such payments, and to enable them to be effected with the least possible inconvenience, banks of deposit have been established. These banks are either carried on without any view to profit for the accommodation of those who subscribe to them, or they are carried on by private individuals as a mercantile speculation on their own account. The banks of Amsterdam and Hamburgh belong to the first class, the private banking companies of London to the second. When a public deposit bank is established, those who make use of its services deposit with the bank the money they must otherwise have kept at home in order to meet the current demands upon them; and when an individual who has obtained a bank credit has a payment to make to any other person dealing with the bank—and most of the principal traders in all the towns in which a public bank of deposit is established belong to it—it is made by the mere transfer of so much credit, or *bank money*, from the one account to the other; and it is only in the event of a person having to pay money to a stranger that he can have any motive to withdraw his deposit from the bank. In this way the circulation of money is rendered superfluous for all but the smallest payments; and individuals are exempted from the risk that always attends the keeping of cash at home. A depositor has nothing to fear from robbers or accidents, nor is he liable to loss from fraud or inattention either in the receiving or paying of debts.

Banks of deposit have been established, not merely for the sake of economizing currency, but also, as Dr. Smith has explained,* for the purpose of giving uniformity

* Vol. ii. p. 318.

to the value of the money of commercial cities, into which large quantities of foreign specie, of various denominations and degrees of fineness, are usually in the custom of being introduced. If bills drawn upon such a city were to be paid in current money, it might frequently be very difficult to ascertain the precise sum that ought to be given for them, and this circumstance would materially tend to depress the exchange below its natural level. But a bank of deposit affords the greatest facilities for obviating these inconveniences; it being sufficient to order, as was done at Amsterdam, that the deposits should be made in coin of the standard weight and purity, or in assayed bullion, and that bills of exchange should be uniformly paid in bank money. The deposit bank at Hamburgh, which is one of the best-managed establishments of the kind in Europe, receives no deposits in coin, but only in bullion of a certain degree of fineness, which it binds itself to repay according to a fixed and invariable scale. By this means the expense of coinage is saved on all the bullion deposited with the bank; and instead of representing quantities of coin, the credits in the bank books represent certain quantities of standard silver.

The persons who deal with a public bank of deposit, do so for the sake of convenience and security merely, without any view of profiting in any other way by the concern. A pure deposit bank has nothing in it of the nature of a trading association. It is to those by whom it is made use of what the *clearing house* is to the different London bankers. Money is not lodged in it for the purpose of its being lent to others, or employed in any sort of speculation or adventure, but merely for the sake of security, and as a means of facilitating the payments to be made by the depositors. The bank credits are perpetually varying from day to day, and even from hour to hour, according to the state of the payments which those who hold them have to make and receive; so that

it would be almost impossible, even if it were attempted, to calculate the share that each individual dealing with the bank ought to have of its profits, supposing it to make any. The expenses attending the management of a deposit bank are most commonly defrayed either by a small fee charged on each transfer of bank money from one individual to another, or by a charge on the coin or bullion deposited, or both. The bank of Hamburgh, for example, receives the bullion deposited in its coffers at the rate of 442 schillings the mark, and issues it at the rate of 444 schillings; being a charge of 4-9ths, or nearly one-half per cent. for its retention.*

It is plain, from these statements, that any attempt to accommodate individuals by loans either of bullion or of bank credit, without an equivalent deposit of bullion, is totally inconsistent with the principles on, and objects for which a public deposit bank is instituted. So long, however, as the managers of such an establishment are chosen by, and made directly responsible to the depositors, there is no fear of any such proceedings taking place; for it is not to be supposed that the depositors will consent to have the institution perverted from its object, and their security lessened, for the mere advantage of the managers. The want of all controul on the part of the public, was the radical defect in the constitution of the bank of Amsterdam. The magistrates of the city were, *ex officio*, the managers of the bank, the depositors being, at the same time, divested of all power to inquire into the real state of the concern. In consequence, its affairs were shrouded in impenetrable mystery; so that the honour of the directors was in truth the only security on which the public had to rely; and the result showed how dangerous it is to trust to such a guarantee. In this respect the constitution of the bank of Hamburgh is infinitely preferable to that of Am-

* Storch, *Economie Politique*, tome iv. p. 104.

sterdam. Its managers, who are appointed for short periods only, are all chosen by the depositors; and its affairs are conducted with the greatest publicity and without any sort of reserve. A deposit bank, managed in this way, can never be deprived of the public confidence; but must necessarily continue, consistently with the objects for which it was instituted, to be neither more nor less than a place for the safe deposit of bullion, and for its commodious transfer from one individual to another.

The private banking companies established in London, and some other parts of the country, are partly banks of deposit, and partly trading concerns. They are not public institutions, but are conducted by and for the advantage of private individuals. Those who keep an account at a private banking house, are in the habit of making all their considerable payments by drafts on it; it being stipulated, in order to furnish the means of indemnifying the bankers for their trouble, that the individuals dealing with them should keep an average *balance* of cash in their hands, varying of course according to the amount of business transacted on account of each. The bankers then calculate as well as they can the probable amount of cash that it will be necessary for them to keep in their coffers to meet the ordinary demands of their customers, and employ the balance either in discounting mercantile bills, in the purchase of government securities, or in some other sort of profitable adventure; so that their profits result from the difference between the various expenses attendant on the management of their establishments, and the profits they derive from such part of the sums lodged in their hands as they can venture to employ in an advantageous way.

It is obvious, from this statement, that the security afforded by a private bank of deposit must always be a matter with respect to which there must be more or less of doubt. When, indeed, a private banking company

confine themselves to the proper business of banking; and do not embark in speculations of unusual hazard, or from which their funds cannot easily be withdrawn, in the event of any run being made upon them, they can hardly ever fail to be in a situation to meet their engagements; while the large private fortunes that are most commonly possessed by the partners afford those who deal with them an additional and extrinsic guarantee. Much, however, must always depend on the character of the parties, and on a variety of circumstances with respect to which the public can never be correctly informed: so that, although there can be no doubt that the security afforded by many private banks of deposit is of the most unexceptionable description, they are not, as a class, entitled to an equal share of confidence with a public deposit bank, conducted by managers chosen by the depositors.

In one respect a private deposit bank has an advantage over a public one. The latter, as has been already seen, has no motive to, and can never without injury, lend any portion of the bullion deposited in its coffers. But the confidence usually inspired by the wealth of the partners of a private bank, and the excess of deposits received by them above the sums which are demanded, give them the means of employing a considerable portion of the money lodged in their hands as a capital, and thus, by rendering what would otherwise have been idle, or only employed in circulating commodities, available for industrious purposes, they are in so far productive of benefit; though it may, at the same time, be doubted, whether this benefit be sufficient to balance the greater insecurity attached to them.

III. But notwithstanding the economy of money, and the saving of risk and trouble resulting from the use of bills of exchange and banks of deposit, there is still a very heavy expense attendant upon the employment of the precious metals as currency. The impossibility of

employing bills of exchange in the settlement of the great majority of transactions renders the employment of a large quantity of money indispensable; while the state loses the whole value of the bullion or capital that is locked up in the coffers of the deposit banks. If, therefore, means could be devised for fabricating all that portion of the currency of a country required for the settlement of those transactions that cannot be adjusted by the intervention of bills of exchange, of some material having little real value, the cost of maintaining the currency would be proportionally diminished; and the bullion in the coffers of the deposit banks would be disengaged for other purposes. Of the substitutes that have been suggested for this purpose, paper has been by far the most generally resorted to, and is in every respect the most eligible. By using paper money instead of gold, we substitute the cheapest in room of the most expensive currency; and enable the society, without loss to any individual, to exchange all the coins which the use of paper money has rendered superfluous, for raw materials, or manufactured goods, by the use of which both its wealth and its enjoyments are increased.

To trace the various steps in the progress of paper money, from its first introduction to its present state, would greatly exceed my limits. It is sufficient to observe that the pecuniary engagements of individuals are early reduced to writing. This is necessary to give security to the creditor, that he shall be able to claim the full amount of his debt, and to the debtor, that he shall not be liable to any overcharge; in a word, to avoid all those differences which never fail to arise where the terms of contracts are not particularly and distinctly specified. In process of time, and when society becomes more commercial, individuals in possession of written obligations from others begin to transfer them to those to whom they are indebted; and, after the advantages derivable from employing them in this way have been ascertained,

it is an obvious source of emolument for individuals in whose wealth and discretion the public have confidence, to issue their obligations to pay certain sums, in such a form as fits them to be easily applied to perform the functions of a circulating medium in the ordinary transactions of life. Such is the origin of paper money. No one would refuse to accept the promissory note or obligation of an individual of large fortune, and of whose solvency no doubt could be entertained, in payment of any debt that might be due to him. But as full value must have been originally given for the promissory note, it is clear that while its continuance in circulation could be no loss to the public, it would be a very considerable source of profit to the issuer. Suppose, for example, that an individual issues a promissory note payable on demand, or at some fixed period, for ten thousand pounds; he must, previously to his issuing it, have received an equivalent in money, or in some sort of produce, or, which is the most common case, he must have advanced it to an individual who has given him security for its repayment, *with interest*. In point of fact, therefore, the issuer has exchanged *his promise to pay* ten thousand pounds for the interest to be derived from a *real capital* of ten thousand pounds; so that while the promissory note, the intrinsic worth of which does not perhaps exceed sixpence, remains in circulation, he will, supposing interest to be five per cent., receive from it a revenue of five hundred pounds a year. It is on this principle that the business of such bankers as issue notes is conducted. A banker could make no profit if he were obliged to keep as much dead stock in his coffers as was equal to the amount of his notes in circulation. But if he is in good credit, *a fourth* or *a fifth* part of this sum will perhaps be sufficient; and his profits, after the expenses of his establishment and of the manufacture of his notes are deducted, depend on the *excess* of the profit derived from the notes he has in circulation, over

the profit he might have realized by the employment of the stock he is obliged to keep in his coffers to meet the demands of the public. "A bank," says Mr. Ricardo, "would never be established, if it obtained no other profits than those derived from the employment of its own capital: *the real advantage of a banker commences only when he begins to employ the capital of others.*"

There is a considerable difference in the manner of transacting business in the different banking establishments in different parts of the kingdom. The country bankers of England allow interest on the balances of money in their hands, but the majority of them charge a commission, over and above the interest, on the money that they lend. The private bankers of London rarely allow interest on deposits. As they do not issue notes of their own, they are not interested in the increase but in the economizing of the currency. Their proper business is to take care of other people's money, and to make and receive payments for them. They charge no commission; their profits being derived, as has been already stated, from the balances of their customers money in their hands. The majority of the Scotch banks are at once banks for the issue of notes and banks of deposit. *All* of them receive deposits of so low a value as L.10, and pay interest for them. Such of them as issue notes do not charge any commission beyond the common rate of interest on the sums lent by them; but such as do not issue notes, sometimes charge a commission.*

* The private bankers in Scotland, who do not issue notes, pay the same rate of interest on the money deposited in their hands as those who do issue notes; they most frequently, too, discount on the same terms as the others; and they occasionally also grant cash accounts, or cash credits on the same terms. This last is a circumstance with respect to which the greater number of the witnesses examined by the Committee of last year were, for obvious reasons, very much disinclined to say any thing. Mr. Kinnear estimated the amount of the

It would certainly be highly desirable that some such system should be adopted in England, and particularly in London, with respect to deposits, as that which is adopted in Scotland. But neither the Bank of England, nor any of her branches, allows interest on deposits. The middle and lower classes are, therefore, by the want of any safe and advantageous method of disposing of their savings, rendered less anxious than they otherwise would be to accumulate; at the same time that they are rendered more disposed to adventure their money in hazardous undertakings, or to lend it to individuals of doubtful characters and desperate fortunes. It is true that there are in England provident banks, which are conducted upon the deposit system. “But these banks are not universally established, and besides they are much restricted. No person can deposit more than L.50 the first year, and L.30 in every subsequent year, and when he has deposited L.200 no more will be received. But it is desirable that the widest encouragement should be given to this excellent system. Were the Bank of England, like the banks of Scotland, to receive deposits of L.10 and upwards, and allow interest upon them at about one per cent. less than the market rate, they would confer an advantage upon the community, and open a source of profit to themselves.”*

As no means have been devised, or seem practicable for limiting the supply of the promissory notes issued by private individuals, their value, it is plain, could not be maintained if those by whom they were issued fell into discredit, or if they were relieved from their promise to pay them. But it is otherwise with the notes issued by the state, or by an exclusive company acting under its control. The quantity of such notes may be effectually

deposits in the Scotch banks in 1826 at twenty millions.—See his Evidence, Lords Report, p. 159.

* See Gilbert's Practical Observations on Banking, p. 52.

limited; and as it has been shown, in the previous section, that, when this is done, intrinsic worth is not necessary to a currency, it follows, that by properly limiting the supply of that paper money which has been declared to be a *legal tender* in all payments, its value may be sustained on a par with the value of gold, or of any other commodity. It will be shown, in the next section, how this limitation may be best effected.

SECTION III.—*Means by which the value of Paper Money may be most easily and advantageously kept on a par with Gold—Plan of Bullion Payments—Advantages of that Plan—Objections made to it by Mr. Tooke and others examined and answered.*

In the first section of this note I endeavoured to show, in the first place, that when the power to supply money is *not* restricted, its exchangeable value depends, like that of all other commodities, entirely on the cost of its production; and that in the second case, or when the power to supply money is monopolized, its value does not depend on the cost of its production, but on the quantity of it in circulation compared with the demand.

This is a distinction of very great importance, and which must never be lost sight of. Its elucidation has not only served to clear up almost all the doubts and difficulties with which the theory of money was previously encumbered, but has been a means of suggesting several most important practical measures. Until very recently it was universally supposed that the ability to convert paper into gold, at the pleasure of the holder, was indispensably necessary to sustain its value. But it is plain, as well from the principles already stated, as from experience, that the *mere limitation* of the quantity of paper that has been made a *legal tender*, is quite sufficient to preserve its value on a par with the value of

gold, or to raise it above it. When the restriction on cash payments at the Bank of England took place in 1797, it was very generally and confidently predicted that the value of bank paper would immediately fall; but the circumstance of its being exclusively employed in the payment of the dividends on the national debt, and its reception in the payment of taxes really made it, in some most important respects, a *legal tender*; and to the surprise, it is believed, both of the friends and opposers of the restriction, it continued for *three years* to bear a small premium over gold; and its depreciation, which began in 1800, was entirely owing to the greatly increased quantities of notes that were then thrown upon the market.

The history of the paper currency of almost every other country affords abundant proofs of the operation of this principle.* In Russia, to give only one example, forty millions of paper rubles, or assignats, were issued in 1769 by the government bank established in the preceding year. There were some regulations with respect to the conversion of these assignats into *copper*; but M. Storch has shown that these regulations were altogether illusory, and that the assignats were practically inconvertible. They were, however, declared to be a legal tender at the same rate as *silver* rubles; while, in order to insure their circulation, it was ordered that a certain proportion of the taxes due by each individual should be paid in them. In consequence of these regulations, the assignats really formed a species of inconvertible paper money; and as their supply had not been originally excessive, and no further additions were made to it for about *eighteen* years, they continued, during the whole of that period, to circulate at about the same value as silver. In 1787, however, a fresh emission of

* For a most able and instructive account of the paper currency of the different continental states, see Storch, *Cours D'Economie Politique*, tome iv. pp. 94—238, Paris, 1823.

sixty millions of additional assignats took place, which had the immediate effect to depress their value about eight per cent. under that of silver. And owing to successive emissions, the mass of assignats in circulation in 1811 had been increased to the enormous sum of 577 millions, when they fell to a discount of 400 per cent., as compared with silver! Since 1815 the mass of assignats has been considerably diminished; and their value has uniformly increased with every diminution of their quantity. Can any more conclusive proofs be either required or given, to show that the value of such paper currency, as has been made a legal tender, is always proportioned, other things being the same, to the quantity of it in circulation?*

It may be worth while, perhaps, to observe that a want of confidence in the solvency of the issuers cannot exercise the smallest influence over the value of paper money, properly so called. Notes that have not been made a legal tender, and which are payable on demand, or at some stipulated period, serve the same purposes as paper money during the time they continue to circulate, though they are not paper money. The value of such notes is wholly derived from the confidence placed in the ability of those by whom they are issued to retire them when they are presented for payment, or when they become due. Whenever, therefore, this confidence ceases, their circulation necessarily ceases also. But it is quite impossible that similar circumstances can affect *paper money*, meaning by paper money, paper that has been made a legal tender, and which is not convertible into gold or any thing else, either at the pleasure of the holders, or at any given period. No portion whatever of the value of such paper money is derived from confidence. It circulates *because it has been made a legal tender, and because the use of a circulating medium is indispensable*; and its value, suppos-

* Storch, tome iv. p. 201.

ing the demand to be constant, is in all cases inversely as the quantity in circulation.

I have already endeavoured to show that in the event of an attempt being made by limiting the quantity of gold and silver, in a particular country, to raise their value in it above their value in other countries, or in the general market of the world, it could not, owing to the extreme facility with which they may be clandestinely imported, have any considerable, or, indeed, almost perceptible influence. And, on the other hand, if an unusually large supply of the precious metals were, upon any occasion, imported into a particular country, or extracted from mines belonging to it, the excess would immediately find its way to other countries, notwithstanding the intervention of any law or regulation to the contrary. These principles are now almost universally assented to, not by theorists only but by governments. The restraints that were at one time so prevalent on the trade in the precious metals—restraints that were happily compared by Locke to attempts to hedge in the cuckoo—are now either entirely repealed or have become wholly inoperative. In so far as respects Great Britain, the trade in gold and silver is perfectly free; every one having full liberty to export coin or bullion the moment he conceives it for his advantage to do so. And such is the facility with which bullion may be conveyed from one country to another, that its value at Hamburg and Amsterdam can hardly, in a period of peace, differ more than one-eighth per cent. from its value in London, without causing it to be exported from where its value is lowest to where it is highest.

It is evident, therefore, that the supply of the precious metals in any one country, must, generally speaking, be limited to the quantity which is required to supply the effectual demand for them, or to preserve their value in it on a par with their value in other countries. And, therefore, when the currency of any particular

country consists of the precious metals, the value of any given quantity or weight of its currency can never differ materially from the value of the same quantity or weight of the currency of another country, also consisting of the precious metals. Such, however, is not the case with a currency consisting of inconvertible paper notes. Paper money is necessarily confined to the country in which it is issued: its value is not real and universal, but artificial and local. It does not depend on the quantity of labour required for its production, but on the circumstance of its having been made a legal tender in a particular country, and issued only in limited quantities. The moment it is carried out of the country in which it has the privilege of being a legal tender, it becomes very nearly if not entirely worthless. Paper money is completely destitute of that power of *self-contraction and expansion* which is possessed by a currency consisting of the precious metals, or of paper immediately convertible into them. It can neither be exported to other countries when it has been issued in excess, nor can it be imported from them when the issues have been unduly contracted. Its value must, in every case, as has been already stated, depend on the extent to which it has been issued compared with the business it has to perform. If its quantity be unduly increased, its value will fall; and if it be unduly diminished, it will rise.

It would not, however, be difficult for the issuers of inconvertible paper money, were they so disposed, to preserve its value exactly on a par with the value of gold and silver. Suppose, for example, that there are no gold coins in circulation in Great Britain, and that our currency consists wholly of inconvertible paper issued by government, or by a board acting under its orders: under these circumstances, it is quite plain that no gold would be imported either to be used as money, or to be kept as reserves in the coffers of the bankers; but the demand for it in the arts would notwithstanding cause

it to be imported in large quantities; and it might still be made a standard by which to regulate the issues of paper. Thus, when the issuers found that the holders of $3\frac{1}{4}\frac{1}{8}$ (L. 3, 17s. 10 $\frac{1}{2}$ d.) of their one pound notes could readily obtain an ounce of gold bullion of 22 carats fine, it would be a proof that they were of exactly the same value as gold, and that, consequently, their quantity should neither be increased nor diminished. But if more or fewer than $3\frac{1}{4}\frac{1}{8}$ one pound notes were required to buy an ounce of bullion, it would show in the one case that the value of the currency had fallen too low, and that its quantity should be lessened; and in the other, that the value of the currency had risen too high, and that its quantity should be increased. By acting in this way, or, which is in effect the same thing, by attending to the state of the exchanges, and lessening the supply of currency when they become unfavourable, and increasing it when they become favourable, the value of paper money might be kept very nearly equal to the value of the metallic money that would circulate in its place were it withdrawn. The conduct here described is, in fact, that which is followed by every prudent banker who is obliged to pay his notes on demand. He does not defer contracting his issues until a heavy drain for bullion has set upon his coffers; but he begins to contract them the moment that he observes the price of bullion rising, and the exchanges falling; and he begins to enlarge them under the opposite circumstances. All that the obligation to pay in bullion does is to compel attention to be paid to principles that might otherwise be contemned. And hence it follows, that if sufficient security could otherwise be obtained, that the power to issue inconvertible paper money would not be abused, but that the quantity of it in circulation would be enlarged and diminished so as to preserve its value on a par with the value of gold;—the latter might be entirely dispensed with for all pecuniary purposes, except as a

standard, though it might still be expedient to use a subsidiary silver and copper currency, as at present, for small payments.

Unfortunately, however, no such security can be given. This is a point, respecting which there can be no difference of opinion. The widest and most comprehensive experience shows that no man, or set of men, has ever been invested with the power of making unrestricted issues of paper money without abusing it; or, which is the same thing, without issuing it in inordinate quantities. Should the power to supply the state with paper money be vested in a private banking company; then, to suppose that they should, by carefully limiting their issues, endeavour constantly to sustain the value of their paper, would really be to suppose that they should be extremely attentive to the public interests, and extremely inattentive to their own! It is quite certain that *the re-enactment of the restriction on cash payments by the Bank of England, and the rendering of it perpetual, would have no perceptible effect on the value of our paper currency, provided its quantity was not at the same time increased.* But there cannot be the shadow of a doubt that, under such circumstances, it would be increased. Such a measure would enable the directors of the Bank of England to exchange scraps of engraved paper not worth perhaps 5s. a quire, for as many, or the value of as many hundreds of thousands of pounds. And is it to be supposed that they would not avail themselves of such an opportunity to amass wealth and riches?—that, if government allow a private gentleman to exchange a bit of paper for an estate, he will be deterred from doing so by any considerations about its effect in sinking the value of the currency of the country? It is indispensable, therefore, that the issuers of paper money should be placed under some efficient check or control; and the comparative steadiness of the value of the precious metals at once suggests that no check can be so effectual as to subject

the issuers of paper money to the obligation of exchanging their notes, at the pleasure of the holder, for a *given and unvarying quantity* either of gold or silver.

It has been contended, indeed, that there is a material difference between notes issued by a government in payment of the debts it has contracted, and those which are issued by a private banking company in discount of good bills. In regard to the former, it is admitted, on all hands, that they may be issued in excess; but, in regard to the latter, it has been strenuously urged, that "notes issued only in proportion to the demand, in exchange for good and convertible securities, payable at specific periods, cannot occasion any excess in the circulation, or any depreciation." As most of the arguments advanced by those who contended that the paper currency of Great Britain was not depreciated in the interval between 1800 and 1819, involve this principle, I shall take the liberty briefly to examine it.

In the *first* place, then, it is to be observed, that the demand for discounts does *not* depend nearly so much on the nature of the security required for the repayment of the sums advanced by a bank, as on *the rate of interest for which these sums can be obtained, compared with the ordinary rate of profit that may be made by their employment*. If an individual can obtain L.10,000, L.100,000, or any greater sum, from a banker, at 4, 5, or 6 per cent., and if he can realize 7, 8, or 10 per cent. by its employment as capital, it is evidently his interest, and it would be the interest of every other person similarly situated, to borrow to an unlimited extent. But a banking company, which was relieved from the obligation to pay its notes in cash, and which, of course, was not obliged to keep any unproductive stock or bullion in its coffers, would be able to issue its notes at the lowest possible rate of interest, and the demand for its paper would therefore be proportionally great.

From 1809 to 1815, inclusive, the period in which the

value of our paper currency relatively to gold was lowest, the market rate of interest considerably exceeded the rate (5 per cent.) at which the Bank of England, and most of the country banks invariably lent previously to the reduction in 1823. Although, therefore, the quantity of paper afloat had been in the interim very much increased, the demand for fresh discounts continued as great towards the end of the period in question as at the beginning. And there seems no reason to doubt, that, had the issuers not been apprehensive that ultimately they might be called upon to pay their notes in specie, the number of them in circulation would have been very much increased; at least, such would most certainly have been the case, had they acted to the full extent of the opinion avowed by some of them, that it was impossible to issue too much paper, or to reduce its value, by engrossing into the circulation such quantities as could be issued in discount of good bills. The wants of commerce are altogether insatiable. Inconvertible paper money, *provided the rate of interest at which bills are discounted is less than the market rate*, can never be so abundant as to prevent a demand for additional supplies. So long as this is the case, million after million may be thrown upon the market. The value of the currency may be so reduced as to require a five or ten pound note to purchase an ounce of gold; but the circumstance of its value being diminished in proportion to the increase of its quantity, would, it is plain, render the demand for additional supplies as great as ever.

In the *second* place, if it were true, which most certainly it is not, that the notes of a private banking company, issued in discount of good mercantile paper, could not be depreciated from excess, that principle would not apply to the case of the Bank of England; for the greater part of its paper is issued in payment of the interest of the national debt, amounting to about thirty millions a year. And really, when such is the fact, it was a little

too much to contend, as the apologists of the restriction act have almost always done, that Bank of England paper could not be depreciated, because it was only issued in discount of legitimate mercantile paper, payable ninety days after date.

On the whole, therefore, it is plain, that whether the power of issuing paper money be vested in the hands of a private banking company, or of government, it ought to be placed under some efficient check or control, such as the obligation to pay it in gold or silver. It is easy to discover the manner in which a check of this kind would limit the issue of paper, and sustain its value. Whenever so much paper had been issued as to sink its value relatively to bullion, it would begin to be returned upon the issuers to be exchanged for a higher value; and they would, in consequence, be obliged, in order to prevent the exhaustion of their coffers, to contract their issues, and thus to raise the value of their paper to a level with gold. An extremely small profit, or an extremely small depreciation of paper, as compared with gold or silver, is sufficient to induce the holders of immediately convertible paper to send it to be exchanged for those metals; and hence the value of paper convertible at pleasure into a *given and unvarying quantity* of gold or silver, can never differ considerably from its value. The issues of the Bank of England were for more than a century limited by the very principle, and in the very manner, I have now explained; and during the whole of that period they were hardly ever depreciated one-fourth per cent., and never more than one per cent., and that but for a few days only towards the end of the American war.

But although it is thus imperatively necessary, in order to avoid all injurious fluctuations in the value of the currency, that paper money should be made exchangeable for gold or silver, it does not follow that it should be made exchangeable for gold or silver coins. A currency would be in its most perfect state, if it consisted wholly of

paper money, of the same value as gold or silver. It is impossible, however, to attain to this degree of perfection so long as paper is made convertible into coin. Such convertibility renders paper of the same value as metallic money; but it is defective, inasmuch as it does not banish the latter from circulation, and does not therefore save the whole expense of a metallic currency.

It is believed that there were about twenty millions of gold coin in circulation in England and Wales in 1797: and taking into view the present magnitude of our commercial transactions, we shall probably be a good deal within the mark, if we estimate the total amount of coin that will be required for England and Ireland, under the system proposed in 1826, of suppressing all bank notes for less than L.5, including the reserves in the coffers of the bankers, at from *thirty* to *thirty-five* millions. And the loss attending the abstraction of so large a sum from the productive industry of the country, added to the expense of coinage and the loss that must be occasioned by the wear and tear of the coins, cannot amount, on the very lowest estimate, to less than from L.1,750,000 to L.2,000,000 a year; so that if there be any other system which would save all this heavy expense without endangering that security against fluctuations in the value of the currency which is so indispensable, it certainly ought to be adopted in preference.

To Mr. Ricardo we are indebted for the discovery of such a system. He has shown, in his admirable tract entitled, "Proposals for an Economical and Secure Currency," published in 1817, how the value of paper may be kept constantly on a par with the value of gold, without requiring the circulation of a single gold coin. His contrivance for effecting this desirable object is equally admirable for its simplicity and effect. It consists in making country bank notes exchangeable at the pleasure of the holder for those of the Bank of England; and making the latter exchangeable for bars of assayed bullion of

the standard purity at the mint price of L.3, 17s. 10½d, an ounce;—or, which is the same thing, Mr. Ricardo proposed that the Bank of England should be obliged to give an ounce of standard gold bullion for every sum of L.3, 17s. 10½d. of paper presented for payment. This plan would, it is obvious, check all overissue of paper, and maintain its value on a level with the value of gold quite as effectually as it can be maintained by the common method of paying in coin; while, inasmuch as a bar of gold could not be conveniently used for the purposes of money, it would prevent its circulation, and save the whole expense of a gold currency.

In order to insure the solvency of the country banks, or, which is the same thing, to insure the immediate convertibility of their notes into those of the Bank of England, Mr. Ricardo proposed that every country banker should be obliged to place in the hands of government securities over property equivalent to the amount of the notes issued by him, as a guarantee for their payment. Had this latter part of Mr. Ricardo's plan been adopted, the paper currency of the country banks would have been placed on the most solid foundation. No suspicion of insecurity could henceforth have attached to these establishments. Their bankruptcy would have been rendered *impossible*; and country bank paper would have been in every respect equivalent to gold. I shall afterwards endeavour to show, that whatever system may be adopted for regulating the value of Bank of England paper, the public interests imperiously require that all such country banks as issue notes should be obliged to render full security for their payment; and that the plan hitherto adopted of allowing every individual or association to issue notes payable on demand without granting any pledge for the fulfilment of their promise to pay them, has been productive of the most disastrous results.

The committees of the Houses of Lords and Com-

mons appointed, in 1819, to report on the expediency of the Bank of England resuming cash payments, made an elaborate inquiry into the merits of Mr. Ricardo's plan; and having satisfied themselves of its superiority, they recommended its adoption as a temporary measure, without, however, obliging the country banks to give security for their issues, and under the restriction that the Bank should not be called upon for any less quantity of bullion than *sixty* ounces. In practice, the system of bullion payments was found to work exceedingly well. While all overissue of paper was effectually prevented, only a very few bars were demanded from the Bank; and it was generally supposed that, instead of its operation being prematurely suspended, it would have been rendered perpetual, and the farther circulation of gold coin prevented. Even as a device for preserving paper on a par with gold, the system of bullion payments is in some material respects obviously preferable to the method of exchanging notes for coins. When a currency consists partly of the precious metals, and partly of paper immediately convertible into them, any overissue of the latter depresses not merely the value of the paper money, but of the coins which circulate along with it. These coins are, therefore, immediately converted into bullion, or exported. Bullion, however, cannot be accumulated in any one country without losing its relative value; and hence the ultimate effect of an overissue of paper, in a country whose currency consists partly of coin, is an exportation either of coin or of bullion formed out of the coin. But on Mr. Ricardo's system there would be no coin in circulation; and no loss could, therefore, be occasioned either by its fusion at home, or by its exportation to other countries. The moment the Bank of England had issued such an excess of paper as was sufficient to depress the exchange to the extent of one-eighth per cent. or to such an extent as would enable bullion to be exported with a profit, that moment it

would be demanded of the Bank; and would continue to be demanded until the Bank had, by restricting her issues and raising the value of her paper, restored the currency to its proper level and the exchange to par.

As the maintaining of paper on a par with gold at the least possible expense to the country, and with the least inconvenience to all parties concerned, is the great object to be effected by Mr. Ricardo's plan, there does not seem to be any good reason why the Bank should have been obliged to give so small a quantity as sixty ounces of bullion, as fixed by the act of 1819, in exchange for a proportional quantity of her paper. Should the plan be again adopted, it would save a great deal of trouble, or at least obviate a great deal of cavilling, were the *minimum* quantity of bullion, which could be demanded from the Bank, fixed at 500 or 1000 ounces: and as, according to the plan in question, the value of paper would be prevented from falling below or rising above the value of gold, by the operations of respectable bullion merchants—a class of men remarkable for their shrewdness, and generally possessed of large capitals—this regulation, while it would be productive of benefit to the Bank, could not, in a public point of view, be attended with any ill effects.

It will be afterwards shown, that the adoption of the plan for taking security from the country bankers, and making their notes payable in those of the Bank of England, would effectually prevent the growth of panics originating in the discredit of these establishments, and would also prevent them from draining the Bank of the gold in her coffers upon any emergency. It is obvious, too, that by paying notes in bullion, the Bank of England would acquire a powerful additional security against the dangerous consequences of panics or runs arising from political causes, or from the apprehension of foreign invasion, or intestine commotion. The inability of using a bar of gold as money would deter many from

demanding payment of the paper in their possession, who would have demanded it had it been payable in coin; and, supposing the panic were sufficiently powerful to overcome this repugnance, by fixing the *minimum* quantity of bullion to be given by the Bank in exchange for her notes at 500 or 1000 ounces, it would not be in the power of the great majority of the holders to make any sudden run. Before sending notes to be exchanged for bullion, they would have to concert measures, to join together, and to make a demand in common. A considerable time being thus necessarily wasted in the adjustment of the preliminary steps of the business, the Bank would be enabled to make the necessary preparations to meet the run; and, what is of still more consequence, since the panic could not operate immediately, it is probable that by the time preparations had been made for demanding payment from the Bank, it might have altogether subsided. Had the Bank of England been paying in bullion in 1797, there is every reason to think that the memorable crisis of that year might have been averted.

The unprecedented and alarming increase of the crime of forgery—a crime which was scarcely known in this country previously to 1797—during the continuance of the restriction act, and the general belief that it could not be prevented otherwise than by the suppression of the smaller notes of the Bank of England, appears to have been the principal cause why a plan, which promised to be productive of so many advantages, has been abandoned, and the country again subjected to the heavy expense of a metallic currency; nor, provided this were really the only means by which so desirable an object as the prevention of forgery could be effected, should the sacrifice be deemed too great. There are good grounds, however, for doubting whether this is the case; and whether the prevalence of forgery ought not rather to be ascribed to the defective execution of bank notes

than to their multiplication. It is now about thirty years since Bank of England paper has constituted what has been practically the currency of the country, and during the whole of that period, and for many years previously, there has been no very visible improvement in its manufacture. Apparently satisfied with the security derived from *private* marks, and the signatures of their clerks, the directors have continued to issue notes, engraved in so wretched a style, and which afford so few distinguishing peculiarities or points on which the memory or the eye can rest when comparing them with each other, that they almost seem to have been intended to stimulate the efforts of forgers! But, although no improvement has been made for nearly half a century in the fabric of the notes of the Bank of England; and although they have been executed so as to admit of being imitated by very inferior engravers, we must not thence conclude that the arts have all the while been stationary, and that it is impossible to render their imitation a work of comparative difficulty. It is doubtless no easy task to manufacture a note which may not be counterfeited; even by ordinary engravers, with sufficient exactness to deceive the mass of those into whose hands it may be supposed to come in the course of circulation. But, that this is not an insurmountable difficulty, is certain. The notes of the Bank of Ireland and of several of the private banks of England and Scotland, show that, by a judicious mixture of engraving by machinery and the hand, notes may be executed in such a manner as to exclude all dangerous competition on the part of forgers. Previously to 1814, the period when the directors of the Bank of Ireland adopted Mr. Oldham's plan for engraving their notes, their forgery was carried on to a very great extent. But since then it has almost entirely ceased; and it is stated in a paper printed in 1821, by order of the House of Commons, that only *seventeen* persons had been

convicted of issuing forged notes in Ireland in the *three* years ending with 1820.

The public have not been made acquainted with the nature of the obstacles which prevented the directors of the Bank of England from issuing the improved notes, of which so much was at one time said; but apparently there are pretty strong reasons for doubting whether they could be so formidable as has been represented. It is a very mistaken notion to suppose, as many seem to have done, that nothing less than the issue of *inimitable* notes can be of any real service. This is a degree of perfection to which it is in vain to expect to reach. Whatever has been executed by one set of artists, *may* be imitated by some other set. But this imitation may be rendered a work of very great difficulty; and if this is done, the public interests will be sufficiently protected. Notes, which can only be counterfeited by the best engravers, and by the assistance of improved and costly machinery, will very rarely be counterfeited at all; and never in such numbers as to be productive of any seriously injurious consequences. Although, therefore, the directors of the Bank of England cannot justly be blamed for not having produced inimitable notes, it is not easy to see how they can be vindicated from the charge of negligence and inattention, in having persisted for so long a period, and after so many improvements have been effected, in issuing notes executed in so slovenly a manner as really to act as a species of premium on forgery.

But, even if it could be shown that the suppression of the smaller Bank of England notes was the only way by which an effectual check could be given to the crime of forgery, it may fairly be questioned whether this advantage will not be more than compensated by the increased facilities that must in consequence be given to the issuers of base coins. Forgery, it must be remembered, is an evil inseparable from the use of money—an abatement from

the innumerable advantages of which it has been productive. Whatever commodity may be adopted as a circulating medium, it must, in the nature of things, be a hopeless task to attempt completely to guard against the efforts of the issuers of spurious money. If the currency consist of paper, it will be counterfeited; and if it consist of the precious metals, they will be adulterated and debased. All that can be done, is, to throw obstacles in the way of forgery, to render it, if possible, a work of extreme difficulty; and there does not seem to be any very good reason for supposing that it would be more difficult to do this with notes than with coins. Indeed the very contrary seems to be established. No scheme for the improvement of the coinage has had the same success in preventing the issue of spurious coins that Mr. Oldham's inventions have had in preventing the issue of forged notes. In reasoning on this subject, we have been led into error by referring exclusively to the paper of the Bank of England. But the difficulties opposed to the issue of forged paper must be estimated by the success which forgers have had in imitating the *best*, and not the *worst*, notes in circulation. And if we refer to this proper criterion,—if, for example, we take the improved notes of the Scotch banks and of the Bank of Ireland, instead of the *unimproved* notes of the Bank of England, as a standard, it will be found that the security of the public against fraud and imposition is any thing but impaired by the issue of paper.

If these remarks are well-founded, the conclusion naturally follows, that, supposing the substitution of the cheapest in the place of the most expensive medium of exchange to be really an advantage, the plan which I have now endeavoured to unfold and elucidate, appears to be nearly as perfect as could be desired for effecting that object. It has lately, however, been contended that the idea that the substitution of paper to serve as a currency in the place of gold or silver is advantageous, is not well-founded;

for, it is said, that whatever may be gained in point of cheapness and convenience by such a plan is more than lost by the violent changes which, it is affirmed, it must unavoidably occasion in the supply and value of money. Mr. Tooke, who has advocated this opinion, contends that if, owing either to an unusually large importation of foreign corn, to a large foreign expenditure on the part of government, to over-trading, or to any other cause, a large amount of extra-payments abroad were suddenly required, there would be such a drain upon the Bank for bullion, in the event of paper only being in circulation, as would force the directors, in order to provide for the security of their establishment, to make such a sudden and excessive reduction in the amount of their issues as could not fail to be productive of the most extensively ruinous commercial distress and embarrassment.* But though every one must unavoidably feel the greatest hesitation in venturing to differ on such a subject from a gentleman of Mr. Tooke's eminent scientific attainments and great practical experience, still I do not think that the objection he has made to the substitution of paper in the place of metallic money is a good one.

If our currency consisted wholly of paper not convertible into bullion, then it is plain there could not, in the event of such a case as Mr. Tooke has supposed occurring, be any contraction of the currency or any exportation of bullion; and the balance of debt due to the foreigners would be discharged by means of the increased exports that would take place in consequence of the fall of the exchange. Suppose the exchange were, under the circumstances supposed, to fall five per cent.: in that case, the exporters of commodities would not only obtain the price for which they sold in the foreign market, but they would sell the bill drawn on the individuals to whom the goods had been consigned for five per cent. premium,

* Considerations on the Currency, p. 101, &c. 2d edit.

which is precisely the same thing in effect as if the price of all sorts of British commodities had risen five per cent. in the foreign markets; and this would give such a stimulus to exportation as would very speedily suffice to discharge the balance of debt, and even to make it incline in our favour. It is plainly, therefore, *not of the essence of a currency* that it should be contracted under the circumstances Mr. Tooke has supposed; and it is farther plain, that any sudden increase of imports might, and in fact would be effectually balanced by an export of commodities, though our currency consisted wholly of paper, and there was not a single ounce of bullion in the kingdom.

The principle now stated is indisputable, and it is easy
" to see from it that the Bank of England might always
" manage her affairs so as never to be placed in a situation of danger, though the amount of gold bars in her coffers were comparatively inconsiderable. At present the value of Bank of England paper can never differ materially from that of the gold coins into which it is convertible. It cannot, on the one hand, be issued in excess without rendering the currency redundant, and causing a drain upon the Bank for gold for exportation; nor can it, on the other hand, be issued so sparingly as to render the currency comparatively scarce and valuable, without bullion being immediately carried to the mint, and the currency reduced to its natural level by the issue of coins. It is plain, therefore, that the actual situation of the Bank of England is one of very considerable difficulty, and that the possession of a large reserve of bullion is quite indispensable for her security: for, under the circumstances in which she is now placed, she has no power whatever to raise the value of her paper ever so little above the value of gold, while the moment that the currency becomes redundant—whether that redundancy be occasioned by an excess of coin, or of her own or of country bank paper being brought into circulation—or the moment that

the exchange becomes unfavourable from any circumstances affecting the commerce of the country, which the Bank may neither be able to foresee nor to provide against,—that moment bullion begins to be demanded of her; and she can only put a stop to the drain by contracting her issues—a proceeding which can hardly fail to be productive of considerable commercial distress and embarrassment.

But under the plan that has now been proposed, though the obligation to deliver bullion for her notes at the mint price of L.3, 17s. 10½d. would effectually prevent the Bank from sinking their value below the value of gold, she would be able, inasmuch as the mint would be shut and no gold coins could be brought into competition with her notes, so to limit the issue of the latter as to keep their value on an average one, two, three, or four per cent. above the value of gold: and if she did this, it is obvious that in the event of any circumstances occurring to depress the exchange, *it would have to fall to the whole extent that paper was more valuable than gold before a single ounce of bullion could be demanded from the Bank*; and if the difference between the values of gold and paper was considerable, there would be room for the exchange being so much depressed, that the fall would most probably give so great a stimulus to exportation as to render the excess of commodities sent abroad sufficient to meet the unusual demands upon the country, without requiring the exportation of the smallest quantity of the precious metals.

The truth is, therefore, that instead of leading to great and ruinous fluctuations in the supply and value of money, the plan I have ventured to recommend might be made, by the exertion of a very ordinary portion of skill and sagacity on the part of the directors of the Bank, a means of effectually counteracting the variations that must otherwise take place in its amount and value. Suppose that the currency consisted wholly of gold;

then, as its value in this must be very nearly identical with its value in other countries, a sudden increase in the amount of imports would have the effect to cause an instant exportation of coin; and the quantity of money being thus suddenly reduced, a fall of prices would take place, the usual discounts or loans would no longer be obtained from the banks, and credit and all sorts of speculative and commercial transactions would sustain a proportional shock. But suppose that our currency, instead of consisting wholly of coin, or partly of coin and partly of paper immediately convertible into coin, consisted wholly of paper convertible into gold bars; in this case, and in this case only, it would, as has been seen, be completely in the power of the directors of the Bank of England so to limit the quantity of paper in circulation as to maintain its value upon an average three or four per cent. higher than the value of gold; and under such circumstances no bullion would be demanded from the Bank, or could be exported until the exchange had fallen three or four per cent. below its natural level; a fall that would be quite sufficient, under almost any conceivable state of our commercial relations, to increase our exports so as to balance the largest importation. And in the event even of a contraction of the currency being required, it is plain it would not be necessary to carry it to any thing like the extent to which a metallic currency would have to be contracted in the event of the imports being suddenly augmented; and if the Bank were to make the contraction, partly by raising the rate of interest on its discounts and partly by selling exchequer bills, it might be accomplished with comparatively little inconvenience.

I confess, therefore, that it appears to me most obvious, not only that the objection of Mr. Tooke is not well founded; but that with the most ordinary degree of attention the very opposite effects might be made to follow the universal substitution of paper for gold on the plan I have recommended; and that while it saved the

public from an unproductive and useless expenditure of L.1,750,000 or L.2,000,000 a year, it might be made a means of giving increased stability to the pecuniary system of the country, and of obviating those sudden variations in the supply and value of money that must occasionally take place when the currency consists either of coin or of paper immediately convertible into coin.

It may, perhaps, be said, that under the plan now proposed, the Bank directors might, from a natural desire to secure their establishment against the possibility of injury from a fall in the exchange, starve the circulation, or that they might, by narrowing their issues too much, raise the value of their paper very far above the value of gold. It could not, however, be for the interest of the Bank to act in this way; but, in order to guard against the possibility of inconvenience from such a source, it might be enacted that the Bank should be obliged to exchange paper for gold bullion, whenever the market price of such bullion had fallen three or four per cent. under its mint price. This would prevent the value of Bank paper from ever rising more than three or four per cent. above the value of gold; and it may be pretty confidently concluded that such a premium on paper would be quite sufficient to place the Bank in a state of comparative security, and to render the effect of variations in the exchange almost imperceptible.

It has, however, been objected that this plan, by rendering Bank of England paper the regulating and legal money of the country, and raising its value above the value of gold, would have the effect to elevate the standard of the currency. This, however, might be easily and effectually obviated by raising the mint price of gold about two per cent. above its present limit, or to L.3, 19s. 4d., and making L.3, 16s. 6d. the limiting price at which paper might be demanded from the Bank in exchange for bullion. An arrangement of this sort would

render the present mint price of L.3, 17s. 10½d. the *medium* between the highest and lowest value of the currency; and would confine its fluctuations within a range of about *four* per cent. or of two per cent. on each side the standard. What is wanted is to provide a currency that shall be secure, cheap, and commodious, and which shall not be exposed to sudden or considerable variations in its amount and value; and it seems as if all these conditions would be realized by a paper currency issued on the principle and in the way that has now been pointed out. A currency of the precious metals would be perfectly safe; but it would be both infinitely dearer and less commodious than the paper currency now proposed; while, as the value of a metallic currency in one country must always be very nearly on a par with the value of the same currency in other countries, it would be liable to be affected by every variation of the exchange; and could not, therefore, be so steady in its value as a currency which could not be affected until the exchange had diverged considerably from par.

To enable the plan now pointed out to be carried into effect, it would be necessary not only that Bank of England notes should be made the legal currency of the country, or the currency into which all other notes should be exclusively convertible, but it would also be necessary that the existing monopoly of the Bank of England should be preserved, or that no other establishment for the issue of notes should be allowed to be opened either in London or its immediate vicinity. Even under the present system of paying notes in coin, it may be doubted, for reasons that will be subsequently stated, whether the monopoly of the Bank of England, as modified by the late act, is disadvantageous. At any rate, however, it is clear that in the event of other establishments for the issue of notes being set up in London, the Bank of England would no longer have the power, by increasing or diminishing her issues, to lower or raise the value

of the paper currency of the metropolis; and as it is by its value that the value of the currency of the country banks must always be determined, the moment the Bank lost the power of regulating the value of the one she would also lose that of regulating the value of the other. It is quite indispensable, therefore, should the proposed system of making country bank paper exchangeable for Bank of England paper be adopted, that the Bank should possess the exclusive privilege of supplying London and the contiguous country with paper. The value of country bank paper would, under such a system, be always identical, or very nearly identical, with the value of the paper of the Bank of England: For if, on the one hand, too much country paper were issued, its value being, in consequence, sunk below the value of the currency of London, the excess would be returned upon the issuers to be exchanged for the latter; and if, on the other hand, the issues of country bank paper were unduly contracted, the paper of the Bank of England would extend into the provinces and supply the vacuum. Under this system the directors of the Bank of England would have nothing to do but to watch the foreign exchanges and the price of bullion. It would be out of the power of the country banks to render the currency redundant and to cause a drain for gold. And as we take for granted that the country banks are all resting upon a solid foundation, or that they have all given security for their issues, the Bank of England would be under no apprehension, when any circumstances occurred to induce her to lessen the amount of her paper afloat, that the embarrassment consequent upon such a proceeding might prove fatal to any of these establishments. There could be no demand for bullion arising from want of credit, or from a panic occasioned by a suspicion of insolvency. The drains for bullion would depend wholly on the state of the exchanges; and it has been sufficiently established that by retaining the

value of Bank of England paper three or four per cent. on an average above the value of gold, the effects of a fall in the exchange would be in most cases entirely obviated, and in all very much mitigated.

It has been said by those who are opposed to any change in our present money system, that though it might be advantageously placed on the footing that has now been proposed, provided there were any security that the Bank of England would regulate her issues so as always to preserve her paper at a higher value than gold, the plan ought not to be adopted, because no such security can be given, and we should have nothing better to trust to than the forbearance of the directors! Perhaps it was hardly worth while to notice such an objection. It is clear that however ill the Bank directors may manage their affairs, the public would, under the proposed plan, have precisely the same security, by means of bullion payments, against overissue, that is at present afforded by specie payments; at the same time that the directors would have the power, which they at present possess to a comparatively limited extent only, of so regulating their issues as greatly to lessen the chances of overissue. And believing, of which, indeed, there can be no manner of doubt, that the directors are honestly inclined to do their duty by the public and their proprietors, they cannot fail to perceive that the line of conduct that has now been chalked out is that which it would, in every respect, be most expedient for them to follow. If they do not maintain their paper at a somewhat higher value than gold, they must of course be exposed to a drain for that metal on the slightest fall of the exchange, and will, in such cases, be obliged to make sudden variations in the amount of their issues, and to keep at all times a large reserve of gold by them: whereas if they keep their paper on an average from two, to three, or four per cent. more valuable than gold, they will, as has been seen, be very little affected by variations in the exchange; and

will, in consequence, be able to conduct their business without any violent oscillations in the amount of their paper afloat, and with a comparatively small amount of bullion in their coffers. The safe and advantageous line of conduct being, therefore, so well defined, and when the mint is shut, so very easily followed, it may reasonably be presumed that the directors will adhere to it. If they swerve from it, it must be either through ignorance or negligence; and it is to be expected that the experience they have already had of the pernicious effects resulting from the reaction that must always take place when the currency becomes comparatively redundant, will induce them watchfully to guard against any such mischief by uniformly maintaining their paper at a higher level than gold.

SECTION IV.—*Quantity of Bank of England paper afloat necessarily different at different periods—Effects produced on the country banks by a contraction of the issues of the Bank of England—Destruction of country bank paper in 1793—Crisis of 1797—Destruction of country bank paper in 1814-15 and 16—In 1825-6—Measures proposed in 1826 for improving the state of the currency—Remarks on these measures—Proposal for taking securities from the country banks—Advantages that would result from carrying this proposal into effect—Objections to it examined and answered.*

It appears, from what has been already stated, that an excessive quantity of the precious metals cannot be imported into any country which allows them to be freely sent abroad, without occasioning their immediate exportation. But when the currency of any particular country, as of England, consists partly of the precious metals, and partly of paper convertible into them, the effects produced by an overissue of paper are the same

as those resulting from an overissue of gold or silver. The excess of paper is not indicated by a depreciation or fall in the value of paper as compared with gold; but *by a depreciation in the value of the whole currency, gold as well as paper, as compared with that of other states.* Suppose that our currency is, at this moment, at its proper level, or that the quantity of gold and paper in circulation is the exact quantity required to render any given portion of the currency of Great Britain equivalent to the same portion of the currency of the surrounding states; and suppose that, under these circumstances, an additional million of notes is issued by the Bank of England, or by the country banks. It is obvious that this issue of paper must have precisely the same effect on the value of money as the issue of an additional million of sovereigns. There cannot, it is clear, be any depreciation in the value of paper as compared with gold in this country; for gold may be immediately obtained in exchange for it, and it is as readily received in all payments. The effect of inordinate issues of notes, immediately convertible into gold, is not, therefore, to cause any discrepancy between the value of paper and the value of gold in the home market, but to increase the amount of the currency, and by rendering it redundant or depreciated as compared with that of other countries, to depress the exchange; and thus, inasmuch as notes do not circulate abroad, to cause a drain upon the Bank, and the exportation of coin.

Although, therefore, an overissue of convertible paper is not indicated by any fall in its value, as compared with gold in the country in which it was issued, it is notwithstanding clearly indicated by a fall in the exchange, and an exportation of gold. The fact of the exchange being depressed, and of gold continuing, for any considerable period, to be demanded from the Bank and exported, is, independently of all other considerations, a conclusive proof that the currency has become relatively redundant

or depreciated, as compared with the currency of other countries. In most instances such a redundancy is occasioned by additional quantities of coin or paper having been brought into circulation; but this is not always the case. The demand for money is very different at different periods. A currency that was susceptible neither of increase nor diminution would be at one time in excess, and at another time deficient, according to the varying state of credit and confidence in the country, and the nature of its commercial relations with other countries. It is, therefore, of importance to bear in mind, that it is not by the *absolute amount* of the currency in circulation in a country that any correct judgment can be formed whether it is in excess or not. At one time an issue of fifteen millions of Bank of England notes might probably be too great, while at another time, and under other circumstances, an issue of twenty or twenty-five millions might not be enough. The price of bullion and the state of the exchange form the only safe and unerring tests by which to judge when the currency is or is not at its proper level. If the exchanges be generally on the advance, it is a proof that the currency of the country is becoming deficient, and that it may be slowly and cautiously enlarged, and conversely when they are falling. The directors of the Bank of England have frequently involved themselves and the country in difficulties from their not being sufficiently aware of the principle that has now been stated. Observing the exchanges to fall, and a drain for bullion to begin to operate on their coffers, when, perhaps, their issues were not greater than usual, they have concluded that this drain originated in circumstances that had no connexion with the amount of Bank paper afloat, and that it could not be stopped by its contraction. But the previous statements show the fallacy of this notion. In the supposed case the currency has become redundant, not because it has been absolutely increased, but because a less quantity of it has be-

come sufficient for the purposes to which it is applied, and it has not been proportionally diminished. It is not always possible, nor is it very often, indeed, of much importance, to be able to point out the precise circumstances in the state of a country which render the *same* amount of currency that may be barely sufficient at one time, redundant at another; but, whatever they may be, a fall in the exchange, and an exportation of bullion, show, beyond all question, that some of them are in operation, and that the currency is in excess. Bullion, like other commodities, is exported only when its exportation is profitable. It cannot be sent from London to Amsterdam, unless it is more valuable in the latter than in the former. It is never, in short, sent abroad to destroy, but always to *find its level*. And how much soever opinions may vary with respect to the causes which occasion a redundancy of currency—whether it should be ascribed to an absolute increase of its quantity, to an increase of credit or confidence, or to commercial speculations—the fact that the exchange has fallen, and that bullion has been exported, proves incontrovertibly that it is redundant; and that, consequently, it is the duty of the directors of the Bank of England immediately to set about contracting their issues, in order to prevent the exhaustion of their coffers, and to check that tendency to hazardous speculation which a redundant currency never fails to promote.

It is true that a contraction of the currency, however cautiously effected, is always productive of more or less inconvenience. But the inconvenience unavoidably resulting from this operation has been immeasurably increased by the vicious and defective system of country banking that has been permitted to grow up in this country. As soon as the directors of the Bank of England begin to contract their issues, in order to stop that drain for bullion which must always operate, in the first instance, on their coffers, the currency of London becomes

more valuable than the currency of the provinces; and the notes of the country bankers are, in consequence, returned upon them to be exchanged for gold, or for notes of the Bank of England. Now, it is of the essence of this subject to observe, that if country bank paper rested on a solid foundation, or, in other words, if the country bankers had lodged unquestionable security for the payment of their notes, no sort of panic or alarm could possibly be excited amongst their holders; and their notes would cease to be returned upon them the moment so many had been withdrawn as were required to restore the currency to its proper level and the exchange to par. The expansion and contraction of a well-established paper currency, immediately convertible into coin, would thus depend upon, and be regulated by, the very same principles that would determine the expansion and contraction of a gold currency; and no more inconvenience of any sort could result from variations in the amount of the one than from variations in the amount of the other; while, if the Bank of England made its payments in bullion, and chose to act on the system I have previously endeavoured to point out, the variations in the amount of the currency would be decidedly less than if it consisted wholly of gold.

But, under our present system, the difficulty of obtaining pecuniary accommodations in London, and the shock consequent upon a contraction of the issues of the Bank of England, uniformly occasion the destruction of such country banks as have been originally set on foot without sufficient capital, or have conducted their business on unsound principles. But, unfortunately, the mischief does not stop here. The public, having no means of forming any accurate judgment with respect to the solidity of different establishments, the discredit of one or two reflects upon them all; and the stoppage of a few houses seldom fails to excite a general run or panic. In such periods the richest and best-established firms do not

escape imputations. And it most commonly happens, that before the storm has blown over, and confidence been again restored, twenty or fifty times more paper has been destroyed or withdrawn from circulation than would have been required, had confidence been all the while preserved, to raise the exchange to par, and the currency to its proper value.*

The first great reduction of country bank paper, arising from a contraction of the currency consequent upon its previous overissue, took place in 1793; and the circumstances attending this crisis are so remarkable, and afford so striking an illustration of what has now been stated, that they deserve to be carefully investigated. Previously to 1759, the Bank of England had not issued any notes for less than L.20; but having then commenced the issue of L.10 notes, its paper was gradually introduced into a wider circle, and the public became more habituated to its employment as money in their ordinary transactions. The commercial distress and embarrassment that grew out of the American war proved exceedingly unfavourable to the formation of country banks, or of any establishments requiring an unusual portion of credit and confidence. No sooner, however, had peace been concluded than every thing assumed a new face. The agriculture and commerce, and still more the manufactures of the country, into which Sir Richard Arkwright's inventions had been lately introduced, immediately began to advance with a rapidity unknown at any former period. In consequence, that confidence which had either been entirely destroyed, or, at all events, very much weakened by

* "The notes of the greater and of the smaller country banks, obtaining, in ordinary times, a nearly similar currency, they naturally fall at a season of alarm into *almost equal discredit*. If any one bank fails, a general run upon the neighbouring ones is apt to take place, which, if not checked in the beginning, by pouring into the circulation a large quantity of gold, leads to very extensive mischief." Thornton on Paper Credit, p. 173.

the disastrous events of the war, was fully reestablished. The extended transactions of the country required fresh facilities for carrying them on; and, in consequence, a bank was erected in every market town, and almost in every village. The prudence, capital, and connexions of the individuals who set up these establishments were but little attended to. The great object of a large class of traders was to obtain discounts; and the bankers of an inferior description were equally anxious to accommodate them. All sorts of paper were thus forced into circulation, and enjoyed nearly the same degree of esteem. The bankers, and those with whom they dealt, had the fullest reliance on each other. No one seemed to suspect that there was any thing hollow or unsound in the system. Credit of every kind was strained to the utmost; and the available funds at the disposal of the bankers were reduced far below the level which the magnitude of their transactions required to render them secure.

The catastrophe which followed was such as might easily have been foreseen. The currency having become redundant, the exchanges took an unfavourable turn in the early part of 1792; and the Bank of England having been, in consequence, obliged to narrow her issues, a most violent revulsion took place in the latter part of 1792 and the beginning of 1793. The failure of one or two great houses excited a panic which proved fatal to myriads more. When this revulsion began, there were, it is supposed, about 350 country banks in England and Wales, of which about 100 were compelled to stop payments, and upwards of 50 were totally destroyed, producing by their fall an extent of misery and bankruptcy that had until then been unknown in England.

“In the general distress and dismay,” says Mr. Macpherson, “every one looked upon his neighbour with caution, if not with suspicion. It was impossible to raise money upon the security of machinery, or shares of ca-

nals; for the value of such property seemed to be annihilated in the gloomy apprehension of the sinking state of the country, its commerce and manufactures: and those who had any money, not knowing where they could place it with safety, kept it unemployed and locked up in their coffers. Amidst the general calamity, the country banks, which had multiplied greatly beyond the demand of the country, for circulating paper currency, and whose eagerness to *push their notes into circulation* had laid the foundation of their own misfortunes, were among the greatest sufferers, and, consequently, among the greatest spreaders of distress and ruin among those connected with them; and they were, also, the chief cause of the drain of cash from the Bank of England, exceeding any demand of the kind for about ten years back. Of these banks, above one hundred failed, whereof there were twelve in Yorkshire, seven in Northumberland, seven in Lincolnshire, six in Sussex, five in Lancashire, four in Northamptonshire, four in Somersetshire," &c.*

Attempts have sometimes been made to show that this crisis was not really occasioned by an excessive quantity of unsubstantial paper currency having been forced into circulation, but by the agitation caused by the war which then broke out. But there does not seem to be any good grounds for this opinion. The natural and unavoidable consequences of a previous overflow of paper—a fall in the exchanges, and an exportation of bullion—took place early in 1792, or about *twelve months before the breaking out of hostilities*. And it is distinctly stated by Mr. Chalmers, that none of the great houses that failed during this crisis had sustained any damage from the war.† The efforts of the country bankers to force their paper into circulation had principally occasioned the redundancy of the currency; and it was on them,

* Annals of Commerce, vol. iv. pp. 266-7.

† Comparative Estimate, &c. p. 226, ed. 1812.

and the country traders and dealers dependent on them, that the violence of the storm chiefly fell. "And this circumstance is alone sufficient to show, that the cause of our commercial maladies *arose at home, without infection from abroad*; that it arose from the fulness of peace, without the misfortunes of war."*

It is of the greatest importance to remark, inasmuch as it affords a striking illustration of some of the principles that have been already stated, as well as of some that will hereafter be laid down, that antecedently to this crisis the Bank of England had no notes of less than L.10, nor the country banks of less than L.5 in circulation. The issue of low notes had indeed been expressly forbidden by repeated acts of parliament; and it was perhaps supposed, that this limitation of the value of bank notes would prevent them from being issued in excess, and driving the gold coin from circulation. But if such notions were really entertained, the result showed their fallacy. The ease with which supplies of paper were procured from the country bankers, naturally occasioned its employment in an immense number of transactions that had previously been carried on by means of specie; and ultimately occasioned that overflow of the currency and fall of the exchanges which led to the crisis. It is obvious, however, that but a very small portion, indeed, of that frightful mass of bankruptcy and ruin whose accumulation signalized the close of 1792 and the beginning of 1793, can be fairly ascribed to that contraction of the currency that had become necessary in order to restore the exchange to par; and that by far the greater portion of it was really occasioned by the unsubstantial and worthless foundations on which many of the country banks rested, and the consequent want of confidence in these establishments. Had the bankers possessed adequate funds to meet the claims upon them,

* Comparative Estimate, p. 228.

and had the public been aware that such was the fact, the contraction of their issues could not have caused any panic or run, and would have been effected with very little difficulty or inconvenience.

The next, and certainly the most important crisis in the history of the paper currency of Great Britain, took place in 1797. Owing partly to events connected with the war in which we were then engaged, to loans to the emperor of Germany, to bills drawn on the treasury by the British agents abroad, and partly and chiefly, perhaps, to the large advances made by the Bank of England to government, which prevented the directors from having sufficient control over their issues,—the exchanges became unfavourable in 1795, and in that and the following year large quantities of specie were demanded from the Bank. But the ultimate crisis seems to have been wholly owing to political causes. Alarms with respect to invasion, and reports of descents that were said to have actually been made on the coast, became exceedingly prevalent in the latter part of 1796 and the beginning of 1797. A strong desire was thus naturally excited among many individuals, but chiefly among the small farmers and retail dealers, to convert as much as possible of their property into cash. Heavy runs were in consequence made upon most of the country banks; and the bankruptcy of some of these establishments at Newcastle and other parts of the country gave additional force to the previous panic. Demands for supplies of cash poured in upon the Bank of England from all parts of the country; and the stock of coin and bullion in her coffers, which had amounted to L.7,940,000 in March 1795, was reduced on Saturday the 25th of February 1797, to L.1,272,000, with every prospect of a violent run taking place on the following Monday. In this emergency, a meeting of the Privy Council was held, when it was resolved to *suspend payments in cash at the Bank* until the sense of parliament

could be taken on the matter; and an order in Council to that effect was issued on Sunday the 26th of February 1797.

A great diversity of opinion has been entertained^l with respect to the policy of this interposition. But, although the question is by no means free from difficulty, I cannot help thinking that, under the circumstances in which the suspension took place, it was an expedient and salutary measure. The run was not one that could be checked by ordinary measures. It did not originate in commercial causes, or in an excess of paper, but in the fears and apprehensions caused by alarms of invasion. It was clear, too, that so long as these alarms continued, no paper convertible into gold would be permitted to continue in circulation. And as the Bank was without the means of immediately converting her capital into cash, her downfall, and that of the different country banks, who are all dependent on her for supplies of bullion in any emergency, would most probably have taken place but for the interference of government. The crisis was confessedly one of great danger, and required to be promptly dealt with. Had the Bank of England and the country banks been actually forced to stop payments, every sort of credit and confidence would have been destroyed; and it is impossible to calculate the effect of the shock that must in consequence have been experienced. Under any circumstances, the sudden and universal destruction of bank paper would be attended with the most pernicious results; and had such an event occurred during war, and in a period of great danger and difficulty, it is not unreasonable to suppose that it might have been productive either of a public bankruptcy, or of some great convulsion.

For these reasons it seems to me that ministers were not justified only, but that they were called upon to interfere, to protect the Bank from the panic caused by the apprehension of invasion. The really objectionable part

of their conduct consisted in their continuing the restriction after the alarms that had brought on the crisis had completely subsided, after the confidence of the public in the stability of the Bank had been fully restored, and there was no longer any thing to fear from a return to cash payments. Various motives have been assigned for this conduct; but ill-founded apprehensions as to a recurrence of the run, and the facilities which the restriction afforded to the Bank of making large advances to government, without subjecting herself to a drain for bullion, in consequence of a fall in the exchange, were most probably the chief causes of its being continued. Much opposition was made to the measure in parliament, but without effect; and after repeated discussions the restriction was ultimately prolonged for an indefinite period, or until six months after the signature of a definitive treaty of peace.

As soon as the suspension took place, the principal merchants, bankers, and traders of London, subscribed a resolution expressive of their readiness to accept Bank of England notes in payment of any debts due to them, and pledging themselves to use their endeavours to make them be accepted by others. This resolution, taken in connexion with the official statement that was soon after published with respect to the affairs of the Bank, and the employment of bank notes in all payments by and to government, prevented the slightest interruption taking place in their circulation. And owing to the moderation with which they were issued, they continued, as has been already stated, for upwards of three years to be fully equivalent to gold.

The first fall in the value of bank paper, as compared with gold, began in the latter part of 1800. The deficient harvest of that year caused a considerable exportation of the precious metals; but instead of contracting their issues, as they ought to have done, had they acted on sound principles, and as they would have been obliged

to do, had they been paying in coin, the directors added to the quantity of their notes afloat, and the consequence was that they fell to a discount of about 8 per cent. as compared with gold bullion. But they soon after recovered their value; and from 1803 to 1808, both inclusive, they were only at a discount of L.2, 13s. 2d. per cent. In 1809 and 1810, however, the directors seem to have lost sight of every principle by which their issues had previously been governed. The average quantity of bank notes in circulation, which had never exceeded $17\frac{1}{2}$ millions, nor fallen short of $16\frac{1}{2}$ millions in any one year, from 1802 to 1808, both inclusive, was, in 1809, raised to L.18,927,833, and in 1810, to L.22,541,523. The issues of country bank paper were increased in a still greater proportion; and, as there was no corresponding increase in the business of the country, the discount on bank notes rose from L.2, 13s. 2d. in the early part of 1809, to L.13, 9s. 6d. in 1810. This extraordinary fall in the value of paper as compared with gold, accompanied as it was by an equal fall in the exchanges, excited a good deal of attention; and in February 1810 a committee was appointed by the House of Commons to inquire into the cause of the high price of gold bullion, and the state of the exchanges. The committee examined several merchants and bankers; and their report, which was drawn up by the late Mr. Francis Horner, contains a very able refutation of the statements and doctrines advanced by those who contended that the fall in the exchange and the high price of bullion were wholly to be ascribed to the large foreign expenditure of the country, and the peculiar state of our relations with other powers, and that they were in no degree owing to the additional quantities of paper that had been engrossed into the circulation. But the House of Commons refused to sanction the recommendation contained in the report of the committee, that the Bank should be obliged to resume cash payments in two years. And in May 1811, when guineas

were currently bought at a premium, and Bank notes were at an open discount of 10 per cent. as compared with gold bullion, the House of Commons agreed, by a large majority, to a resolution proposed by Mr. Vansittart, declaring, *that the promissory notes of the Bank of England had hitherto been, and were AT THAT TIME held to be, in the public estimation, equivalent to the legal coin of the realm!*

This extraordinary resolution—a resolution which took for granted that things which were *not* equal to the same thing were notwithstanding equal to each other—relieved the Bank directors from all uneasiness with respect to the interference of parliament, and encouraged them to increase the number of their notes in circulation. The issues of the country banks were increased still more rapidly than those of the Bank of England. The facility of obtaining discounts was such, that individuals who could barely afford to buy a stamp for a bill, very frequently succeeded in obtaining the command of a large capital; and, as they had nothing of their own to lose, boldly ventured upon the most hazardous speculations. Mr. Wakefield, whose extensive employment in the management of estates in all parts of the country gave him the most favourable opportunities for acquiring correct information, informed the Agricultural Committee of 1821, that “up to the year 1813 there were banks in almost all parts of England, forcing their paper into circulation at an enormous expense to themselves; and in most instances to their own ruin. There were bankers who gave commission, and who sent persons to the markets to take up the notes of other banks; these people were called money-changers, and commission was paid them.”* And among the various answers to the queries sent by the Board of Agriculture in 1816 to the most intelligent persons in different districts of the country,

* Report, p. 213.

there is hardly one in which the excessive issue of country bank paper is not particularly mentioned, as one of the main causes of the unprecedented rise of rents and prices previously to 1814.

The price of corn had risen to an extraordinary height during the five years ending with 1813. But owing partly to the luxuriant crop of that year, and partly and chiefly, perhaps, to the opening of the Dutch ports, and the renewed intercourse that then took place with the Continent, prices sustained a very heavy fall in the latter part of 1813 and the beginning of 1814. And this fall having produced a want of confidence and an alarm amongst the country bankers and their customers, such a destruction of country paper took place as has not been paralleled, except only by the revulsion in 1825. In 1814, 15, and 16, no fewer than 240 country banks stopped payments, and *ninety-two* commissions of bankruptcy were issued against these establishments, being at the rate of *one* commission against every *seven and a half* of the total number of country banks existing in 1813! The failures that then occurred were the more distressing, as they chiefly affected the industrious and poorer classes, and frequently swallowed up in an instant the fruits of a long life of unremitting and laborious exertion. Thousands upon thousands, who had, in 1813, considered themselves as affluent, found they were destitute of all real property; and sunk, as if by enchantment, and without any fault of their own, into the abyss of poverty! The late Mr. Horner, the accuracy and extent of whose information on such subjects will not be disputed, stated, in his place in the House of Commons, that the destruction of country bank paper in 1815 and 1816 had given rise to a universality of wretchedness and misery, which had never been equalled, except, perhaps, by the breaking up of the Mississippi scheme in France.

Had the country banks been established on solid founda-

tions, or had they been possessed of capital equal to the amount of their notes in circulation, the fall of prices that took place in the latter part of 1813 and in 1814, would have been productive of comparatively little injury. Had such been the case, the bankers would have been able to withdraw a portion of their notes from circulation, and to bear any losses that might have been entailed on them by the difficulties in which the agriculturists had been so suddenly involved. Unluckily, however, a large proportion of the country bankers had, in their eagerness to push their notes into circulation, left themselves without the means of meeting any emergency. And their fall, by generating suspicions as to the stability of others, had exactly the same effects as were produced by the first failures among the bankers in 1793, and, as we have since seen exemplified, in the crisis of 1825-6. It occasioned a want of confidence and a run upon most of the other banks; so that what would otherwise have been a mere decline in the price of agricultural produce, affecting only the agriculturists and their dependents, was, in consequence of the insecurity of the country banks, changed into a revulsion that spread bankruptcy over the whole country.

The destruction of country banks in 1814, 15, and 16, had the effect, by making a very great deduction from the total amount of the currency, to raise its value, in 1816, almost to a par with gold. And this rise having greatly facilitated a return to cash payments, and ample experience having been had of the deeply injurious consequences arising from fluctuations in the value of money, a pretty general conviction began to be entertained of the expediency of repealing the restriction on cash payments by the Bank of England. Measures to effect this object were accordingly adopted in 1819, when the plan of paying in bars was brought into operation. But as this plan, though infinitely less burdensome and expensive to the

Bank than specie payments, was, for some reason or other which it is not easy to conjecture, not approved by the directors, the Bank resumed payments in specie in 1822.

It may justly excite astonishment, that notwithstanding every one who had ever given the least attention to the subject, must have been aware that the misery and distress which had overspread the country in 1793, and in 1814, 15, and 16, had been mainly occasioned by the defects incident to the system of country banking, no steps were taken in 1819, when the restriction was set aside, to have it remodelled and placed on a more solid foundation. Nations are slow and reluctant learners; and it seems as if additional experience had been necessary to convince the parliament and people of England that there was any thing defective in a system which had in two previous instances deluged the country with bankruptcy; and which enables every individual, however poor or unprincipled, who chooses to open a money shop, to issue notes to serve as currency in the ordinary transactions of society! The crisis that has so recently occurred, is really nothing more than what every individual acquainted either with the principles on which the business of banking ought to be conducted, or with its previous history in this country, must have been prepared to anticipate. The prices of corn and other agricultural products, which had been greatly depressed in consequence of abundant harvests in 1820, 21, and 22, rallied in 1823; and the country bankers, true to their invariable practice on similar occasions, immediately began to enlarge their issues. I shall endeavour, in another note, to point out some of the more prominent of those circumstances which conspired, along with the rise of prices, to promote the extraordinary rage for speculation exhibited in 1824 and 1825. But at present it is sufficient to observe, that in consequence of their operation, confidence was very soon carried to the greatest height. It did not seem to be sup-

posed that any scheme could be hazardous, much less, wild or extravagant. The infatuation was such, that even the most considerate persons did not scruple to embark in the most visionary and absurd projects; while the extreme facility with which discounts were procured upon bills at very long dates, afforded the means of carrying on every sort of undertaking. The most worthless paper was readily negotiated. Many of the country bankers seemed, indeed, to have no other object than to get themselves indebted to the public. And such was the vigour and success of their efforts to get their paper into circulation, that the amount of it afloat in 1825 is estimated to have been nearly 50 per cent. greater than the amount afloat in 1823!

The consequences of this extravagant and unprincipled conduct are well known. The currency having become redundant, the exchanges began to decline in the summer of 1824. But no contraction of the currency took place until the autumn of 1825, when the heavy and continued drain for bullion on the Bank compelled her to lessen her issues. This was the signal for a repetition of the tragedy of 1793, but on a much larger and more magnificent scale, and with more destructive consequences. The country banks began to give way the moment they experienced an increased difficulty of obtaining accommodations in London; and all confidence and credit were immediately at an end. Suspicion having awakened from her trance, there were no longer any limits to the run. Paper was not carried to the banks to obtain gold, in the view of exporting it as a mercantile adventure to the Continent, but for the purpose of escaping that bankruptcy and ruin, in which it had become obvious that a very large proportion of the holders of country notes would be involved. *Sauve qui peut* was the universal cry. And the destruction of country paper was so sudden and excessive, that in less than six weeks above seventy banking establishments were swept off, and a

vacuum was created in the currency, which absorbed from *eight to ten millions* of additional issues by the Bank of England; at the same time that myriads of those private bills that had previously served to swell the amount of the currency, and to add to the machinery of speculation, were wholly destroyed.

But although there can be no manner of doubt that the excessive issues of country bank paper in 1823, 4, and 5, were the principal cause of the redundancy of the currency, and that the unsubstantial foundation on which the country banks rested was the *sole* cause of the subsequent panic, it must at the same time be admitted that the directors of the Bank of England were by no means free from blame. They must have known how the country bankers were acting; and they ought to have made preparations for guarding against the consequences that were sure to result from their imprudence. It could not be said that there were no previous signs or indications of the approaching storm. Early in spring 1824 an efflux of the metals to South America was taking place; and in June and July 1824, there was a decided fall in the continental exchanges, and the exportation of gold coin and bullion began to be carried on to a great extent. Here, therefore, was a warning not to be mistaken, that the currency had become redundant; and the directors of the Bank of England ought instantly to have set about contracting their issues. Had they done this, all the subsequent overissue of the country banks, and the absurd speculations that took place in the early part of 1825, would have been effectually prevented, while the crisis that would then have taken place would have been comparatively gentle. Nothing, indeed, but the vast magnitude of the treasure which the Bank had previously accumulated could have enabled her to withstand the drain for bullion for so long a period as she actually did before she began to narrow her issues. But the shock produced by the ultimate contraction of the currency

was violent in proportion as it was deferred ; and had not the Bank resorted to the device of issuing one pound notes during the intensity of the run, there is great reason to doubt whether she would have been able to meet the demands for cash that were made on her from all parts of the country.

Such is a short and necessarily imperfect sketch of the most important of those revulsions that have taken place in the currency of the country since 1793. I should be sorry, however, were any of the previous remarks or statements interpreted as if it were meant to pass any general or indiscriminate censure on the whole country banks. Every one must be aware that there are many private banking companies throughout England possessed of vast wealth, who conduct their business on the most approved principles, and who justly enjoy the unlimited confidence of the public. But the system under which they are established is notwithstanding essentially bad : For, it enables those who have no real capital, and who, perhaps, are as destitute of the wish as they are of the means to pay their notes, to come into competition with the best-established houses, and to issue paper. And as all persons deal in money—those who from situation, habits, and pursuits are nowise fitted to judge of the comparative stability of different banking companies—the most worthless notes are sure to obtain some circulation ; and most frequently indeed find their way into the pockets of those who are least able to bear the loss when the imposture is discovered. Under these circumstances none can doubt that government was not warranted only but called upon to interfere to amend, or, if that was impossible, wholly to subvert a system necessarily productive of such consequences ; and if the crisis of 1825-6 was in all other respects productive of the most disastrous results, it had at least the good effect of drawing the attention of parliament and the public to the defects in the system of country banking in England,

and of causing the adoption of some measures for its improvement, which, though perhaps, of no great consequence in themselves, are valuable as precedents to authorize farther interference.

The measures proposed by government, and adopted during the session of 1826, for giving increased stability to the country banks, and guarding against the future recurrence of such convulsions as have been so recently experienced, consist chiefly in the repeal of so much of the statute of 1708 as prevents the formation of Joint Stock Banking Companies with more than six partners at any place more than sixty-five miles distant from London, and in the means adopted for the gradual suppression of one pound notes.

While, however, I am disposed to believe that these measures will be productive of some improvement, there seems but little ground for thinking that they will afford an adequate remedy for any of the principal grievances complained of; while it may be very easily shown that all the good of which they can be productive, and a vast deal more, might have been obtained by means far less onerous and expensive. With respect to the repeal of the statute of 1708, it is most probable that the abolition of the injurious and oppressive restriction it enacted, will eventually lead to the formation of banking companies with a considerable number of partners in most of the great commercial towns; and it is said that, inasmuch as the partners of these establishments will all be bound to the whole extent of their fortunes for the debts of the copartnery, security will be afforded to the public against ultimate loss, even though the bank should, from any sudden pressure, be obliged to suspend its payments; at the same time that the knowledge of this ultimate stability will, by conciliating the public confidence, have a powerful tendency to prevent runs. That the formation of joint stock banking companies will in some degree realize these advantages, is sufficiently obvious; but it is,

notwithstanding, the merest delusion possible; to suppose that it will either drive the notes of inferior bankers wholly from the field, or afford that security to the public against those sudden and ruinous changes in the amount and value of money which is so indispensable. Those who have speculated on this subject, have reasoned exclusively from the observation of what has taken place in Scotland; and because the act of 1708 did not extend to this part of the empire, and we have a few great banking establishments with numerous bodies of partners, it is contented that the comparative exemption of Scotland from the revulsions that have made so much havoc in England; is wholly to be ascribed to this circumstance. But there are so many things peculiar to Scotland that it would be most illogical to argue, that because few of the Scotch banks have failed, similar establishments would succeed equally well, if attempted in a country so differently circumstanced as England. The fact is, as any one who has ever reflected a moment on the subject must be aware, that there must always be infinitely more hazard in conducting the business of banking in England than in Scotland. With the exception of Glasgow, and the immediately contiguous country, Scotland has hardly any foreign trade, and but very little manufacturing industry: The business that is carried on in Edinburgh and other parts of the country, is either confined to a retail trade, or to the sale of produce by the growers, to merchants from England, or to dealers scattered through the country. The situation of these persons is generally well known to the bankers with whom they deal, who must be very careless indeed if they ever lose any thing considerable by them. It is unnecessary, however, to make any statements to show the vast difference in the situation of such persons as compared with that of a very large proportion of the merchants and manufacturers of England. The foreign trade of Liverpool only,

is equal to about *five* times that of all Scotland; and it is not, perhaps, too much to affirm that there are more hazardous adventures entered upon, in Lancashire in a week than there are in Scotland in a year.

It should also be kept in view, that, owing to the comparatively limited extent and population of Scotland, we have only from twenty-eight to thirty establishments for the issue of notes; and, in consequence of the fewness of their numbers, and of the weekly exchange of their notes, it is easy for the bankers to concert their measures in common, and to support each other during a period of distress or panic. It is obviously impossible, however, that any such concert can ever obtain among the hundreds of banking establishments that exist in England; and this circumstance is of itself sufficient to vitiate all inferences drawn from the state of banking in the one country to its state in the other.

It ought also to be borne in mind, that although the act of 1708 never had any force in Scotland, and although the Scotch have always had the power to establish banks with numerous bodies of partners, it is still true that not more than a third of the actually existing establishments for the issue of notes in Scotland are so constituted. In the great majority of instances, the number of partners varies from twelve and thirteen to two and three. And it deserves to be remarked, not only that many of the establishments with the smallest number of partners are founded in the west of Scotland, where the risk incurred by the bankers is infinitely greater than in the other parts of the country, but that the notes of some of them have a most extensive circulation; and that they enjoy, and it is believed justly, an equal share of the public confidence with those that have more numerous bodies of proprietors.

But it is said that though the formation of joint stock banks may not have the effect to suppress all private banks with few partners, it will lead to the suppression

of all those that are not possessed of adequate capitals. But there does not really seem to be any ground for holding this opinion. The partners in many of the English country banks are known to possess very large fortunes; but that does not prevent the notes of inferior bankers, without any visible property, from obtaining an extensive circulation in their immediate vicinity. And why should the case be different with joint stock banking companies? If three or four individuals engaged in a banking concern be worth L.300,000 or L.400,000, their notes will enjoy the same degree of the public confidence as the notes of a company having twenty or fifty partners worth only the same sum. And if the competition of the former class of bankers has not driven the inferior order from the field, or in any degree, indeed, diminished their numbers, it is certainly no easy matter to discover how that is to be done by the competition of the latter.

Such being the case, it does not seem very probable that the granting of the power to establish joint stock banks in England will of itself occasion any very material change in the existing system. The superior stability of the Scotch banks seems to be owing more to different causes—to the different state of the country, the fewness of their numbers, and their consequent power to concert measures, to the facility given by the law of Scotland to the attachment of the debtor's property, whether it consist of land or movables, and perhaps also to the greater caution of the Scotch bankers. It is reasonable indeed to suppose, after the multiplied bankruptcies that have occurred, that wealthy individuals will hesitate about embarking in a joint stock company for carrying on the business of banking if they are to be liable, as is the case in Scotland, to the whole extent of their fortune for the debts of the firm. However, there neither is nor can be any good reason why individuals should be prevented from engaging in such concerns; nor can any one doubt

that the act abolishing the restriction is equally politic and proper, and that so far as it has any effect it will be productive of advantage.

With respect to the *second* measure that has been adopted, or that which has for its object to suppress the low notes of the Bank of England and the country banks, its policy has already been pretty fully discussed. It cannot be denied that a paper currency is preferable to a gold one, provided the paper is in every respect equivalent to gold; and it, therefore, follows that our object ought not to be to force the substitution of gold in place of paper, unless it can be shown that there are no means of establishing the latter on a secure foundation. But so far from this being the case, I am entitled to conclude from the statements advanced in the third section of this note, that a currency consisting wholly of paper may be made, in every respect, as secure as gold; and that it may be issued so as very materially to lessen the shocks that must be given to confidence and credit, by a fall in the exchange when the currency consists wholly of the precious metals, or partly of them and partly of paper immediately convertible into them.

The suppression of small notes will certainly shut up one of the easiest channels by which the inferior order of country bankers get their notes into circulation; and will prevent the poorer classes, who are the principal holders of small notes, from directly suffering by their failure. But as a means of affording adequate security to the public, the measure is completely nugatory and ineffectual. This is a point as to which the experience of 1793 renders it impossible that there can be any doubt or difference of opinion. There were then no notes, either of the Bank of England or the country banks, in circulation for less than L.5; but did that limitation prevent the violent revulsion of that year, and the stoppage of more than *one-third* of all the existing country banks? Nothing then can be more per-

factly visionary than to suppose that the mere suppression of low notes can give stability to the pecuniary system of the country. As the law now stands, notes for L.5 or upwards may be issued without check, or control of any sort, by any knave or impostor who can contrive to deceive the unwary, or to get himself into credit. If such a system be allowed to continue—"if every cobbler or cheesemonger who chooses to style himself a banker may usurp the royal prerogative and issue money at his pleasure,"* it is not possible that we can escape the incessant recurrence of revulsions similar to those that happened in 1792-3, in 1814-15, and in 1825-6. We do not want a system that will *allow* banking establishments with large capitals to be set on foot—for there always have been, and are at this moment, a great number of such establishments in England—but a system that will exclude the possibility of discredit and bankruptcy, by *preventing* every individual or association from issuing notes which have not been previously guaranteed.

It seems, therefore, to be indispensable, either that the country banks should be compelled, as has been previously proposed, to give full security for their issues, or that their paper should be suppressed altogether, and the paper of the Bank of England substituted in its stead. Either plan would render paper currency equivalent to gold; and as the same means that are required to give security to the L.5 and L.10 notes of the country banks, might, supposing that these establishments were allowed to issue paper, be with equal facility made to apply to L.1 notes, there could be no pretence for withdrawing the latter from circulation; so that the country would save the whole expense of the metallic money that would otherwise circulate in their place!

Now, it is obvious, and is indeed universally admitted,

* Lord Liverpool's Speech, 17th February 1826.

that the only measure that can be adopted for guarding completely against the misconduct, as well as the bad faith of the country bankers, is to compel them to give full security for the payment of their notes. This, and this alone, can afford a sufficient guarantee to the public, that the country paper in circulation will be retired when presented for payment, and that it is really equivalent to gold. The measure has besides the advantage of being easily enforced. Nothing more would be necessary to carry it into effect than to require that every country banker, on applying for stamps for the issue of notes, should be obliged, previously to his obtaining them, to lodge, in the hands of government, or of commissioners appointed for that purpose, securities, either in government stock or in mortgages upon landed and other fixed property, equivalent to the full amount of the stamps issued to him. If the security was taken in stock, it would be proper, in order to guard against the effects of a fall in its price, that the bankers should be obliged to assign as much three per cent. stock, for example, to the commissioners as would be equivalent when estimated at sixty, to the amount of their notes, and so in proportion for other stock; and when the security was offered in mortgages over landed or other fixed property, a surveyor appointed by government might be employed to ascertain that the value of the property was fully equal to the mortgage.

The adoption of some such plan as this would render the paper currency of the country perfectly secure, and no loss could henceforth be incurred by the holders of bank notes. It has been said that it would be injurious, by locking up a portion of the capital of the banks; but this is plainly an error. The only effect, in this respect, that it would have, would be to force such bankers as issue notes, to provide a *supplemental* capital as a security over and above the capital that may be required for the conducting of their business. But this supplemental capital

would not be unproductive. If it consisted of land, its owners would receive its rents; and if it consisted of government securities, they would receive the dividends or interest due upon them, precisely in the same way as these rents or dividends are received by other persons; while the fact of its being known that they were possessed of this supplemental capital, or that they had lodged securities for the payment of their notes, would, by giving the public perfect confidence in their stability, enable them to conduct their business with a much less supply of floating or available capital than would otherwise be necessary.

With respect to the grand objection to this plan, that it would be an unwarrantable interference with the private concerns of individuals, and the freedom of industry—it does not seem to be entitled to any weight. The first part of the objection does not really apply to the proposed measure. What interference is it with the private concerns of individuals to require a banker to lodge, in the hands of commissioners appointed for that purpose, a certain amount of exchequer bills, or other available securities, proportioned to the value of the stamps given to him? He is not asked to state how he means to dispose of these stamps—to say to whom, or in what way he means to issue them—all that is done is to require him to give a pledge that they shall be paid, that they shall not be employed to deceive or defraud the public. It does seem to be little else than an abuse of language to call this an interference with private affairs.

As to the second part of the objection, or that which represents it as an unwarrantable interference with the freedom of industry, it is equally inapplicable. Those who are inclined to carry the principle of freedom to its furthest extent, do not, therefore, think that there should be no regulations of any sort, or that the interferences of government may not be properly exerted in preventing the

adoption of any system that must plainly and directly lead to embarrassment and confusion in conducting the ordinary business of society, and in preventing such frauds as may be easily practised, and cannot be easily prevented except by its means. No doubt has ever been insinuated with respect to the expediency of the regulations by which all weights and measures of the same denomination are rendered equal. But money is not a commodity merely; it is also the *standard* or *measure* adopted by the society by which to estimate and compare the value of every thing else that is bought and sold; and if it be, as it most undoubtedly is, the duty of government to adopt every practicable means for rendering all foot-rules of the same length, and all bushels of the same capacity, it must be still more incumbent upon it to omit nothing that may serve to render money, on the *measure of value*—a measure which is beyond all question the most important of any used in society—uniform or steady in its value.

It appears from the official accounts printed by order of the House of Commons, that no fewer than 608 persons were convicted of issuing forged coins in England and Wales in the seven years ending with 1796; and forty-two individuals were executed for this offence in London and Middlesex only, in the interval between 1750 and 1788. These facts are not stated for the purpose of insinuating any doubt as to the propriety of the punishments that have been inflicted on the issuers of base coins; though, certainly, it seems somewhat difficult to discover the principle on which government proceeds in subjecting them to such severe treatment, at the same time that every individual who pleases to follow what is called the trade of a banker, is permitted to issue notes that are absolutely worthless. Perhaps it will be said, that coins are a legal tender, and that notes are not; and that, as every one who suspects the latter is at liberty to reject them, there is no ground for

the interference of the legislature to check their circulation. But the truth is, that whatever notes may be in law, they are, in most districts of the country, *practically*, and *in fact*, no legal tender. The great mass of the people are totally without the power to refuse them. The currency of many extensive districts consists almost entirely of country notes; and such small farmers, tradesmen, or labourers, as should refuse to take them would be obliged to migrate elsewhere. There cannot, therefore, as it appears to me, be the shadow of a doubt that this is a case in which government is imperiously called upon to interfere. We have sustained incomparably more mischief from the issue of spurious paper than from that of base coin; and in order to obviate such mischief in future, and to give that security to the public which is so essential, we have, as was observed before, no alternative but either to suppress country notes altogether, or to require security from the issuers.

It should also be observed, that in recommending that country bankers should be obliged to give security for their issues, we are in fact merely proposing that a system that has been already adopted with respect to them, should be carried to its proper length. At present notes of the Bank of England and of the country banks are prevented from circulating unless they are made payable on demand; and it is admitted on all hands, that this is a most proper regulation. But why is it proper?—because it prevents any considerable excess of paper from getting into circulation, and hinders it, *so long as it continues to circulate*, from becoming less valuable than gold. It is obvious, however, that in its present state this regulation is defective in the most important particular. The redundancy of paper is not the only, nor the most considerable evil to be provided against; it is still more necessary that means should be taken to prevent the circulation of worthless paper; and this cannot be effected by merely ordering that notes shall be paid on being pre-

sented. An order to this effect is obeyed only by the opulent and respectable class of bankers, and forms no check whatever on the proceedings of those of a different character: it is, therefore, indispensable, if we would make the order really effectual, and prevent the intentions of the legislature from being defeated, and the public defrauded by the misconduct or bad faith of those who have paper in circulation, to provide a security that it shall be complied with, or that notes shall, in every case, be paid when presented.

It has been further objected to the proposal for exacting securities from the issuers of notes, that it would make an unfair distinction between those creditors of a bank who hold its circulating paper, and those who have deposited money in its coffers. But this objection is the most futile that can be imagined. It is the duty of government to take care that the currency of the country shall be as invariable as possible in its value—that a pound note shall always be of exactly the same value as the twenty shillings it professes to represent: but it has never been pretended that it is any part whatever of the duty of government to inquire into the security given by the borrowers to the lenders of money, any more than into the security given by the borrowers to the lenders of any thing else. Government very properly obliges a goldsmith to have all his goods stamped, for this is a security to the public that they shall not be imposed upon in buying them; but it does not require that those persons to whom the goldsmith advances or lends his goods, should give him a guarantee for their payment. This is a matter as to which individuals are fully competent to judge for themselves; and there neither is nor can be any reason why a lender or depositor of gold, silver, or notes, should be more protected than a lender or depositor of timber, brick, or coal. Money being the standard or measure of value, government is

bound to take effectual precautions that every separate piece of money shall truly correspond with that denomination of the standard which it represents; that a sovereign, for example, shall be always of the proper purity and weight, and that a note which professes to be worth twenty shillings, shall never fall to nineteen shillings, ten shillings, or nothing. But this is *all* that government is called upon to do. If A trusts a sum of money in the hands of B, it is the affair of the parties and of no one else. Provided the money corresponds with the standard, it is of no importance, in a public point of view, into whose hands it may come. The bankruptcy of a deposit bank, like the bankruptcy of a private individual who has borrowed largely, must be productive of great loss and inconvenience to its creditors. But while the paper currency in circulation rests upon securities, such bankruptcies cannot affect either the quantity or the value of money; and can, therefore, be injurious only to the parties concerned.

Few, even amongst those who seem most inclined to question the soundness of Mr. Ricardo's views, in other departments of public economy, are disposed to deny that he had a more profound and intimate knowledge of the theory and practical operation of our money system than any other individual; and there could be no more zealous and uncompromising advocate of all the great principles of commercial freedom. I, therefore, have very great pleasure in being able to quote the following paragraph from his tract, *On an Economical and Secure Currency*, published in 1816, inasmuch as it fully corroborates all that has now been advanced.

“ In the examinations to which medical practitioners are obliged to submit,” says Mr. Ricardo, “ there is no improper interference; for it is necessary to the welfare of the people, that the fact of their having acquired a certain portion of knowledge respecting the diseases of the human frame should be ascertained and certified

The same may be said of the stamp which government puts on plate and money; it thereby prevents fraud, and saves the necessity of having recourse on each purchase and sale to a difficult chemical process. In examining the purity of drugs sold by chemists and apothecaries, the same object is had in view. In all these cases, the purchasers are not supposed to have, or to be able to acquire sufficient knowledge to guard them against deception; and government interferes to do that for them which they could not do for themselves.

“ But if the public require protection against the inferior money which might be imposed upon them by an undue mixture of alloy, and which is obtained by means of the government stamp when metallic money is used; how much more necessary is such protection when paper money forms the whole, or almost the whole, of the circulating medium of the country? Is it not inconsistent, that government should use its power to protect the community from the loss of one shilling in a guinea; but does not interfere to protect them from the loss of the whole twenty shillings in a one pound note? In the case of Bank of England notes, a guarantee is taken by the government for the notes which the Bank issue; and the whole capital of the Bank, amounting to more than eleven millions and a half, must be lost before the holders of their notes can be sufferers from any imprudence they may commit. Why is not the same principle followed with respect to the country banks? What objection can there be against requiring of those who take upon themselves the office of furnishing the public with a circulating medium, to deposit with government an *adequate security for the due performance of their engagements?* In the use of money, every one is a trader; those whose habits and pursuits are little suited to explore the mechanism of trade are obliged to make use of money, and are no way qualified to ascertain the solidity of the different banks whose paper is in circula-

tion; accordingly, we find that men living on limited incomes, women, labourers, and mechanics of all descriptions, are often severe sufferers by the failures of country banks, which have lately become frequent beyond all former example. Though I am by no means disposed to judge uncharitably of those who have occasioned so much ruin and distress to the middle and lower classes of the people, yet, it must be allowed by the most indulgent, that the true business of banking must be very much abused before it can be necessary for any bank, possessing the most moderate funds, to fail in their engagements; and I believe it will be found, in by far the major part of these failures, that the parties can be charged with offences much more gross than those of mere imprudence and want of caution.

“Against this inconvenience the public should be protected by requiring of every country bank to deposit with government, or with commissioners appointed for that purpose, funded property or other government security, in some proportion to the amount of their issues.”*

The adoption of this plan would have many collateral advantages, besides rendering the paper currency of the country equivalent to gold, and putting an end to all sorts of panics and runs. It would give additional respectability and security to the business of banking. No establishment for the issue of notes could then exist, unless it had been set on foot by individuals possessed of adequate capital. And adventurers speculating on the funds of others, and sharpers anxious to get themselves indebted to the public, would find that banking was no longer a field on which they could advantageously enter.

The plan that has now been explained seems to be preferable, in many respects, to that which has been proposed for suppressing all local notes, and giving the monopoly of the supply of paper money to the Bank of

England. Either plan would render bank notes equivalent to gold; but this, though the most important consideration certainly, is not the only one to be attended to; and provided the security were in both cases equal, that plan ought to be preferred, which affords the greatest number of subordinate advantages.

In treating this subject, it may be observed, in the *first* place, that in every country, but especially in one so industrious, and so highly commercial and manufacturing as Great Britain, the multiplication of well-established country banks is of prodigious advantage. They form so many commodious reservoirs, into which the floating and unemployed capital of the contiguous districts is poured; and from which it is again distributed with the utmost facility, and in sums of any amount, to those who are engaged in industrious undertakings. It is clear, therefore, that nothing should be done to depress these establishments, or to subject them to any restraints not absolutely necessary for the public security. But the suppression of country notes would not give any better security to the public, than would be derived from the plan that has been previously suggested, at the same time that it would be much less advantageous to the banks. The Bank of England would not make advances of notes to the country bankers without obtaining a guarantee for their payment; and it is difficult to discover on what principle a bank that is ready to give a guarantee to the Bank of England should be prevented from giving it to government, and issuing notes on its own account. The security to the public is, no doubt, perfect and equal in both cases. But when country bankers issue their own notes, they are enabled to realize a profit that must otherwise be realized by the Bank of England, either at their expense or at the expense of the public; for it is not to be supposed that the Bank of England would furnish them with paper, without realizing a share of the profit to be made by its circulation.

In the *second* place, although the public would have the same guarantee that the *genuine* notes of the Bank of England, and of such country banks as had given securities for their issues, were equivalent to gold, there would be a much greater chance of forged notes getting into circulation, if the whole paper currency of the country were issued by one great body, than if it were issued by several. If all country banks gave security for their issues, the credit of all would be equal; and one of the principal means by which any particular establishment could hope to extend its business beyond that of any other, would be by endeavouring to improve the fabric of its notes, and using the greatest dexterity and vigilance in the prevention and suppression of forgeries. The self-interest of the country issuers would make them exert themselves to render the currency as pure as possible; and it is needless to say how much more effectual such a stimulus would be, than that desire to do their duty, by which the inspectors of a great banking company are actuated.

In the *third* place, there could no longer be any pretence, were the plan of exacting security from the country banks adopted, for the suppression of small notes. Experience has shown that the vigilance of the country bankers in their respective districts is, even under the present defective system, sufficient to prevent any considerable number of forged notes from getting into circulation; so that there is every reason to think that under the proposed plan they would be almost entirely extirpated.

It has been already stated, that it does not seem possible to establish the paper currency on a solid foundation, except by the entire suppression of local notes, or the exaction of securities from their issuers. An opinion has, however, been advanced, in a quarter entitled to great respect, that this desirable object might be effected by requiring the country bankers to make regular returns,

verified on oath, of the amount of their notes, in circulation, together with the property which they possess, after satisfying all other demands, to meet their payment.* But it appears obvious that while such a plan would be incomparably more objectionable, on the ground of its interfering with the private concerns of individuals, than the plan of taking securities, the guarantee it would afford to the public would be about the most unsatisfactory that can be imagined. It is visionary to suppose that the exaction of an oath would be any real or effectual security for the correctness of the returns made by the parties. It would be respected by those only in whom the public might at any rate confide, while it would be disregarded by every one else. But assuming that the returns were universally made with the most perfect good faith, they would communicate no information on which it would be safe to rely. Suppose a banker has a free capital of L.20,000, and that he has discounted L.50,000 worth of bills. The fact of his having discounted them shows that he considers them as good; and when he makes his returns he will reckon them as so much real property, and will consequently represent himself as possessed of L.70,000. But should any thing occur to occasion the insolvency of those to whom the bills had been discounted, they would cease to be of any value; and if, under such circumstances, the banker's notes were returned upon him, he might be obliged to suspend his payments. Such a plan would, therefore, be really a good deal worse than useless. It would afford additional facilities to individuals without any real capital to represent themselves as possessed of property, and would thus tend to increase the difficulty that now exists of determining as to the comparative stability of different banking establishments.

Mr. Thornton has observed, in his Essay on Paper

* Parliamentary Review for 1826, p. 652.

Credit,* and the same remark has recently been made by Mr. Huskisson, in the House of Commons, that under the existing system of paying country notes in coin, the Bank of England is placed in a situation of peculiar hazard and difficulty; having not only to provide gold to meet the payment of her own notes, but also to meet any unusual demand upon the country banks. The moment that a shock is given to credit, or that any alarm takes place amongst the mercantile classes, the country bankers all fall back upon the resources of the Bank of England. They turn a part of the government securities, bills of exchange, or such other convertible property as they possess in London, into Bank of England notes, and those notes into specie, which is immediately sent into the country either to meet the demands upon them, or to increase the reserves in their coffers. In this way six or eight hundred conduits are opened in every period of difficulty to draw off the gold in the Bank; so that that establishment is compelled to keep a much larger stock of bullion in her coffers than would be necessary had she only to deal with the drain that may arise from an unfavourable exchange; and is, notwithstanding every precaution it is possible to take, liable to be brought at any time, and without any fault of her own, into a situation of the most extreme danger from the discredit or mismanagement of others. It is surely, however, unnecessary to state how highly inexpedient it is, considering the magnitude and importance of the transactions carried on through the intervention of the Bank, and the detriment that might result to the national credit were that establishment obliged to suspend payments even for a few days, that she should be placed in so very critical and difficult a position. But how is her situation to be improved by the mere suppression of L.1 notes? An overissue of L.5 and L.10

notes may take place almost as easily as an overissue of L. 1 notes; and when these are returned upon the bankers, their only resource will be to set about disposing of their stock and other available property in London; and having by this means obtained the gold of the Bank, they will carry it on every future emergency, as they have done hitherto, to the country to serve their own purposes. It does, indeed, seem to be next to impossible, so long as the system of making country notes payable in specie is maintained, to devise any scheme for relieving the Bank from the hazard to which she is at present exposed, of having her coffers exhausted in consequence of the discredit or difficulties of others. But on the system which I have endeavoured to elucidate and explain, the Bank would be effectually secured against all danger from this source. Country bank notes being no longer payable in coin, but in notes of the Bank of England, the latter would not be obliged to provide any extraordinary supply of bullion; and as no discredit could attach to country banks that had given security for the payment of their notes, the Bank would cease to be affected by panics, and would never be exposed to a drain for bullion, except in the case of an unfavourable exchange; which, if she conducted her affairs with ordinary discretion, would very rarely indeed affect her.

Supposing, however, that it were not judged advisable wholly to suppress the circulation of coin, or to make Bank of England notes payable in bullion, still there is nothing to hinder the plan of making country bank notes payable only in paper of the Bank of England from being notwithstanding adopted; and its adoption would have the double effect of rendering the Bank of England comparatively secure, and of lessening the currency of coin throughout the country.

SECTION V.—*Circulation of Internal Bills of Exchange—Amount of such Bills in Circulation—Difference between them and Bank Notes—Proposal for the Suppression of all Internal Bills of Exchange, not Drawn by Bankers, for less than £.50.*

Supposing that the expediency of taking security from the country bankers, as has been suggested in the preceding section, should be admitted, it might be, and indeed has been contended, that the measure would really apply to only a very small part of the paper currency of the country. The greater portion of that currency consists, it is said, of bills of exchange drawn by private individuals, and payable sometime after date; and as this portion would not be affected by the proposed measure, it might, notwithstanding its adoption, be issued in excess, and the holders subjected to loss and inconvenience from the failure of the parties.

The effects produced by the employment of internal bills of exchange have not certainly excited that attention on the part of most of those who have speculated on the subject of currency that might reasonably have been expected; but this seems to have arisen chiefly from their having been but very imperfectly aware of the vast magnitude of the transactions settled by their intervention, and of the extent to which they are employed. In the great manufacturing county of Lancashire and in part of Yorkshire, a bill on London at *three* months is reckoned a money payment; and by far the largest proportion of the currency consists either of the bills of bankers drawn on their correspondents, or of those of the merchants and dealers scattered up and down the country. The same practice is followed, though to a less extent, in other districts, so that the aggregate amount of such bills afloat is enormous.

It is obvious that a bill of exchange may be employed nearly in the same way as a bank note, in payment of the debts due by one individual to another. "Let us imagine a farmer in the country to discharge a debt of £.10 to his neighbouring grocer, by giving to him a bill for that sum, drawn on his corn factor in London for grain sold in the metropolis; and the grocer to transmit the bill, he having previously indorsed it, to a neighbouring sugar-baker, in discharge of a like debt; and the sugar-baker to send it, when again indorsed, to a West India merchant in an outport, and the West India merchant to deliver it to his country banker, who also indorses it, and sends it into further circulation. The bill, in this case, will have effected five payments, exactly as if it were a £.10 note payable to bearer on demand."*

The following extracts from the evidence given before the committee of the House of Lords on Scotch and Irish currency in the session of 1826, show the great extent to which internal bills are now employed.

Mr. Gladstone, an eminent merchant of Liverpool, informed the Committee,

"We sell our goods, not for payments in cash, such as are usual in other places, but generally at credits from ten days to three months, to be then paid for in bills on London at two or three months date: these bills we pay to our bankers, and receive from them bills or cash, when we have occasion for either to make our payments."†

Again; "We have a considerable portion of large Bank of England notes in circulation: these are generally used for the payment of duties, and also for the purposes of remittance; but the great mass of our circulation is in bills of exchange; sovereigns and smaller bank notes are only required for such objects as charges of merchandise, with duties, freights, and other items. I believe the circulation in bills of exchange is of great magnitude; the circulation of bank notes limited."‡

Lewis Loyd, Esq., the principal partner in the opulent and highly respectable banking house of Jones, Loyd, and Co., says, that before

* Thornton on Paper Credit, p. 40.

† Page 216.

‡ Page 219.

the notes of certain banks in neighbouring counties found their way into Lancashire, the currency consisted of "NINE PARTS BILLS OF EXCHANGE, AND THE TENTH PART GOLD and Bank of England notes. I am inclined to think the bills of exchange bore a *still greater* proportion."

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

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

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

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

"Do those bills of exchange circulate from hand to hand in Manchester?—Yes; when a bill is drawn in favour of a manufacturer, he indorses it usually to the person to whom he pays it, and the person to whom he pays it pays it again to another, and it goes on often till it is covered with indorsements.

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

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

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

"That is the only check, is it not?—Yes it is."*

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

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

"Are there many below L.10?—No.

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

"If you do not confine your answer to bills of exchange under L.30, what proportion does the gold and Bank of England notes bear to the bills of exchange in Lancashire?—I should say that the bills of exchange were MORE THAN TWENTY TO ONE. I have this day received a letter from a banker in Lancashire, Mr. Roby of Rochdale, of the firm of Fentons and Roby, who states the amount at much higher than that.

"At what does he state them?—He says they are as FIFTY TO ONE.

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

Mr. Burgess has since published a pamphlet on the same subject, replete with curious and interesting information, in which he estimates the average amount of bills paid each day at the clearing house in London at four millions, and the average period at which they are drawn at seventy-five days; so that, on this hypothesis, the gross amount of them in circulation could not fall short of 300 millions! But a large amount of these bills is, as Mr. Burgess has observed, "either from the magnitude of the sums, or the length of time to run before the bills become due, ineligible for performing the functions of cur-

rency; therefore, in describing that portion of them which enters into circulation conjointly with Bank notes or country bank notes, we cannot take more than one half of the estimated amount of the whole. But a sum of *one hundred and fifty millions* of bills of exchange, is, in the ordinary course of affairs, at all times in circulation, representing the transfer of commodities as much as any other description of currency.*

Notwithstanding, however, that there are many points in which an internal bill of exchange and a bank note exactly resemble each other, there are others in which there is a distinct and material difference between them. A note bears to be payable on demand; it is not indorsed by a holder on his paying it away to another; the party receiving has no claim on the party from whom he received it, in the event of the failure of the bank; † and every one is thus encouraged, reckoning on the facility of passing it to another, to accept bank paper “even though he should doubt the ultimate solvency of the issuers.” ‡ Bills, on the contrary, are almost all drawn payable at some distant period; and those into whose hands they come, if they are not in want of money, prefer retaining them in their possession in order to get the interest that accrues upon them. But the principal distinction between notes and bills, is, that every individual in passing a bill to another has to indorse it, and by doing so makes himself responsible for its payment. “A bill circulates,” says Mr. Thornton, “in consequence

* Burgess’s Letter to Mr. Canning on Bills of Exchange, p. 24.

† Practically speaking, the statement in the text is true; but a person paying away a bank note to another is liable to be called upon for repayment, should the bank fail before it was in the power of the person to whom it was paid, using ordinary diligence, to present it. This responsibility seldom extends to more than a couple of hours; and can hardly, in any case, extend to a couple of days. In practice it is never adverted to.

‡ Thornton on Paper Credit, p. 172.

chiefly of the confidence placed by each receiver of it in the last indorser, his own correspondent in trade; whereas the circulation of a bank note is owing rather to the circumstance of the name of the issuer being so well known, as to give it an universal credit.* Nothing, then, can be more inaccurate than to represent bills and notes in the same point of view. If A pay to B L.100 in satisfaction of a debt, there is an end of the transaction; but if A pay to B a bill of exchange for L.100, the transaction is not completed; and, in the event of the bill not being paid by the person on whom it is drawn, B will have recourse upon A for its value. It is clear, therefore, that a great deal more consideration is always required, and may be fairly presumed to be given, before any one accepts a bill of exchange in payment, than before he accepts a bank note. The note is payable on the instant without deduction—the bill not payable until some future period; the note may be passed to another without incurring any risk or responsibility, while every fresh issuer of the bill makes himself responsible for its value. Notes form the currency of all classes—of those who are not engaged in business, of women, children, labourers, &c. who are all, as we have already seen, in most instances without the power to refuse them, and without the means of forming any correct conclusion as to the solvency of the issuers. Bills, on the other hand, pass only, with very few exceptions, between persons engaged in business, who are fully aware of the risk they run in taking them. There is plainly, therefore, a wide and obvious distinction between the two species of currency; and it cannot be fairly argued, that on the same grounds on which we interfere to regulate the issue of the one, we ought also to interfere to regulate the issue of the other.

Such being the difference between notes and bills drawn by private individuals on each other, it may be

* Thornton on Paper Credit, p. 40.

fairly presumed, that if the country banks were placed on a solid foundation, and all risk of loss to the holders of their notes put an end to, their circulation would be considerably increased; and that many transactions that are now settled by the intervention of bills would be settled by their means. But considering the vast advantage that would result from giving greater security and stability to the whole money system of the country, I am strongly impressed with a conviction of the expediency of prohibiting the circulation of all internal bills for less than L.50, except those drawn by bankers who have given security for their issues. Such a measure would have a powerful tendency to bring a greater quantity of well-established paper money into circulation, at the same time that it could not be justly considered as laying individuals under any peculiar hardship. Stamps for bills of any amount might be issued to the bankers, who might be authorized to discount bills for the smallest sums, drawn by and payable to themselves. By this means hardly any individual, in whom confidence ought to be placed, could have any difficulty in obtaining loans; while the suppression of those small bills which tend most to drive money out of circulation, and the supplying of their place with paper equivalent to gold, would contribute in a very high degree to purify the currency, and to lessen the extent of bankruptcy consequent upon any revolution.

SECTION VI.—*Recapitulation of the proposed measures for the Improvement of the Currency—Additional Remarks on some of these measures.*

I shall now bring into one view the different measures I have ventured to propose for superseding the employment of gold coins, and establishing the paper currency of the country on a solid foundation.

1st, To prohibit the circulation of all bank notes, of all notes payable to bearer, except those of the Bank of England and of such country banks as have given security for their payment.—This regulation is equally indispensable, whether the system of paying notes in coin should be continued, or the plan of bullion payments adopted.

2d, To make bank notes a legal tender under the following restrictions, viz. (1) That the holder of a country bank note shall be authorized to demand an equivalent note of the Bank of England in its stead;* and (2) That the holder of notes of the Bank of England to the amount of L.4,000 or upwards, shall be authorized to demand an equivalent amount of bullion from the Bank, at the rate of L.3, 19s. 4d. the ounce.

3d, To make it obligatory on the Bank of England to deliver any amount of paper that may be demanded, not less than L.4,000 in one sum, in exchange for any standard bullion that may be offered to her, when the market price of such standard bullion is at or under L.3, 16s. 6d. an ounce.

4th, To authorize the Bank of England and the country banks to issue notes of the value of L.1, but not under, and notes of the value of L.5, L.10, L.20, L.30, &c. up to L.100, and then notes of L.200, L.300, &c. up to L.1,000, and then notes of L.2,000, L.3,000, &c. indefinitely, but prohibiting the use of intermediate notes.

5th, To prohibit the circulation of all internal bills of exchange for sums under L.50, except those drawn by the Bank of England, or by country bankers who have given security for their issues.†

6th, To oblige the Bank of England to publish weekly

* This regulation ought, as has been already stated, to be adopted, though the notes of the Bank of England should continue, as at present, to be made payable in coin.

† This and the following regulation ought to be adopted, whatever plan may be adopted for checking the overissuic of paper.

a statement of the market price of bullion, of the quantity of bullion issued by her during the preceding week, and of the total quantity in her coffers; and also a statement of the *par* of exchange with Hamburgh, Amsterdam, Paris, and New York, the actual course of exchange with these cities, and the per centage for or against London.

7th, To prohibit all bankers from re-issuing such gold coins, as may be paid to them.

8th, To continue the silver and copper currency on their present footing.

9th, To prohibit all individuals, or associations, except the Bank of England, from issuing bank notes, or notes payable on demand, anywhere within sixty-five miles of London.

I have already assigned the grounds which seem to afford a satisfactory vindication of the first five of the proposed regulations, with the exception of that part of the fourth which prohibits the issue of notes for any sum between L.5 and L.10, &c.; a regulation which is intended to obviate confusion, and which would, most probably, be acted upon though it were left to the discretion of the parties.

The *sixth* regulation is one of very considerable importance. It is by the price of bullion and the state of the foreign exchanges that the Bank of England ought always, and ultimately *must*, regulate her issues; and as her issues govern those of the country banks, it is proper that the latter, and that the public who are so deeply interested in all that regards the currency, should have the most authentic information with respect to the standards by which its expansion and contraction is to be determined. It might also, perhaps, be proper to oblige the Bank to publish monthly or quarterly returns of the amount of her paper afloat. This, however, is not of nearly so much importance as is commonly supposed: for, it has been already seen that the absolute

amount of paper afloat furnishes no means of judging whether it is in excess or not. This regulation would obviate a difficulty stated by those who argue in defence of the plan for substituting the paper of the Bank of England in the place of the paper of the country banks, on the ground that though the latter were issued upon security, it would notwithstanding have the disadvantage of being liable to sudden variations in its quantity, from the circumstance of its issuers being unacquainted with the real state of the exchanges, and the proceedings of the directors of the Bank of England. But the proposed publication would make every one aware of the circumstances by which the quantity of paper afloat, and the conduct of the Bank of England, must always be regulated. Whenever it was seen that the exchange was falling, and that bullion was beginning to be demanded of the Bank, it would be a proof that the currency was in excess; and every prudent banker, in every part of the country, would immediately begin to narrow his issues, and to prepare himself to meet the probable demand for payment of his notes, and the increased difficulty he must expect to experience of procuring accommodations in London. And it seems reasonable to suppose that, having the command of his own paper, he would be able to adjust his issues with greater regard to the convenience of his customers, than if he had to trust to the Bank of England for supplies. Hitherto the oscillations in the amount of paper afloat, and in the facility with which bills have been discounted, have been about as great in Lancashire, where there are very few local notes in circulation, as in those districts where the currency consists principally of the notes of respectable private banks. But under the proposed system, the oscillations in the amount of the currency would be trifling in the extreme. The entire suppression of panics, the ample capital possessed by the bankers, and the authentic information which every one

would, possess, with respect to the state of the exchanges and the demand for bullion, would enable them to conduct their business, on a system, that would not be less equable than secure.

The *seventh* regulation is intended to provide for the gradual withdrawing of the gold coin from circulation.

The *eighth* regulation is intended to preserve that system with respect to the subsidiary currency which has been found, by experience, to answer so well. Under any circumstances, indeed, whether the currency of gold coins should be continued, or the plan now proposed for their suppression adopted, it appears to me that it would be alike inexpedient to follow the suggestions of those who recommend making silver equally with gold a legal tender. It is, indeed, surprising that such suggestions should have met with so much attention as they have done. If silver and gold were indifferently legal tenders, it would be necessary to fix some proportion or rate at which the one should be exchangeable for the other. And however accurately this proportion might be fixed in the first instance, that is, however exactly the conventional or mint proportion fixed by law agreed with the real proportion which the metals actually bore to each other in the market at the period when the proportion was fixed, it is obvious that the first change that took place in the cost of producing either of the metals would derange the agreement; and it would then be for the interest, as has been already explained,* of all debtors to pay their debts in that metal whose real cost had declined, and which must, for that reason, be overvalued in the mint proportion; so that the other metal would be entirely driven from circulation. Instead, therefore, of the introduction of a double standard tending to give greater steadiness of value to the currency, it would obviously double the

* Vol. i. p. 71, note.

chances of fluctuation; it would make it be affected by whatever variations might take place in the value of silver, as well as by those that might take place in the value of gold; and it would occasion the loss of the expense of coinage upon all that portion of the coins which would either be melted down or exported whenever the proportion between the real value of the metals differed from that fixed by the mint regulations.

We have already seen that it is indispensable, in order to enable the plan of bullion payments to be carried into effect, that the monopoly of supplying London and the contiguous country with paper should be confined to the Bank of England, as is proposed in the *ninth* regulation. But though the present system of specie payments were continued, it appears exceedingly questionable whether it would be expedient to allow notes to be issued in London by more than one body. Suppose there were two or more banks established in London for the issue of notes; either these banks would not act in concert, or they would. If, on the one hand, the banks did not act in concert, it is plain that any one bank might, by discounting at a lower rate of interest than the others, get such a quantity of its paper into circulation, as might render the whole currency of the metropolis redundant; and if the bank that was making this overissue was in equal credit with the others, the *proportion* of its paper returned upon it for payment would not be greater than the proportion returned upon each of the other banks. It does, therefore, seem that if the banks acted without concert, it would be in the power of any one opulent establishment, either through ignorance of the sound principles of banking, or from a wish to injure its competitors, and to obtain a great ultimate accession of business by an immediate sacrifice, to occasion a drain for bullion, and to cause great distress and embarrassment throughout the country. If, on the other hand, the banks did act in concert, they

would not, in such a case; really differ in principle from one great establishment; only that their government would be operose and clumsy in the extreme. But though such a concert or combination might be maintained for a short period, it is idle to suppose that it could be permanent, or that it would be prudent to rely on its influence to guard against mischief. The moment that any establishment conceived that its interests might be advanced by seceding from the combination, its secession would take place as a matter of course, and the whole pecuniary affairs of the country would immediately be thrown into confusion.

There are certain peculiarities about banking which prevent the great principle of the unlimited freedom of competition from being in all respects applicable to it. In most businesses the greatest freedom of competition may be allowed, because every individual may be fairly supposed to be a better judge of what is advantageous for himself than any one else; and because whatever tends most to advance the interest of individuals must, in the great majority of cases, necessarily also tend most to advance the interest of the public. But in the operations of banking—operations which have for their object to supply the country with money—this principle can be safely admitted only under certain modifications. It is, or it may be supposed to be, for the interest of a banker to issue as many notes as possible; but if, while pursuing his own interest in his own way, he issue so many notes as to depress the exchange, and cause a drain for bullion, he subjects, not his brother bankers only, but the whole country, to a considerable and certain inconvenience. We have already seen that, in order to prevent the circulation of worthless paper, and to protect the country from the mischief caused by the failure of banking establishments, it is proper to prohibit the circulation of all notes, unless a guarantee has been previously given for their payment; and, on the same principles, it seems to me

that it would be expedient, in order to prevent the exchange from being depressed, and the credit and commercial transactions of the country thrown into confusion by the injudicious proceedings of the issuers of paper, to continue the power of issuing paper in London, the pivot on which the exchanges turn, in the hands of a single association; who will, in consequence, have the power to regulate them, and who may be made responsible to parliament for their conduct.

It is not certainly meant, by any thing that has now been stated, to insinuate that great loss and inconvenience has not frequently been occasioned by erroneous proceedings on the part of the directors of the Bank of England. Their conduct in 1824 and 1825, for example, was directly opposed to every sound principle. In the *first* place, they increased the issue of their own notes at a period when they ought to have foreseen that the increased issues of the country bankers, consequent upon the rise of prices in 1823, would of themselves render the currency redundant, and occasion a drain for bullion; and, in the *second* place, they declined to reduce, and indeed actually increased, the number of their notes in circulation, after a heavy drain for bullion had been for upwards of a twelve-month operating on their coffers! The directors seem to have been led into this extraordinary error by supposing that the drain for bullion originated in commercial causes; and that, by contracting their issues, they would occasion great embarrassment amongst the mercantile classes without stopping the drain. It is clear, however, as has been already explained, that by whatever causes a drain for gold on the Bank may be occasioned, its continuance is a conclusive proof of the redundancy of the currency; and if, under such circumstances, the directors delay contracting their issues, they may depend upon it they will greatly aggravate the mischief they are seeking to avert. Sooner or later the propriety of making a reduction in the amount of their issues,

will cease to be *optional* with them; and they will be compelled, in order to prevent the total exhaustion of their coffers, to take that step which they ought in all cases to take, the moment the drain begins to set in. When they defer reducing their issues, the overissue of the country banks, and all those gambling and absurd speculations which uniformly abound in periods when there is an unusual facility of obtaining discounts, are carried to an extreme extent, and the revulsion becomes proportionally severe, whenever the Bank is compelled, as she is sure to be in the end, to narrow her issues.

But whatever injurious consequences may have resulted from the mistakes of the directors of the Bank of England, still the question remains whether there are any good grounds for concluding that they would have been lessened had there been other establishments for the issue of notes in London? Suppose, for the sake of illustration, that another establishment for the issue of notes had been in existence in London in 1823, 4, and 5, and that some of our greatest capitalists had been at its head: it may, I think, be easily shown that though the violence of the crisis of 1825-6 might have been increased, it could not have been, in any degree, diminished in consequence of this competition. Had this supposed establishment discounted at a lower rate of interest than the Bank of England did, or had they negotiated bills refused by the latter, there must, of course, have been a greater quantity of their paper afloat than was of the Bank's. But it is evident that, under such circumstances, the redundancy of the currency and the drain for bullion would have been proportionally greater; and it would, in consequence, have been necessary to make a more considerable reduction in the amount of the currency of the metropolis, which would have unavoidably occasioned a still more serious revulsion than that which actually occurred. And if, on the other hand, the supposed establishment had not discounted at so low a rate of interest as the Bank of England, or been more scrupulous about

the quality of the bills discounted, their issues would have been so confined as not sensibly to affect those of the Bank; and no change would have been made in the state of the currency.

On the whole, therefore, it does appear to me that whatever system may be adopted for checking an over-issue of paper, it would be highly inexpedient to allow more than one body to issue notes in the metropolis. The managers of a single metropolitan bank may always preserve the exchange at par, or near it; and if such a system of bullion payments were adopted, as has been recommended in this note, it would be in the power of the metropolitan bank to raise the value of the whole currency two, three, or four per cent. above the value of gold; and the exchange might, in consequence, be depressed to that extent before any gold could be demanded from the bank. But with a number of banks, none of these advantages could be realized. There would then be no power in any one company to elevate the exchange to par when it had been depressed, at the same time that every company would have the power of depressing it: and it would be quite impossible, should more than one bank for the issue of notes be established in London, that the plan of bullion payments—a plan which, as has been previously shown, would be productive of many advantages, and would go far to bring the currency to perfection—could be adopted.

SECTION VII.—*Remarks on the institution of a National Bank as compared with the Bank of England.*

The previous statements and reasonings will equally apply, whether the exclusive privilege of supplying London with that paper into which the paper of the country banks is to be made convertible, should be indefinitely continued in the possession of the governor and company of the Bank of England, or be transferred from them to

commissioners appointed by government. The very same principles that ought to determine the conduct of the directors of the Bank ought to determine that of the commissioners; and the same securities ought, in both cases, to be exacted against overissue. The principal difference that would obtain between the two systems, would consist in the greater amount of profit that might probably be made to accrue to the revenue from the institution of a National or Government Bank. Under either system, the country would be benefited by the substitution of a cheap for an expensive species of money, by the prevention of discredit and panics, and by the extraordinary degree of stability that would, in consequence, be given to every part of our pecuniary system. But although the *national* or public wealth would be equally increased, whether the power to issue the paper in question were placed in the hands of government or of a private company, it is plain that the wealth of individuals would be differently affected by each of these systems. By shutting up the mint and rendering Bank of England notes a legal tender, and obliging the Bank to give bars of gold to those only who made a demand for 1000 ounces of bullion, it may, I think, be fairly presumed, that the Bank would be able to keep 18 or 20 millions of notes afloat, with not more than, at most, from three to four millions of bullion in her coffers, as a security to meet any unfavourable turn of the exchange. But supposing the stock of bullion to amount to six millions, and deducting this sum from the Bank's issues, there would remain a sum of 14 millions, which, supposing it were lent at $3\frac{1}{2}$ per cent., would amount to L.490,000 a year: and if from this sum we deduct the expenses of the establishment, which may be taken on an average at L.150,000 a year, there will remain a clear surplus annual profit of L.340,000. Now, admitting that this large sum might be as prudently and profitably expended by the Bank proprietors as by any other class of individuals, still it is clear there

can be no good reason why government should *gratuitously* concede to any private company privileges calculated to enable them to realize such large gains. Under any circumstances, such a proceeding would evince what might be justly deemed a want of due attention to the interest of the public; and in the present financial situation of the country, it would be very apt to be looked upon as an unjustifiable and wanton degree of profusion. And hence, if the plan that has been suggested in this note were to be carried into effect under the superintendence of the Bank of England, it would be the duty of government to stipulate that the public should participate in the increased profits that must, in consequence, result to the Bank; or at all events, that a total exemption ought to be obtained from any future charge on the part of the Bank against the public for the management of the national debt. At present this charge amounts to about L.270,000 a year; but the arrangement under which it is made has always been considered as a most improvident one on the part of the public, and ought undoubtedly to be put an end to on the first opportunity.

But under some such stipulations as those to which allusion has now been made, I should be disposed to think, though the question is one of considerable difficulty, that it would be safer and better to renew the charter of the Bank than to appoint commissioners for the issue of government paper. There can be little doubt that the introduction of the improved system I have endeavoured to elucidate would be considerably facilitated by its being brought forward under the auspices and direction of an establishment with which the public has been long familiar. At the same time, however, there can be no good reason, supposing the Bank charter be renewed, why it should be prolonged for so long a period as twenty years from its present term: and it might be advisable, as a precautionary measure, that parliament should reserve the power of revising the conditions of the charter,

and even of repealing it, at any time during its continuance, on indemnity being made to the Bank for any loss she might sustain in consequence.

But if it should be deemed preferable to establish a National Bank for the issue of paper, on the expiration of the charter of the Bank of England, in 1833, the measure might be effected with much less difficulty than we should at first be led to expect. The capital of the Bank lent to government at three per cent. amounts to L.14,686,000; suppose now that L.14,686,000 of government notes were issued to the Bank directors six months previously to the expiration of the charter; these notes might be substituted in the place of those of the Bank of England, and the whole debt due by the public to the Bank would thus be extinguished, and the country relieved from the charge on account of its interest, amounting to L.440,000 a year. As a farther supply of national notes would be required to fill up the circulation to its proper level, they might be issued partly in payment of the stock of bullion in the coffers of the Bank, and partly in the purchase of government securities; so that the commissioners might, in this way, possess themselves of the means of carrying on their business with comparatively little trouble and inconvenience.

The circumstance of the directors of the Bank of England consisting principally of merchants, largely engaged in commercial transactions, and who are intimately acquainted with the state of credit in London and the country, has enabled them to carry on the business of discounting to a considerable extent, and with considerable advantage. But a national bank could not be conducted in this way. It would be indispensable, in order to prevent, not the actual occurrence merely, but the slightest suspicion of partiality and abuse in the management of its affairs, that its functionaries should be interdicted from interfering either directly or indirectly in commercial transactions. The business of discounting should be

entirely left to the conduct of private individuals. And the employment of the commissioners of the national bank should be strictly confined to the receipt and payment of all monies due to and by government; and the exchange of bullion for their notes in the way that has been already explained. To enable them to contract and enlarge their issues, according to the variations in the exchange, the commissioners ought always to hold a considerable amount of exchequer bills and other government securities, selling them when they wish to contract their issues, and buying them when they wish to enlarge them. And this, it is obvious, would enable them to regulate the quantity of their paper afloat with as much facility as if they discounted bills.

Mr. Ricardo, who has advocated the establishment of a national bank on the plan now suggested, has proposed that all country notes should be suppressed, and that none but those of the national bank should be allowed to circulate. But I should consider, for the reasons previously stated, any such regulation as decidedly inexpedient. Country bank paper issued upon security would be equally valuable as the paper of the national bank; while the chances of its forgery would be incomparably less.

It is not necessary to enter at any length into an examination of the objections that may be raised to the establishment of a national bank, on the ground of its placing a power in the hands of government which it might be tempted to abuse. It is clear that no abuse could be perpetrated, unless by authority of parliament; but if the legislature should be at any time disposed to sanction a suspension of bullion payments and a depreciation of the currency, there is obviously no possibility of preventing it however paper may be issued. The same power that enacts that the commissioners shall be appointed in a certain way, and that they shall follow a certain line of conduct in conducting the affairs of the bank, may enact that they shall be appointed in a different way, and that they shall follow another line. At bottom, therefore, the

only real security for the prudent and proper management of the affairs of a national bank must be found in the discretion and good sense of government and the legislature. If these guarantees are inadequate, it is to no purpose to trust to others.*

But although a national bank is thus liable to be perverted from its proper objects by the interference of government, will not the same influence be equally omnipotent with a private banking company acting as the bankers of the state, and enjoying the exclusive privilege of supplying London with paper? The Bank of England has never opposed any effectual resistance to the solicitations of government; and, however desirable it may be that the one should be perfectly independent of the other, they must be sanguine indeed who expect that the directors of the Bank will often be found in opposition to those to whom they are indebted for their peculiar privileges and powers.

On the whole, therefore, it does not appear that any thing material would be either gained or lost, in the way of securing the independence of the issuers of paper money on government, by the establishment of a national bank. The question with respect to its establishment is really one of profit and conveniency. On the one hand, the expense of managing the national bank might perhaps be estimated at L.120,000 a year, and if it were set on foot, the country would, of course, lose the sum of L.80,000 or L.90,000 a year paid by the Bank of England as a composition for stamps: on the other hand, its establishment would save the country the interest on the capital of the Bank of England amounting to

* Mr. Ricardo seems to have believed, that commissioners for the management of a national bank might be appointed so as to render them independent of government. Had he adverted to the remarks he has made, in his article on the Funding System, in the Supplement to the Encyclopædia Britannica, on the plan by which Mr. Pitt flattered himself he had provided for the security of his sinking fund, he would, most probably, have modified this opinion.

about L.440,000, and the L.270,000[^] a year paid for the management of the public debt; making the clear gain, after the expenses of management, the composition for stamps, &c. are deducted, nearly L.500,000 a year.*

But it is most probable that the Bank of England would consent to forego the charge on account of the management of the national debt, and perhaps to relinquish some other advantages, in the event of its charter being renewed. And if such were the case, it may be questioned whether the trifling pecuniary advantage that would, under such circumstances, be derived from the formation of a national bank, would be considerable enough to warrant its establishment, even though it were in other respects as well fitted for the public accommodation as the Bank of England. But as there is very great reason to think that, notwithstanding every precaution, a good deal of inconvenience must be experienced at the first institution of a new establishment, the safest and most eligible plan seems to be to continue the charter of the Bank of England, under the system as to bullion payments, and with the various restrictions and modifications, previously suggested.†

* This estimate proceeds on the supposition that the interest accruing to the national bank from the government securities held by her, may be supposed to be about equal to the interest of the bullion in her coffers. If it were either less or greater the result would differ proportionally.

† Sir Henry Parnell has, in his recent tract on Paper Money, Banking, &c. strongly advocated the policy of abolishing the monopoly of the Bank of England, and giving all individuals and associations who are willing to find security for their notes, power to issue paper in London. Sir H.'s tract displays great ability and knowledge of the subject. His arguments have not, however, carried conviction to my mind.

. The length to which this note has extended has rendered it impossible to give, as I at one time intended, an account of the successive degradations which the standard of money has undergone in this and other countries. On this subject the reader is referred to the article Money in the Supplement to the Encyclopædia Britannica.

TABLES.—No. I.

An Account of Bank of England Notes in circulation the last Week in February, May, August, and November, in each Year, from 1791 to 1819 inclusive; distinguishing Notes of £5 and upwards, and Bank Post Bills, from those of lower denomination, and stating their aggregate amount.

Date.	Bank Notes.	Bank Post Bills.	Total.
	£	£	£
1791—February 26.....	10,793,830	695,840	11,489,670
May 28.....	11,462,660	700,630	12,163,290
August 27.....	11,000,320	697,910	11,698,230
November 26.....	10,697,550	725,330	11,422,880
1792—February 25.....	10,302,800	755,700	11,148,500
May 26.....	10,781,520	804,040	11,585,560
August 25.....	10,279,770	725,890	11,005,660
November 24.....	10,197,940	696,680	10,894,620
1793—February 23.....	10,880,120	650,190	11,530,310
May 25.....	11,468,260	898,580	12,366,840
August 31.....	10,272,710	680,780	10,953,490
November 29.....	10,456,940	641,030	11,097,970
1794—February 22.....	10,714,950	623,780	11,338,730
May 31.....	9,360,630	652,520	10,013,150
August 30.....	9,712,810	576,890	10,289,700
November 29.....	10,474,860	603,800	11,078,660
1795—February 28.....	13,452,290	565,560	14,017,850
May 30.....	9,754,950	561,650	10,316,600
August 29.....	10,659,690	516,590	11,176,280
November 28.....	10,936,270	566,830	11,503,100
1796—February 27.....	9,999,710	648,010	10,647,720
May 28.....	9,626,070	677,530	10,303,600
August 27.....	8,881,230	546,280	9,427,510
November 26.....	9,440,880	474,090	9,914,970
1797—February 25.....	8,165,640	474,610	8,640,250
May 27.....	10,316,270	576,600	10,892,870
August 26.....	10,043,630	524,580	10,568,210
November 25.....	10,713,020	502,310	11,215,330
1798—February 23.....	12,453,360	550,420	13,003,780
May 26.....	12,061,180	598,540	12,649,720
August 25.....	11,636,490	553,230	12,189,720
November 24.....	11,761,660	532,590	12,297,250
1799—February 23.....	11,923,310	606,510	12,429,820
May 25.....	13,234,490	654,690	13,889,180
August 31.....	12,738,930	652,460	13,391,390
November 29.....	13,178,230	682,040	13,860,270
1800—February 18, 22.....	14,701,640	722,340	15,423,980
May 31.....	13,723,810	803,280	14,527,090
August 30.....	14,220,850	828,420	15,049,270
November 29.....	14,219,290	876,750	15,096,040
1801—February 28.....	15,262,900	949,080	16,211,980
May 30.....	14,719,130	817,940	15,537,070
August 29.....	14,501,960	760,130	15,262,090
November 28.....	15,143,780	781,410	15,925,190
1802—February 27.....	14,381,090	804,480	15,185,570
May 29.....	15,919,790	836,770	16,756,560
August 28.....	16,123,410	759,240	16,882,650
November 27.....	15,257,900	735,870	15,993,770
1803—February 26.....	14,855,600	820,030	15,675,630
May 28.....	15,878,450	828,980	16,707,430
August 27.....	16,069,840	780,050	16,849,890
November 26.....	17,112,260	747,310	17,859,570
1804—February 25.....	16,727,150	848,890	17,576,040
May 26.....	16,097,030	797,610	17,494,640
August 25.....	16,578,850	743,840	17,322,690
November 24.....	16,096,790	860,960	16,957,750

Account—*contin'd.*

Date.	Bank Notes of 5 <i>l.</i> and upwards.	Bank Notes under 5 <i>l.</i>	Bank Post Bills.	Total.
	£	£	£	£
1805—May 25.....	11,839,920	1,445,770	802,470	17,088,160*
August 31.....	11,215,570	1,431,610	709,910	16,387,090
November 29....	11,350,160	4,358,490	690,910	16,399,560
1806—February 22.....	11,808,980	4,448,740	738,700	16,996,420
May 31.....	11,264,990	4,204,550	779,090	16,248,630
August 30.....	11,593,720	4,230,000	707,300	16,531,020
November 29....	11,294,460	4,148,980	694,060	16,137,500
1807—February 28.....	12,007,760	4,217,000	726,020	16,950,780
May 30.....	12,320,940	3,994,970	689,080	17,004,990
August 29.....	12,040,450	4,262,860	721,480	17,024,790
November 28....	11,678,480	4,086,250	640,550	16,405,280
1808—February 27.....	11,976,210	4,112,610	736,520	16,825,370
May 28.....	12,201,900	3,917,920	780,150	16,899,970
August 27.....	12,247,730	4,151,260	803,330	17,202,310
November 26....	12,684,280	4,113,830	777,650	17,575,760
1809—February 25.....	12,731,000	4,338,950	914,720	18,011,670
May 27.....	12,860,680	4,553,190	838,910	18,252,780
August 26.....	13,255,590	5,221,530	880,160	19,357,280
November 25....	13,415,780	5,455,860	909,880	19,781,520
1810—February 23.....	13,855,850	5,837,210	920,030	20,633,090
May 26.....	14,085,500	6,139,060	819,020	21,073,580
August 25.....	16,078,290	7,221,950	1,145,830	24,446,170
November 24....	15,537,550	7,261,850	1,271,630	24,071,030
1811—February 23.....	14,547,290	7,194,880	1,118,680	22,860,850
May 25.....	14,845,940	7,290,640	1,113,230	23,249,810
August 31.....	14,690,540	7,594,360	1,001,940	23,286,840
Nov. 30.....	14,484,800	7,404,210	911,910	22,800,920
1812— <i>March 29</i>	11,001,130	7,457,020	1,050,160	23,108,310
May 30.....	14,402,040	7,378,560	975,610	22,756,210
August 29.....	14,878,880	7,645,820	984,610	23,509,310
November 28....	14,576,730	7,637,760	1,004,020	23,168,510
1813—February 27.....	14,172,550	7,713,600	1,024,700	23,210,850
May 29.....	14,783,090	7,745,850	987,670	23,516,610
August 28.....	14,787,980	8,078,750	1,010,900	23,877,630
November 27....	14,800,000	8,008,410	975,010	23,811,050
1814—February 26.....	15,637,200	8,371,920	1,091,210	25,000,330
May 28.....	16,228,700	8,654,300	1,040,490	25,923,490
August 27.....	17,819,050	9,703,210	1,240,040	28,762,300
November 26....	17,720,180	9,352,140	1,152,110	28,224,430
1815— <i>March 25</i>	16,391,350	9,094,550	1,184,450	26,670,350
May 27.....	16,207,600	9,061,500	1,157,520	26,426,620
August 26.....	16,312,370	9,576,090	1,115,070	27,003,530
November 25....	15,678,100	9,023,310	1,008,980	25,710,420
1816—February 24.....	15,643,520	9,053,180	1,345,110	26,041,810
May 25.....	15,759,130	8,995,810	1,232,340	25,987,270
August 31.....	16,195,110	9,087,210	1,266,100	26,548,420
November 30....	14,977,370	8,427,190	1,178,260	23,582,820
1817—February 22.....	17,736,720	8,195,920	1,393,580	27,326,220
May 31.....	18,006,470	7,773,710	1,389,260	27,169,440
August 30.....	19,781,050	7,993,150	1,703,570	29,517,770
November 29....	19,391,620	7,571,010	1,735,910	28,698,540

* The books not having been preserved, which contained the particulars for ascertaining the distinct amounts of bank notes in circulation of £5 and upwards, and those under £5, from March 1797 (when the latter were first issued) to 17th April 1805, the Bank is unable to furnish the separate amounts in circulation prior to 26th May 1805.

Account—continued.

Date.	Bank Notes of 5 <i>l</i> . and up- wards.	Bank Notes under 5 <i>l</i> .	Bank Post Bills.	Total.
	£	£	£	£
1818—February 28.....	18,532,760	7,400,680	1,837,530	26,045,010
May 30.....	17,797,140	7,299,150	1,648,420	27,770,970
August 29.....	17,255,670	7,555,580	1,639,360	26,450,610
November 28.....	17,272,370	7,418,990	1,558,860	26,280,220
1819—February 27.....	16,164,710	7,354,230	1,607,750	25,126,690
May 29.....	16,507,810	7,183,640	1,441,310	25,132,760
August 28.....	16,581,910	7,283,680	1,469,900	25,335,490
November 27.....	15,113,300	6,832,460	1,334,700	23,580,460

No. II.

An account of the amount of Bank of England Notes in circulation on the 15th of February, May, August, and November, in each of the years from 1819 to 1825, both inclusive; distinguishing the Notes of £5 and upwards, under £5, and Bank Post Bills, and stating the total aggregate amount.

Date.	Bank Notes of 5 <i>l</i> . and up- wards.	Bank Post Bills.	Bank Notes under 5 <i>l</i> .	Total.
	£	£	£	£
1819—February 15.....	16,348,190	1,690,830	7,419,340	25,458,160
May 15.....	16,977,560	1,534,070	7,289,850	25,801,480
August 15.....	17,230,770	1,483,610	7,352,110	26,066,490
November 15....	15,371,050	1,423,300	6,922,990	23,717,340
1820—February 15.....	15,821,160	1,472,850	6,758,770	24,052,780
May 15.....	15,672,090	1,501,170	6,642,210	23,815,700
August 15.....	15,993,710	1,651,060	6,807,000	24,452,460
November 15....	15,081,600	1,644,780	6,556,330	23,282,710
1821—February 15.....	15,141,120	1,707,000	6,482,870	23,331,090
May 15.....	16,189,960	1,610,370	6,022,310	23,822,640
August 15.....	16,881,210	1,651,660	2,702,200	21,235,070
November 15....	15,121,790	1,565,140	1,951,920	18,638,850
1822—February 15.....	15,717,810	1,666,100	1,441,010	18,824,920
May 15.....	14,638,030	1,511,010	1,060,140	17,209,180
August 15.....	15,988,140	1,648,710	876,390	18,513,240
November 15....	15,159,250	1,678,850	763,720	17,601,820
1823—February 15.....	15,343,870	1,768,860	689,880	17,802,610
May 15.....	16,166,780	1,716,320	618,070	18,501,170
August 15.....	17,511,150	1,791,000	532,970	19,835,120
November 15....	17,921,630	1,913,800	517,700	20,353,130
1824—February 15.....	17,580,530	2,286,330	490,300	20,357,160
May 15.....	17,298,110	2,190,090	461,160	19,949,360
August 15.....	18,310,450	2,168,980	416,070	20,895,500
November 15....	18,532,140	2,221,080	431,200	21,184,420
1825—February 15.....	18,537,040	2,340,550	418,310	21,301,970
May 15.....	17,335,110	2,303,370	407,590	20,046,070
August 15.....	17,192,600	2,065,210	398,110	19,655,920
November 15....	15,706,870	1,886,460	387,290	17,980,620

No. III.

An Account of the Number of Country Bank Notes, of all denominations, stamped in each Year, ending Oct. 10, from 1805 to 1825 inclusive, with the per Centage of increase and decrease, comparing each Year with the Year preceding, together with an estimate of the total amount in circulation, in each Year, from 1805 to 1825 inclusive, with the per Centage of increase and decrease, comparing each Year with the Year preceding.

	The amount of Country Bank Notes of all denominations stamped in each Year ending Oct. 10, from 1805 to 1825.	The per Centage of increase comparing each Year with the Year preceding.	The per Centage of decrease comparing each Year with the Year preceding.	The amount of Country Bank Notes in circulation according to Mr. Sedgwick's Tables, in each Year ending Oct. 10, from 1805 to 1825 inclusive.	The per Centage of increase comparing each Year with the Year preceding.	The per Centage of decrease comparing each Year with the Year preceding.
1806	11,480,547					
1807	6,587,398		42 $\frac{5}{100}$	18,021,900		
1808	8,653,077	23 $\frac{7}{100}$		16,871,524		6 $\frac{1}{100}$
1809	15,737,986*	81 $\frac{1}{100}$		23,702,493	40 $\frac{7}{100}$	
1810	10,517,519		33 $\frac{1}{100}$	23,893,868	1 $\frac{1}{100}$	
1811	8,792,433		16 $\frac{1}{100}$	21,453,000		1 $\frac{1}{100}$
1812	10,577,134	20 $\frac{3}{100}$		19,944,000		7
1813	12,615,509	19 $\frac{7}{100}$		22,597,000	13 $\frac{7}{100}$	
1814	10,773,375		14 $\frac{8}{100}$	22,709,000	1 $\frac{1}{100}$	
1815	7,624,949		29 $\frac{7}{100}$	19,011,000		16 $\frac{3}{100}$
1816	6,423,466		15 $\frac{7}{100}$	15,096,000		20 $\frac{7}{100}$
1817	9,075,959	41 $\frac{1}{100}$		15,898,000	5 $\frac{3}{100}$	
1818	12,316,868	35 $\frac{7}{100}$		20,507,000	29	
1819	6,130,313		50 $\frac{7}{100}$	17,366,875		15 $\frac{2}{100}$
1820	3,574,894		41 $\frac{1}{100}$	11,767,391		32 $\frac{7}{100}$
1821	3,987,582	11 $\frac{1}{100}$		8,414,281		28 $\frac{7}{100}$
1822	4,217,241	5 $\frac{7}{100}$		8,067,260		4 $\frac{1}{100}$
1823	4,657,589	10 $\frac{1}{100}$		8,798,277	9	
1824	6,093,367	30 $\frac{7}{100}$		10,604,172	20 $\frac{1}{100}$	
1825	8,532,438	40		14,147,211	33 $\frac{1}{100}$	

No. IV.

A Statement of the average market price of bullion in each year from 1800 to 1821 (taken from official documents), of the average value per cent, of the currency, estimated by the market price of gold for the same period, and of the average depreciation per cent.

Years.	Average price of gold per ounce.	Average per cent, of the value of the currency.	Average depreciation per cent.	Years.	Average price of gold per ounce.	Average per cent, of the value of the currency.	Average depreciation per cent.
1800	£ s. d. 3 17 10	£ s. d. 100 0 0	Nil.	1811	£ s. d. 4 4 6	£ s. d. 92 3 2	£ s. d. 7 10 11
1801	4 5 0	91 12 4	8 7 8	1812	4 15 6	79 5 3	90 14 9
1802	4 4 0	92 14 2	7 5 10	1813	5 1 0	77 2 0	22 18 0
1803	4 0 0	97 6 10	2 13 2	1814	5 4 0	74 17 6	35 2 6
1804	4 0 0	97 6 10	2 13 2	1815	4 13 6	83 5 9	16 14 3
1805	4 0 0	97 6 10	2 13 2	1816	4 13 6	83 5 9	16 14 3
1806	4 0 0	97 6 10	2 13 2	1817	4 0 0	97 6 10	2 13 2
1807	4 0 0	97 6 10	2 13 2	1818	4 0 0	97 6 10	2 13 2
1808	4 0 0	97 6 10	2 13 2	1819	4 1 6	95 11 0	4 9 0
1809	4 0 0	97 6 10	2 13 2	1820	3 19 11	97 8 0	2 12 0
1810	4 10 0	86 10 6	13 9 6	1821	3 17 10	100 0 0	Nil.

* In 1809 the duty on L. I notes was increased from 3d. to 4d. and may account for the great increase in this year, the notes bearing a 3d. stamp being no longer issuable.

NOTE X.

CORN LAWS AND CORN TRADE.

PART I.

HISTORICAL SKETCH OF THE CORN LAWS SINCE 1773.

DR. SMITH has given, in his *Digression on the Corn Trade and Corn Laws*,* an account of the different statutes by which the internal and external corn trade was regulated up to the famous act of 1773. I shall, therefore, confine myself in this sketch, after making one or two observations on that act, to a brief notice of those that have been passed since.

The advocates of the restrictive system have very generally argued that the facilities given to importation by the act of 1773 had, by discouraging agriculture, been among the chief causes of the increase of prices that has since taken place. But the truth is, that the act of 1773 was occasioned by the *previous* rise of prices. Subsequently to the peace of Paris in 1763, a new and powerful stimulus was given to the manufactures and commerce, and, by consequence, to the population of the empire. A considerable advance was at the same time made in agriculture; but as its progress was not so rapid as the progress of population, prices began gradually to rise, and the excess of exports over imports to diminish. In 1765, before any suspension of the restrictive system took place, the balance on the side of wheat exported amounted to only 77,000 quarters, and the home

* Vol. ii. pp. 392—426.

price in that and the two preceding years had risen to an unusual height. Under these circumstances, a strong conviction began to be very generally entertained of the impolicy of continuing the prohibition of importation under the altered circumstances of the country. In consequence, the high duties were suspended in 1766; and this suspension, accompanied occasionally by restrictions on exportation, was continued by temporary enactments to 1773. By the act that was then framed, foreign wheat was allowed to be imported, on paying a nominal duty of 6d. whenever the home price was at or above 48s. a quarter; and the bounty* and exportation were together to cease when the price was at or above 44s. This statute also permitted the importation of corn at any price, duty-free, in order to be again exported, provided it were, in the mean time, lodged under the joint locks of the king and the importer.

The prices, when exportation was to cease by this act, seem to have been fixed too low; and, as Dr. Smith has observed, there appears a good deal of impropriety in prohibiting exportation altogether the moment it had attained the limit when the bounty given to force it was withdrawn; yet with all these defects, the act of 1773 was a most material improvement on the former system, and ought not to have been altered, unless to give greater freedom to the trade.

The idea that this law must, when enacted, have been injurious to the agriculturists, seems altogether illusory. The permission to import foreign grain, when the home price rose to a moderate height, certainly prevented their realizing exorbitant profits in dear years at the expense of the other classes, and prevented an unnatural proportion

* The bounty amounted to 5s. on every quarter of wheat; 2s. 6d. on every quarter of barley; 3s. 6d. on every quarter of rye; and 2s. 6d. on every quarter of oats.

of the capital of the country being turned towards agriculture. But as the limit at which importation, at a nominal duty, was allowed, *was fixed very considerably higher than the average price in the reign of George II.*, it cannot be maintained that it had any tendency to reduce previous prices, which alone could discourage agriculture: and in fact no such reduction took place.

It is indeed true that, but for this act, we should not have imported so much foreign grain in the interval between 1773 and 1791. This importation, however, was not a consequence of the decline of agriculture, for it is universally admitted that every branch of rural economy was more improved in that period than in the whole course of the preceding century; but arose entirely from a still more rapid increase of the manufacturing population, and hence of the effective demand for corn.

By referring to the tables of exports and imports annexed to this note, it will be seen that in 1772 the balance on the side of wheat *imported* amounted to 18,515 quarters; and in 1773, 1774, and 1775, all years of great prosperity, this balance was very much increased. But the loss of a great part of our colonial possessions, the stagnation of commerce, and difficulty of obtaining employment, occasioned by the American war, diminished the consumption; and this, combined with unusually productive harvests, rendered the balance high on the side of exportation in 1778, 1779, and 1780. In 1783 and 1784, the crop was unusually deficient, and considerable importations took place, but in 1785, 1786, and 1787, the exports again exceeded the imports; and it was not till 1788, when the country had fully recovered from the effects of the American war, and when manufacturing improvements were carried on with extraordinary spirit, that the imports permanently overbalanced the exports.

The growing wealth and commercial prosperity of the country had thus, by increasing the population, and en-

abling individuals to consume additional quantities of food, caused the home supply of corn to fall somewhat short of the demand; but it must not, therefore, be concluded that agriculture had not at the same time been very greatly ameliorated. "The average annual produce of wheat," says Mr. Comber, "at the beginning of the reign of his late Majesty, was about 3,800,000 quarters, of which about 300,000 had been sent out of the kingdom, leaving about three and a half millions for home consumption. In 1773, the produce of wheat was stated to the House of Commons to be four millions of quarters, of which the whole, and above 100,000 imported, were consumed in the kingdom. In 1796, the consumption was stated in the House of Commons, by Lord Hawkesbury, to be 500,000 quarters per month, or six millions annually, of which about 180,000 were imported; showing an increased produce, in about 20 years, of 1,820,000 quarters. It is evident, therefore, not only that no defalcation of produce had taken place, in consequence of the cessation of exportation, as has been too lightly assumed, from the occasional necessity of importation; but that it had increased with the augmentation of our commerce and manufactures."*

These estimates are, no doubt, very loose and unsatisfactory, but the fact of a great increase of produce having taken place is unquestionable. In a Report by a committee of the House of Commons on the state of the *waste lands*, drawn up in 1797, the number of acts passed for enclosing and the number of acres enclosed, in the following reigns, are thus stated :

	Number of Acts.	Number of Acres.
In the reign of Queen Anne,	2	1,439
George I.	16	17,960
George II.	226	318,778
George III. to 1797, . . .	1,532	2,804,197.

* Comber on National Subsistence, p. 180.

It deserves particular notice, that from 1771 to 1791, both inclusive, the period during which the greater number of these improvements were effected, there was no rise of prices. The landholders, however, could not but consider the liberty of importation granted by the act of 1773 as injurious to their interests, inasmuch as it prevented prices from rising with the increased demand. A clamour, therefore, was raised against that law; and, in addition to this interested feeling, a dread of becoming habitually dependent on foreign supplies of corn operated on many, and produced a pretty general acquiescence in the act of 1791. By this act, the price, when importation could take place from abroad, at the low duty of 6d., was raised to 54s., under 54s. and above 50s. a middle duty of 2s. 6d., and under 50s. a prohibitory duty of 24s. 3d. was exigible. The bounty continued as before, and exportation without bounty was allowed to 46s. It was also enacted, that foreign wheat might be imported; stored under the king's lock, and again exported free of duty; but, if sold for home consumption, it became liable to a warehouse-duty of 2s. 6d. in addition to the ordinary duties payable at the time of sale.

In 1797 the Bank of England obtained an exemption from paying in specie; and the consequent facility of obtaining discounts and getting a command of capital, which this measure occasioned, gave a fresh stimulus to agriculture; the efficacy of which was most powerfully assisted by the scarcity and high prices of 1800 and 1801. An agricultural mania now seized the nation; and as the prices of 1803 would not allow the cultivation of the poor soils, which had been broken up in the dear years, to be continued, a new corn law, being loudly called for by the farmers, was passed in 1804. This law imposed a prohibitory duty of 24s. 3d. per quarter on all wheat imported when the home price was at or below 63s. } between 63s. and 66s. a middle duty of 2s. 6d. was paid; and

above 66s. the nominal duty of 6d. The price at which the bounty was allowed on exportation was extended to 50s. 6d. and exportation without bounty to 54s. By the act of 1791, the maritime counties of England had been divided into 12 districts, and importation and exportation had been regulated by the particular prices of each; but by the act of 1804 they were regulated in England by the aggregate average of the twelve maritime districts, and in Scotland by the aggregate average of the four maritime districts. The averages, as at present, were taken at four periods of the year, and the ports could not remain open or shut for less than three months. This method of ascertaining prices was, however, modified in the following session, and it was then fixed that importation both in England and Scotland should be regulated by the average price of the whole twelve maritime districts.

In 1805 the crop was very considerably deficient, and the average price of that year was about 22s. per quarter above the price at which importation was allowed by the act of 1804. As the depreciation of paper, compared with bullion, was at that time only four per cent., the high price of that year must have been owing to the operation of the new law, preventing any importation of foreign grain till the home price was high, and then cramping mercantile operations; and to the obstacles which the war threw in the way of importation. In 1806,* 1807, and 1808, the depreciation of paper, compared with bullion, continued at nearly three per cent., and the price of wheat in those years being generally

* Several impolitic restraints had been for a long time imposed on the free importation and exportation of corn between Great Britain and Ireland, but they were wholly abolished in 1806; and the act of that year, (46th Geo. III. cap. 97.) establishing a free trade in corn between the two great divisions of the empire, was not only a wise and proper measure in itself, but has powerfully contributed to promote the general advantage.

from 66s. to 75s. only a small importation took place. From autumn 1808 to spring 1814, the depreciation of the currency was unusually great, and several crops in that interval being likewise deficient, the price of corn, influenced by both causes, rose to a surprising height. At that time no vessel could be laden in any continental port for England, without purchasing a license; and the freight and insurance were at least four times as high as during peace. But, in the autumn of 1813, the destruction of Bonaparte's anti-commercial system having increased the facilities of importation, a large quantity of corn was poured into the kingdom; and in 1814 its bullion price was reduced below the price at which importation was allowed.

Before this fall of price, a committee of the House of Commons had been appointed to inquire into the state of the laws affecting the corn trade; and recommended in their Report (dated 11th May 1813) a very great extension of the rates at which exportation was formerly allowable, and when importation free of duty could take place. The recommendation of this committee was not adopted by the House; but the fact of its having been made when the home price was at least 112s. per quarter, displays a surprising solicitude to exclude foreigners from all competition with the home growers.

The lessening of the dependence of the country on foreign supplies formed the sole ostensible ground on which the committee of 1813 had proposed any alteration in the act of 1804. But after the fall of price in autumn 1813, and in the early part of 1814, it became obvious, on comparing our previous prices with those of the Continent, that, without an alteration of the existing law, this dependence would be a good deal increased; that a considerable extent of such poor lands as the previous high prices had forced into cultivation would be again thrown into pasturage, and that a cor-

responding reduction of rent would be experienced. These consequences alarmed the landlords and occupiers, and in the early part of the session of 1814, a new set of resolutions were voted by the House of Commons, declaring that it was expedient to repeal the bounty, to permit the free exportation of corn, whatever might be the home price, and to impose a graduated scale of duties on the importation of foreign corn. Thus, foreign wheat imported when the home price was at or under 64s. was to pay a duty of 24s.; when at or under 65s. a duty of 23s., and so on till the home price should reach 86s., when the duty was reduced to 1s., at which sum it became stationary. Corn imported from Canada, or from the other British colonies in North America, was to pay half the duties on other corn. As soon as these resolutions had been agreed to, two bills founded on them, one for regulating the importation of foreign corn, and another for the *repeal of the bounty*, and for permitting unrestricted exportation, were introduced. Very little attention was paid to the last of these bills, but the one imposing fresh duties on importation encountered a very keen opposition. The manufacturers, and every class not directly supported by agriculture, stigmatized it as an unjustifiable attempt artificially to keep up the price of food, and to secure excessive rents and large profits to the landlords and farmers, at the expense of the consumers. Meetings were very generally held, and resolutions entered into, strongly expressive of this sentiment, and dwelling on the fatal consequences which, it was affirmed, a continuance of the high prices would have on our manufactures, in a season of peace, and when we could no longer monopolize the commerce of the world. This determined opposition, coupled with the indecision of ministers, and perhaps, too, with an expectation, on the part of some of the landlords, that prices would again rise, without any legislative interference, caused the miscarriage of this bill. The other bill, repealing the bounty

and allowing an unlimited freedom of exportation, was passed into a law.

Committees had been appointed, in 1814, by both Houses of parliament, to examine evidence and report on the state of the corn trade; and in consequence a number of the most eminent agriculturists were examined. The witnesses were unanimous, in this, only, that the protecting prices, fixed in 1804, were insufficient to enable the farmers to make good the engagements into which they had subsequently entered, and to continue the cultivation of the inferior lands lately brought under tillage. Some of them thought that 120s. ought to be fixed as the price when the importation of wheat free of duty should be allowed: others varied from 90s. to 100s.—from 80s. to 90s.—and a few from 70s. to 80s. The general opinion, however, seemed to be, that 80s. would suffice; and, as prices continued to decline, a set of resolutions, founded on this assumption, were submitted to the House of Commons by Mr. Robinson of the Board of Trade, (now Lord Goderich) and having been agreed to, a bill founded on them was, after a very violent opposition, carried in both Houses by immense majorities, and finally passed into a law. (55th Geo. III, c. 26.)

According to this act all sorts of foreign corn, meal or flour, might be imported at all times, free of duty, into any port of the United Kingdom, in order to be warehoused; but foreign corn was not permitted to be imported for home consumption, except when the average prices of the several sorts of British corn were as follows, viz. wheat 80s. per quarter; rye, pease and beans 53s.; barley, bear or bigg 40s.; and oats 26s.: And all importation of corn from any of the British plantations in North America was forbidden, except when the average home prices were at or under, wheat 67s. per quarter; rye, pease and beans 44s.; barley, bear or bigg 33s. and oats 22s.: And it was also enacted, that “if it shall at any time appear that the average prices of British corn, in the six weeks

immediately succeeding the 15th February, 15th May, 15th August, and 15th November in each year, shall have fallen below the prices at which foreign corn, meal, or flour, are by law allowed to be imported for home consumption, no such foreign corn, meal or flour, shall be allowed to be imported into the United Kingdom for home consumption, from any place between the rivers Eyder and Garonne, both inclusive, until a new average shall be made up and published in the London Gazette, for regulating the importation into the United Kingdom for the succeeding quarter."

The agriculturists confidently expected that this act would immediately effect a rise of prices, and render them steady at about eighty shillings. But, for reasons which will be afterwards stated, these expectations were entirely disappointed; and there has been a more ruinous fluctuation of prices during the twelve years that have elapsed since it was passed, than in any previous period of our history. In 1821, when prices had sunk very low, a committee of the House of Commons was appointed to inquire *into the causes of the depressed state of agriculture, and to report their observations thereupon*. This committee examined a number of witnesses, and drew up a Report, which, though not free from error, is notwithstanding a most valuable and important document. It contains a very forcible exposition of the pernicious effects arising from the provisions of the law of 1815, of which it suggested several important modifications. These, however, were not adopted; and as the low prices and consequent distress of the agriculturists still continued, the subject was again brought under the consideration of parliament in the following year. After a good deal of discussion, a new act was then passed, (3 Geo. IV. cap. 60.) by which it was enacted, that *after* prices had risen to the limit of free importation fixed by the act of 1815, that act was to cease,

and the new statute to come into operation. This statute lowered the prices fixed by the act of 1815, at which importation could take place for home consumption, to the following sums, viz.

	For corn of the British possessions in North America.	For corn of the British possessions in North America.
Wheat,	70s. per quarter.	59s. per quarter.
Rye, pease, and beans,	46s.	39s.
Barley, bear, or bigg,	35s.	30s.
Oats,	25s.	20s.

But in order to prevent any violent oscillation of prices from suddenly throwing a large supply of foreign grain upon the market, it was enacted that a duty of seventeen shillings a quarter should be laid on all wheat imported from foreign countries during the first three months after the opening of the ports, if the price was between seventy shillings and eighty shillings a quarter, and of twelve shillings afterwards; that if the price was between eighty and eighty-five shillings, the duty should be ten shillings for the first three months, and five shillings afterwards; and that if the price should exceed eighty-five shillings, the duty should be constant at one shilling, and proportionally for other sorts of grain, as stated in the subjoined table.

Description of GRAIN	When the average price is as below		Rate of DUTY per quar.	Extra for the first 3 Months.
	From British Possessions in AMERICA.	From all other parts.		
WHEAT.	If at 50s. 0d. Per } but 67s. 0d. } ... 67s. 0d. Quarter } under 71s. 0d. } If at or above 71s. 0d.	If at 70s. 7 } but 80s. 0d. } ... 8s. } under 18s. 0d. } Or if at or above 83s. 0d.	12s. 0d.	5s. 0d.
BEANS, Pease, or Rye.	If at 39s. 0d. Per } but 44s. 0d. } ... 44s. 0d. Quarter } under 46s. 0d. } If at or above 46s. 0d.	If at 41s. } but 53s. 0d. } ... 33s. } under 55s. 0d. } Or if at or above 55s. 0d.	8s. 0d.	3s. 0d.
BARLEY, Bear, or Bigg.	If at 30s. 0d. Per } but 33s. 0d. } ... 33s. 0d. Quarter } under 35s. 6d. } If at or above 35s. 0d.	If at 33s. } but 40s. 0d. } ... 40s. } under 42s. 6d. } Or if at or above 42s. 6d.	6s. 0d.	2s. 6d.
OATS.	If at 20s. 0d. Per } but 22s. 6d. } ... 22s. 6d. Quarter } under 24s. 0d. } If at or above 24s. 0d.	If at 25s. } but 28s. 0d. } ... 28s. } under 30s. 0d. } Or if at or above 30s. 0d.	4s. 0d.	2s. 0d.
Wheatmeal or Flour, and Oatmeal, are admitted for consumption; either from British possessions in America or from any other part, at the rates of duty hereunto affixed, when the average prices of Wheat and Oats respectively correspond with the rates above specified.—Pease, when prohibited as corn, are admitted for seed or any other purpose, at 7s. per bushel.	Wheatmeal	3s. 3d.	1s. 7d.	
	Flour	1s. 7d.	1s. 7d.	
	OATMEAL	0s. 4d.	0s. 0d.	
		2s. 2d.	2s. 0d.	
		0s. 6d.	0s. 0d.	

This act, by preventing importation until the home price rose to seventy shillings, and then loading the imports which took place between that limit and the limit of eighty-five shillings, with heavy duties, was certainly more favourable to the views of the agriculturists than the act of 1815. But, unluckily for them, the prices of no species of corn, except barley, have been sufficiently high since this act was passed to bring it into operation. And it has hitherto, with the exception just mentioned, remained a dead letter.

In 1825, the first approach was made to a better system, by permitting the importation of wheat from the British possessions in North America, without reference to the price at home, on payment of a duty of five shillings a quarter. But this act was passed with difficulty, and was limited to one year's duration.

Owing to the drought that prevailed during the summer of 1826, there was every prospect that there would be a great deficiency in the crops of that year; and, in order to prevent the disastrous consequences that might have taken place, had importation been prevented until the season was too far advanced for bringing supplies from the great corn markets in the north of Europe, his Majesty was authorized to admit 500,000 quarters of foreign wheat, on payment of such duties as the order in council, for its importation, should declare. And when it was ascertained that the crops of oats, pease, &c. were greatly below an average, ministers issued an order in council, on their own responsibility, on the 1st of September, authorizing the immediate importation of oats on payment of a duty of two shillings a quarter, of oatmeal on payment of a duty of two shillings and twopence a boll, and of rye, pease, and beans on payment of a duty of three shillings and sixpence a quarter. A considerable quantity of oats was imported under this order; the timely appearance of which had undoubtedly a very considerable effect in mitigating the pernicious consequences aris-

ing from the deficiency of that species of grain.—Ministers obtained an indemnity for this order on the subsequent meeting of parliament.

Nothing could more strikingly evince the impolicy of the acts of 1815 and 1822, than the necessity under which the legislature and government had been placed, of passing the temporary acts, and issuing the orders alluded to. The more intelligent portion of the agriculturists began at length to perceive that the corn laws were not really productive of the advantages that they had supposed they would derive from them; and the conviction that increased facilities should be given to importation had become general throughout the country. The same conviction had made considerable progress in the House of Commons; and several of those members who had supported the measures adopted in 1815 and 1822, expressed themselves satisfied that the principle of exclusion had been carried too far, and that the public interests required that a more liberal system should be adopted. Ministers having participated in these sentiments, Mr. Canning moved a series of resolutions, as the foundation of a new corn law, on the 1st of March 1827. These resolutions bore that foreign corn might always be imported free of duty, in order to be warehoused, and that it should always be admissible for home consumption on payment of certain duties. Thus, in the instance of wheat, it was resolved that when the home price was at or above seventy shillings a quarter, the duty should be a fixed one of one shilling; and that for every shilling that the price fell below seventy shillings, a duty of two shillings should be imposed; so that when the price was at sixty-nine shillings, the duty on importation was to be two shillings; when at sixty-eight shillings, the duty was to be four shillings, and so on. The limit at which the constant duty of one shilling a quarter was to take place in the case of barley, was originally fixed at thirty-seven shillings, but it was subsequently raised to forty shil-

lings, the duty increasing by one shilling and sixpence for every one shilling which the price fell below that limit. The limit at which the constant duty of one shilling a quarter was to take place in the case of oats, was originally fixed at twenty-eight shillings, but it was subsequently raised to thirty-three shillings, the duty increasing at the rate of one shilling a quarter for every shilling that the price fell below that limit. The duty on colonial wheat was fixed at sixpence the quarter when the home price was below sixty-five shillings the quarter; and when the price was under that sum the duty was constant at five shillings; the duties on other descriptions of colonial grain were similar. These resolutions were agreed to by a large majority; and a bill founded on them was subsequently carried through the House of Commons. Owing, however, to the change of ministers which took place in the interim, several of those peers who had originally been favourable to the bill, and even assisted in its preparation, saw reason to become amongst its most violent opponents. And a clause, moved by the Duke of Wellington, interdicting all importation of foreign corn until the home price exceeded sixty-six shillings, having been carried in the Lords, ministers gave up the bill, justly considering that such a clause was entirely subversive of the principle of the measure.

At this moment, therefore, the corn trade is regulated partly and principally by the act of 1815, and partly by the act of 1822.

I shall afterwards have occasion to make some remarks on the principle of Mr. Canning's resolutions; but, to whatever objections they may be liable, there can be no doubt that the bill founded on them would have been, had it passed into a law, a decided improvement on the laws of 1815 and 1822. Under the proposed measure, importation, after the home price reached seventy shillings, would have been free under the nominal duty of one shilling; whereas, under the act of 1822, if the price

fluctuates between seventy and eighty shillings, there is a constant duty of twelve shillings a quarter, and an additional duty of five shillings a quarter during the first three months after the ports are opened. The duty, when the home price was sixty-five shillings, would, under the proposed measure, have been ten shillings, at which rate considerable importations might have taken place. But as no importation could have taken place after the home price had sunk to 60s., when the duty would have been 20s., this limitation would have had the effect, as will be immediately seen, by keeping up average prices in this country above the level of the Continent, to occasion a considerable fluctuation of price.

PART II.

PRINCIPLES OF THE CORN LAWS.

It would be idle to attempt to add any thing to the clear and conclusive reasonings by which Dr. Smith has established the advantage of allowing the most perfect liberty of exportation to other countries. It is sufficient to remark, that no market can ever be steadily and plentifully supplied with corn, unless liberty be given to export the surplus supplies with which it may occasionally be furnished. Wherever the freedom of exportation is fettered and restricted, a plentiful crop, by causing a great overloading of the market and a heavy fall of prices, is as injurious to the farmer as a scarcity, which, indeed, by its destroying his capital, and paralysing his exertions, it seldom fails to occasion.

But it is unnecessary to dwell on this part of the subject. Exportation in England has been, for a very long period, perfectly free; and from the era of the revolution in 1689 down to 1815, it was encouraged by the granting of a bounty whenever the home prices fell be-

low a certain limit. But this policy errs as much on the one hand as a restriction on exportation errs on the other. Freedom is the only thing that is required to place the trade in corn on the best possible basis; and every interference which has not for its object to remove such obstacles as may prevent the establishment of a perfectly free system of exportation and importation, is sure to be prejudicial. A very few observations will suffice to show that this is the case with respect to the policy of granting a bounty on exportation.

SECTION I.—*Inquiry into the Policy and Effect of granting a Bounty on the Exportation of Corn.*

By extending the market for corn, when a bounty is first granted, the money price of raw produce is raised, and agricultural profits being elevated above the general level, there is an influx of capital from other departments, until they are again reduced. Thus far a bounty accomplishes its object, and gives at least a temporary stimulus to cultivation. If the newly-employed capital, rendered the same returns as the capital previously invested in raising corn, its real price would not be increased. But, as has been already shown, this cannot be the case for any considerable period. Discoveries in agriculture may, for a while, prevent recourse being had to poor soils, but the constant increase of population will, in the end, force their cultivation. Now, the bounty has, in this respect, precisely the same effect as an increase of population. Both extend the demand for corn; and as, by this extension of the demand, we are at length forced to employ inferior machinery, or worse land, in order to raise the additional supplies, their value must be augmented.

Thus, if the prices of corn in Britain and Spain were nearly on a level, no exportation from the one to the other would take place. But if, when prices were in this

situation, a bounty, say of 10s. per quarter, were granted by our government, corn would be immediately poured from England into Spain. Limits would, it is true, be soon set to this exportation and importation. The competition which takes place among exporters, as among every other class of traders, prevents their realizing more than the common and ordinary profits of stock; and hence grain would be exported from England to Spain, not in the expectation of realizing the whole of the bounty as profit, but in the view merely of securing the ordinary rate of profit on the capital employed in its transfer. A rise of prices, though not to the whole extent of the bounty, would therefore be immediately felt in this country, and a corresponding fall in Spain. Nor would this rise and fall of price be temporary. Corn would be permanently reduced in Spain, because the unusual cheapness of the foreign supplies would throw the poorest cultivated lands of that country out of tillage; and it would be permanently raised in England, because the increased demand would stimulate the bringing of poor lands under cultivation. A bounty, to the extent we have supposed, would perhaps depress prices 5s. a quarter in Spain, and raise them as much in Britain. To the Spaniards it would be extremely advantageous, as it would enable them to purchase the most indispensable necessary of life at so much less than they could otherwise have done; in Britain, however, its effects would be directly opposite. A few more of our heaths and bogs would indeed be cultivated, but every class of persons in the kingdom, landlords alone excepted, would find it more difficult to procure food than before. The higher price of our corn, supposing it not to raise wages and diminish the profits of stock, which it would most unquestionably do, would obviously be of no advantage to the public, since it would in the end be exactly proportioned to the greater difficulty experienced in raising the additional quantity.

Every bounty is also objectionable as producing an un-

natural and fictitious distribution of the national capital; but a bounty on any manufactured commodity would not increase the quantity of labour required for its production, and, of course, would not permanently raise its exchangeable value. In this respect, a bounty which has for its object to encourage the raising of raw produce, is the most impolitic of any, inasmuch as it not only occasions a faulty distribution of capital, but also raises the cost of production, and, consequently, the real price of the articles produced.

The argument that Dr. Smith has brought forward against granting a bounty is, therefore, untenable. The nature of things has not, as he imagined, stamped upon corn a real and unalterable value. The variations in its exchangeable value, exclusive altogether of the effects of scarcity, and of extraordinarily luxuriant crops, though somewhat slow, are extremely perceptible at distant periods. The wheat which is raised at an immense expense from a worthless bog or morass, must have a greater value than that which, in an earlier stage of society, was raised almost spontaneously from rich alluvial lands. "It is natural," as Dr. Smith has himself observed, "that what is usually the produce of two days or two hours labour, should be worth double of what is usually the produce of one day's or one hour's labour."

"If good land existed in a quantity much more abundant than the production of food for an increasing population required, or if capital could be indefinitely employed without a diminished return on the old land, there could be no rise of rent; for rent invariably proceeds from the employment of an additional quantity of labour, with a proportionally less return."* Inasmuch then as bounties force us to have recourse to poor soils, and, consequently, diminish the productive power of fresh capital when applied to land, they contribute to raise rent, and are, therefore, beneficial to the landlords. To

* Ricardo, Principles of Political Economy, p. 58.

every other class of society, however, their effects are diametrically opposite. The consumers of corn are not merely burdened with the tax necessary to pay the bounty, and compelled to pay an additional price for their most indispensable necessaries; but the returns derived from capital are universally diminished. Farmers may, indeed, derive some advantage from a bounty during the currency of their leases, but it cannot continue longer. An increase in the cost of raising raw produce reduces the profits of agricultural as of all other stock. At the expiration of the farmer's lease his rent is raised, and he is obliged to employ an additional number of labourers, and to pay them higher wages; while the rise in the price of his produce, being only proportioned to the *rise of his rent*, or to the *additional number* of his labourers, does not compensate him for the rise in the rate of wages.

In so far, therefore, as bounties on exportation, or restrictions on the importation of corn, tend to raise its real price, or to prevent it from falling, they also tend to diminish the general profits of stock, or to prevent their rising to what they would otherwise be, if no restrictions on importation existed.

Assuming, therefore, that it has been sufficiently proved that the exportation of raw produce ought to be rendered perfectly free, but that it should not be encouraged by means of a bounty, we have next to inquire into the policy of restrictions on importation.

SECTION II.—*Fluctuations caused by a Restriction on the Importation of Foreign Corn—Burden imposed by the Corn Laws on the Country—Advantages that would result from their Abolition.*

The effect of a restriction on the importation of foreign corn necessarily varies according to the varying situation

of different countries. Wherever the soil is good, and the thinness of the population renders it unnecessary to cultivate any but lands of the highest degree of fertility, as in the United States, Poland, Russia, &c. a restriction on importation would, in all ordinary cases, be a mere dead letter. But when a restriction is laid on the importation of corn into a country whose population cannot be fed on produce derived from its own soil, without the cultivation of lands of inferior fertility to those that are cultivated amongst its neighbours, the restriction has the most powerful influence on the condition of every class of society.*

It would be quite inexcusable to waste the reader's time by endeavouring to prove, by argument, the advantage of being able to obtain supplies of food at a low price. To facilitate production, and to make commodities cheaper and more easily obtained, are the grand motives which stimulate the inventive powers, and which lead to the discovery and improvement of machines, and processes for saving labour and diminishing cost; and it is plain that no system of commercial legislation deserves to be supported which does not conspire to promote the same objects. But a restriction on the importation of corn into a country which, like Great Britain, has made a great comparative advance in population and manufacturing industry, is diametrically opposed to these principles. The density of our population is such, that the exclusion of foreign corn forces us to resort to soils of a decidedly less degree of fertility than those that are under cultivation in the surrounding countries; and, in consequence, the average prices of corn in Great Britain are comparatively high. We have resolved that our people should not employ their capital and industry in those branches of manufacturing and commercial indus-

* The remainder of this note is principally abstracted, though with some considerable additions and modifications, from articles on the Corn Laws in the 72nd and 88th numbers of the Edinburgh Review.

try in which they have a decided advantage over those of every other country; but that they should be made to force soils of the fifth or sixth degree of fertility to yield them a scanty return for their outlay. Suppose that we could, by exporting L.1,000 worth of cotton goods to Poland or Russia, obtain in exchange for them as much corn as would have required an expenditure of L.1,500 to produce on the land last cultivated in this country, what shall we say of the policy of a statute that prevents this exchange from being made, and compels us to procure our food at such an increased cost? By forcing the extension of tillage, and consequently raising prices, this system may, in the first instance, be advantageous to the landlords. But it is clear that it must ultimately, and perhaps at no distant period, be subversive of the prosperity of the country. It obliges us to misemploy a large proportion of our capital and labour; while, by lessening the quantity of produce to be divided between capitalists and labourers, and raising the proportion falling to the latter, it lowers the rate of profit, and has a powerful tendency to force capital abroad. Instead of being publicly advantageous, high prices are in every case distinctly and completely the reverse. The smaller the sacrifice for which any commodity can be obtained, so much the better. When the labour required to produce, or the money required to purchase, a sufficient supply of corn is diminished, it is as clear as the sun at noonday that more labour or money must remain to produce or purchase the other necessaries, conveniencies, and amusements of human life, and that the sum of national wealth and comforts must be proportionally augmented. Those who suppose that a rise of prices can ever be a means of improving the condition of a country, might, with equal reason, suppose that it would be improved by throwing its best soils out of cultivation, and destroying its most powerful machines! The opinions of such persons are not only opposed to the plainest and

most obvious principles of economical science, but they are opposed to the obvious suggestions of common sense, and the universal experience of mankind.

But the mere increase of price—the circumstance of our being obliged to give two days labour, or the produce of two days labour in exchange for the same quantity of corn we might obtain, were the ports thrown open, for one, or, at most, one and a half day's labour—is not the worst consequence of a restriction on the importation of foreign corn. The fluctuations caused by such a system are still more injurious than the artificial enhancement of prices. Were the freedom of the corn trade established, our prices could hardly ever differ more than six or seven shillings a quarter from the prices in the surrounding countries; for the expense of conveying a quarter of wheat from the neighbouring ports of Hamburgh, Amsterdam, &c. to London, does not exceed that amount. But it is plain that if our prices were governed by the *average* prices of Europe, as they would be if all restrictions and prohibitions were abolished, they would approach much more nearly to a common level than they can do under the existing system. The larger the surface from which a country draws its supplies of food, the less likely is it to be injuriously affected by variations in the harvests. The weather that is unfavourable to the crops raised in a particular district, is, most commonly, favourable to those raised in districts having a different soil or climate. In consequence of this benevolent arrangement, a failure of the crops throughout an extensive kingdom is a calamity of but rare occurrence; and no single instance can be produced of a simultaneous failure of the crops throughout the whole commercial world. It is observed by Mr. 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."* Holland during the days of her greatest prosperity, was chiefly fed on imported corn; and while prices in Amsterdam were always comparatively moderate, they fluctuated less than in any other market of Europe. The experience, in a word, of all ages and nations proves that it is freedom, and freedom only, that can put an effectual stop to those sudden and excessive fluctuations in the price of corn which are so exceedingly ruinous to all classes of the community, but most of all to the farmer.

But while the freedom of commerce is thus sure to produce plenty, cheapness, and what, perhaps, is of still more importance, steadiness of price, monopoly is "the parent of scarcity, of dearness, and above all, of uncertainty." When a comparatively rich and highly populous country like England excludes foreign produce from her markets, the necessity under which she is placed of resorting to very inferior soils for supplies of food, raises her average prices far above the average level of the surrounding countries. The consequence of this is, that when an unusually luxuriant crop occurs, no portion of the surplus produce can be exported to other countries until the home prices have fallen from 40 to 50 per cent, below their common level. The real object of the corn law of 1815, which prevents all importation of foreign wheat for home consumption until the home price reaches 80s., was to keep the price steadily up to that level. But the slightest acquaintance with the principles of economical science would have taught the framers of that law that it could not effect the object it had in view. To maintain the prices of any particular country at a forced elevation, it is necessary, not only that foreign corn should, under certain circumstances, be excluded, but *that its markets should never be overloaded with corn of its own growth.* For, it is clear, according to the principle now explained, that

* Decline and Fall, vol. i. p. 86.

if the supply should, in ordinary years, be sufficient to support the population, it must, in an unusually productive year, be more than sufficient for that purpose; and it is equally clear that, in the event of such a case occurring, its merchants could not export any portion of its surplus produce until prices had fallen below the level of the surrounding countries. Now, this was the precise situation of this country at the return of peace. Agriculture had been so far extended previously to the opening of the ports of Holland in 1814, as to furnish an adequate supply for the home consumption of the country. And when the supply was thus equal to the demand, it was plainly impossible, notwithstanding the exclusion of foreign corn from our ports, that prices could be constantly maintained at their former elevation. To have accomplished this, it would have been necessary, not only for parliament to pass a law for the partial or total exclusion of foreign corn, but it should also have enacted, that *whenever we were visited by a luxuriant harvest, the excess of produce should be either destroyed or warehoused, or in some way prevented from overloading the markets!* Without the adoption of some such system as this, it was quite obvious that the first luxuriant crop would sink prices; and that it was out of the question to attempt relieving the market by exportation, until they had sunk to about a half of what was reckoned the lowest growing price.

This principle appears so self-evident, and so indisputable, that no one can have any hesitation in saying, that there are really no grounds whatever for thinking that the condition of the farmer would have been in any respect more prosperous than it has been, though the importation of foreign corn from 1813 up to the present moment had been completely prevented. It is not the introduction, but the *exclusion* of foreign corn, that has involved him in misery. Nine-tenths of the late agricultural distress may indeed be clearly traced to the opera-

tion of the protecting law, as it has been most improperly termed, of 1815. The average price of wheat in England and Wales in 1814 was 74s. a quarter; and in 1815 it had fallen to 64s. But as these prices would not indemnify the occupiers of the poor lands which had been brought under tillage during the high prices, they were gradually relinquishing their cultivation. A considerable portion of them was converted into pasture; rents were generally reduced; and wages had begun to decline: But the legislature having prohibited the importation of foreign corn, the operation of this natural principle of adjustment was unfortunately counteracted, and the price of 1816 rose to 75s. 10d. This rise was, however, insufficient to occasion any new improvement; and as foreign corn was now excluded, and large tracts of bad land had been thrown out of cultivation, the supply was so much diminished that, notwithstanding the increase in the value of money, prices rose in 1817 to 94s. 9d., and in 1818 to 84s. 1d. These high prices had their natural effect. They revived the drooping spirits of the farmers, who imagined that the corn law was at length beginning to produce the effects anticipated from it, and that the halcyon days of 1812, when wheat sold for 125s. a quarter, were about to return! But this prosperity carried in its bosom the seeds of future mischief. The increased prices necessarily occasioned a fresh extension of tillage; capital was again applied to the improvement of the soil; and this increase of tillage, conspiring with favourable seasons, again sunk prices to such a degree, that they fell in October 1822 so low as 38s. 1d., the average price of that year being only 43s. 3d.!

It thus seems demonstrably certain, that the recurrence of periods of distress similar to that which the agriculturists have lately experienced, cannot be alleviated by throwing obstacles in the way of importation. Prohibitory enactments deceive the agriculturist, and flatter him with expectations of relief which they will never be able to rea-

lize. Had the corn trade been free, the prices of 1817 and 1818 could not have been so high; and as rents and wages would have been proportionally reduced, the abundant harvests of 1820, 21, and 22, instead of being productive only of disaster to the farmers, would, by enabling them to export to other countries, have redounded as much to their advantage as to that of the other classes of the community. *The higher the limit at which the importation of foreign corn is fixed, the greater and more destructive will be the fluctuation of prices.* Had importation in 1817 and 1818 been prohibited until the home price reached 100s., it is nearly certain that the average price of those years would have been at the very least 110s. or 120s. But this excessive price, by attracting still more capital to agriculture, and consequently increasing still farther the supplies of corn, would have sunk the prices of 1822 considerably lower. They could hardly, on that hypothesis, have exceeded 28s. or 30s. a quarter. But these ruinously low prices can continue only for a very limited period. No doctrine can be better established than that which teaches that production must cease when its expenses are no longer paid. We may be assured that the agriculturists will not continue to bring produce to market, unless its price is such as will afford them the common and average rate of profit on the capital employed in raising it. It is true, indeed, that the first effect of a fall of price is to act rather as an inducement to the farmers to cultivate more land. They naturally endeavour to make up for the lower value of their crops, by an increase of their quantity. But this is a remedy that aggravates the disease, and which very soon exhausts itself. — Extended tillage, by farther overloading the markets, occasions a greater reduction of price, and, consequently, a greater destruction of agricultural capital; and thus never fails in the end to drive larger tracts of inferior land out of cultivation. In a country in the situation of

wages had during the depression of the markets

Great Britain, two, or three luxuriant crops in succession, are the forerunners, not of scarcity only, but sometimes of positive famine! But it must not be supposed that this fluctuation—that this alternation of high and low prices, of famine and excess, which is inherent in the very nature of the prohibitive system—is injurious to the agriculturists only. Fluctuations are, if possible, still more injurious to the other classes of society. They have no redeeming quality about them; they are productive only of pure and unmixed evil. Though wages do not vary with every slight variation in the price of corn, yet when prices fall very low, as they are always sure to do under a restrictive system, whenever the crop is unusually abundant, wages always experience a considerable reduction. This arises from two causes; *first*, from the reduced price of corn, the main regulator of wages; and, *second*, from the diminished demand for agricultural labourers. But low prices cannot continue; for, as has been shown, the rapid destruction of farming capital which they occasion, and the diminished cultivation of bad land, by lessening the supply, must again raise them above their proper level. While they are thus elevated, the farmer, having succeeded during the low prices in getting his rent, wages, and other expenses reduced, obtains unusually high profits; this however, as has been also shown, by attracting fresh capital to agriculture, again depresses prices, and involves the farmer in new misery! But it is evident that all the advantage gained by the farmer during the high-priced years, of this ascending and descending progression, must have been gained at the expense of the other classes. It is in truth a mere shifting of distress from the shoulders of the agriculturist to those of the consumers of his produce. “The labourer,” says Colonel Torrens, who has illustrated this subject with great skill and ingenuity, “whose wages had, during the depression of the markets, gradu-

ally settled down to the level of his subsistence, must, when the produce of land recovers its value, be left without the means of procuring the necessaries of life. Pauperism, with its train of degradation, misery, and vice, will thus be increased to a frightful extent. In this state of things, wretchedness, disease, and death, will begin to thin the population, and to withdraw the supply of labour, until wages regain their natural level. Even when, by this painful process, the money wages of labour have been adjusted to the price of the necessaries of life, the evil will not cease; but, on the contrary, the miserable series will recommence. Years of abundance must return; and these, with the extended tillage occasioned by the high prices, will lower the markets, from the point at which foreign corn can be introduced, to the point at which superfluity can be removed. Hence, while the great reduction in the value of the produce of land again proves destructive of agricultural capital, and diminishes cultivation, it will give an impulse to population, lower wages once more, and lay the foundation of a frightful renewal of pauperism and misery, when a deficiency in the home supply of corn shall recur.*

It is needless to dwell on the disastrous influence that such violent alternations in the price of corn must unavoidably have on the peace of the country. The subsistence of the people is certainly the very last thing with which a wise government would choose to tamper.

Summa favoris

Annona momenta trahit. Namqueasseriturbes

Sola famem, emittiturque metus, cum seque potentes

Vulgus alunt. Nescit plebes jejuna timere.

Mobs and popular commotions are the necessary result of a dearth of corn. It must be obvious to every one that, were our restrictions and prohibitions abolished, the price of corn, in a country so well supplied with

merchandise as England, could never rise considerably above the level of the surrounding markets. When, therefore, the prices rise above this their natural limit, as they invariably do under the restrictive system, whenever an unfavourable harvest occurs, the cause of the enhancement is obvious to the whole world. Every one sees that the high price is not real but artificial—that “it is not by the dispensations of Providence—dispensations which it would be unavailing to canvass, and impious to censure,”—but by the perverse regulations of man that he is oppressed, and his means of existence compromised. The public mind is in consequence alienated from the legislature, and riot and intestine commotion are the result. The restriction on importation was the sole cause of the high prices of 1817 and 1818; and it was those high prices that drove the manufacturing classes to despair, and occasioned those commotions that led to so much evil.

It is thus that the restrictive system is productive of double mischief. By preventing importation, it aggravates all the evils of scarcity when the home crops are deficient; while, by forcing the cultivation of poor soils, and raising average prices, it prevents exportation in a year of unusual plenty, and renders the bounty of Providence an injury to the farmer! So long, therefore, as we support the existing corn laws, so long may we expect the same incessant alternation of ruinously low and oppressively high prices we have experienced since 1813. At one time our ears will be stunned with the complaints of the agriculturists; and when these have subsided, they will be assailed with the louder and more piercing and menacing cries of the manufacturing population—with the noise of radical rebellions, and suspensions of the Habeas Corpus act! The low prices of the restrictive system cannot be otherwise than ephemeral—*opulentia non paritura legum statem*; for these low prices, by destroying agricultural capital, and driving poor land out of

cultivation, necessarily diminish the supply, and occasion an unmeasured increase of price on the occurrence of a bad year. Such is the practical operation of the prohibitive system. It is equally ruinous to the agricultural, and the manufacturing and commercial classes; and if not put down, it will most probably end by destroying the capital of both, and sinking all classes, high as well as low, below the level of what was originally lowest.

Attempts have frequently been made to form a pecuniary estimate of the actual loss which the existing restrictions on the corn trade entail on the country in ordinary years. But it is evident that the whole mischief to which they give rise, and their disastrous influence upon the public tranquillity, do not admit of being measured by a pecuniary standard. It has however been shown, in an article in the 88th number of the Edinburgh Review, that the quantity of the different sorts of grain annually consumed in the United Kingdom cannot be estimated at less than 48,000,000 of quarters. And it is shown in the same article that, supposing the ports to be thrown open to the importation of foreign corn, subject to a duty of 5s. or 6s. a quarter, to counterbalance the duties peculiarly affecting agricultural produce in this country, it is most probable that the price of all sorts of grain would be reduced, on an average, about 8s. a quarter below their price during the last eight or ten years. There are good grounds for thinking that both these estimates are considerably within the mark; they are, however, sufficient to set the burden entailed by the corn laws on the country in a very striking point of view. It is clear that every shilling added to the price of the *forty-eight* millions of quarters consumed in the empire, by means of a restriction on importation, is really equivalent, in its effect on the consumer, to a tax of L.2,400,000 laid directly on corn: And estimating, as before, the difference between the average price of all sorts of grain under the restrictive system, and its price, were the ports thrown

each working day.

open, at 8s. a quarter, this will make a total aggregate loss to the consumers of not less than *nineteen millions two hundred thousand pounds sterling a year!*

It is of importance to mark the dilemma in which the advocates of agricultural monopoly are placed by this statement. If, on the one hand, they say that the price of foreign corn would not decline so much as 8s. a quarter in the event of the ports being thrown open under a duty of 5s. or 6s. a quarter, then it is plain their monopoly must be of proportionally less value to them; and that its principal effect is to shut us out from participating in the provision made by nature for equalizing the variations in the harvests of particular countries by means of commerce; and consequently to occasion those destructive oscillations of price, which are at least as ruinous to the farmer as to either the manufacturer or merchant: And if, on the other hand, the advocates of monopoly should contend that prices would decline more than 8s. a quarter, in the event of the ports being thrown open under the above-mentioned duty—if prices, for example, instead of declining 8s., should decline 10s. a quarter—then it is clear that the corn laws must be a much greater nuisance than we suppose them to be, and that, instead of occasioning a loss of L.19,200,000 to the consumers, they must really occasion a loss of L.24,000,000; and if the price of corn should, on an average, decline 15s. a quarter, it follows that the annual loss occasioned by the corn laws to the consumers cannot amount to less than the enormous sum of THIRTY-SIX MILLIONS!

But believing, for the reasons already stated, that the loss really sustained by the consumers of corn, in consequence of the restrictions on importation raising its average price 8s. a quarter above what it would be were they abolished, may be fairly and moderately estimated at from *nineteen to twenty millions*, it is of the utmost importance to learn what becomes of this immense sum.

The common opinion is, that the whole of it goes to

merchants and manufacturers deriving from

swell the rent-roll of the landlords: but this is an obvious mistake. It is doubtful, in fact, whether the entire rental of England and Wales amounts at this moment to *twenty-four* millions. The truth is, that the monopoly created by the corn laws is not like any other monopoly. It does not occasion a mere transfer of wealth from one portion of the community, who are its rightful owners, to another portion, who have no just claim to it. If the monopoly enjoyed by the landlords and corn-growers were like that enjoyed by the East India Company—if its effect were only to occasion an unnatural distribution of the wealth of the country—to plunder and impoverish nine-tenths of the population to enrich the other tenth, it would be comparatively harmless. But it is of the very essence of this question to observe, that the corn laws occasion the *destruction* of much more wealth than they *transfer*. There is no exaggeration in affirming, that of every *five hundred thousand pounds* of excess of price drawn by them from the pockets of the consumers, scarcely *one hundred thousand* finds its way into the pockets of the landlords. The other *four hundred thousand* are absolutely and totally lost to the country; and do not contribute in the smallest degree to increase the comforts or enjoyments of any individual whatever. I admit that this is rather a startling statement; but if its perfect accuracy can be established, it cannot surely be necessary to add another word to show the vast advantage that would result from the abolition of the corn laws.

The rent of a country consists, as has been previously shown, of the excess, or the value of the excess, of the produce obtained from the superior soils under cultivation, above that which is obtained from the worst. But when, by excluding ourselves from the cheapest markets for corn, we force recourse to be had to poorer soils, we not only increase the *magnitude* and *value* of that portion of the produce of the country received by the landlord

as rent, but we also increase the value of that portion which is required to indemnify the farmer for his expenses—a portion which is invariably much larger than the other. According to answers made to queries circulated by the Board of Agriculture, and the evidence taken before the committees of the Houses of Lords and Commons in 1814 and 1821, the average proportion which the rent paid to the landlords in England and Wales bears to the whole produce of the soil, does not exceed a FIFTH. But let us take the proportion as high as a FOURTH: it is plain that, when prices rise because of restrictions on importation from abroad, or any other cause, the landlords receive such additional price only for that *fourth* part of the produce of the country which belongs to them as rent. This is a point about which it is evidently impossible that there can be two opinions. And it is hardly less obvious that neither the farmer, nor any other individual, reaps the smallest advantage from the rise in the price or value of the *three-fourths*, which do not go to the landlord. For, it must be observed, that when the price of corn rises, the wages of the labourers whom the farmer employs, must, sooner or later, be raised in a corresponding proportion; at the same time that the expenses of seed, of the keep of horses, of the maintenance of his own family, &c. are all *equally and immediately increased*. If the rise of price, occasioned by the exclusion of foreign corn, could be confined to that portion of the produce which belongs to the landlord, he would receive the whole sum forced by the exclusion out of the pockets of the consumer. But this is not, and cannot possibly be the case. There cannot be *two* prices of the same commodity at the same time and in the same market. The monopoly system, which gives a greater value to that *one-fourth* part of the produce of the country which goes to the landlords as rent, equally raises the value of the other *three-fourths*, which are partly cast into the soil as seed, and partly

consumed by the men, horses, and oxen employed by the farmer.

It appears, therefore, from reasonings directly deduced from the statements of the most intelligent agriculturists, that, to whatever extent a restriction on importation raises the price of corn above what it would be were it repealed, not more than *one-fourth* part of the excess finds its way into the pockets of the landlords; and that the remaining *three-fourths* are absolutely and entirely lost or destroyed. It has, however, been contended, that although a very large proportion of that increased price, which the present system obliges the consumers of corn to pay for it, is not received either by the landlord or farmer, it is paid as wages to the labourers employed in its production, and cannot, therefore, be said to be wholly lost. But this statement is evidently fallacious. Is it possible to deny that the increased value which the restrictive system gives to the corn used as seed, and in the feeding of horses, is not absolutely and totally lost? Can it be said that seed is more productive when it costs 70s. or 80s. a quarter, than when it costs only 50s. or 55s.? Or, that the strength and swiftness of our horses are augmented when they are made to feed on dearer corn? But, though it were true that all the produce which is not received by the landlord were expended in the maintenance of labourers, it would be of no consequence to this argument. It is true that if we were to purchase our food in the cheapest market, a considerable number of persons now engaged in the cultivation of bad soils would be thrown out of *that* employment. But it is no less true that they would be employed in some other way. If the consumers of corn were able to obtain the same supply of that necessary for two-thirds or three-fourths of the sum which it now costs, they would most undoubtedly have the other third or fourth of this sum to expend on something else. The *total effective* demand of the country

for the produce of labour, and consequently the rate of wages, and the power of obtaining employment, would continue the same; while its wealth would be augmented by the produce of the labour of all the hands that had been set free from the production of corn. Suppose we require, under the existing system, the labour of *two millions* of people to raise forty-eight millions of quarters of corn, and that, by throwing the ports open, we could obtain as large a supply by the labour of *one million and a half*; then, as the means by which the consumers paid for the labour of the two millions of hands could not be diminished in consequence of this increased facility of production, it is clear that after the fall of prices the surplus half million of hands would be employed in some other pursuit; and, consequently, that the produce of their labour would be so much *clear gain*—so much of *positive addition* to the previous wealth and riches of the country.

It may, therefore, be concluded, that of the enormous sum of about *nineteen* millions, which the restrictions on the corn trade take, in ordinary years, from the consumers, not more than *five* find their way into the pockets of the landlords. The other *fourteen* millions are entirely lost, or, which is the same thing, are entirely swallowed up by the increased expenses attending the cultivation of the bad soils to which the corn laws force us to have recourse. Instead, then, of its being true, as has sometimes been alleged, that the corn laws assist in enabling the country to make good the taxes necessary to pay the interest of the public debt, and the expenses of the peace establishment, it is obvious that *they form, of themselves, by far the greatest, of all the burdens we have to sustain.* They do not, like an ordinary tax, transfer wealth from one portion of the public to another; but, on the most moderate estimate, they occasion a positive destruction—*a dead annual loss to the public of not less than FOURTEEN millions!*

Bad, however, as this must certainly appear, it is not perhaps the most unfavourable view that may be taken of the operation and practical effect of the corn laws. When the rate of wages is raised, in consequence of a rise in the price of raw produce, *the rate of profit is universally lowered*. The incomes of the capitalists being thus diminished, their means of amassing additional capital and employing fresh labourers are proportionally reduced, at the same time that an overwhelming temptation is created to transfer capital to other countries where profits are higher. There can be no manner of doubt that a large proportion of the loans lately made in this country, to the continental states and the South American republics, must be ascribed to this principle, or to the operation of the corn laws in depressing profits: and the bankruptcy and ruin that have been occasioned by these loans, and the injury done to the working classes by sending abroad so large an amount of capital, or of the funds destined for the employment of labour, are of themselves conclusive reasons why the corn laws should be abolished.

Although, therefore, it were true that the landlords really made the sum of four or five millions a year by the existing corn laws, it might still, one should think, be presumed that they would rather consent to relinquish it, than continue to cling to a system fraught with so much injustice and ruin. But instead of gaining by it, there can be no doubt that this system is no less hostile to their *real and lasting interests* than to those of the rest of the community. *Provided prices could be kept steady*, they would certainly gain for a while the advantage now stated. But this is plainly an impossible condition: Prices can never be steady under this system; and every landlord who will dispassionately consider the subject must admit, that it would be more for his interest to be secured in the regular payment of a somewhat lower average amount of rent, than to be perpetually exposed, as he must be during the continuance of the restrictive system, to the non-pay-

ment of the high rents that may be promised him in high-priced years. It is, moreover, in every point of view, the extreme of folly to suppose, that a system, which is so essentially injurious to the other classes of the community, can be really beneficial to those who have so deep an interest in the public prosperity as the landlords. Whatever advantage they may derive from it, can only be fleeting and illusory; for it must of necessity be purchased at the expense of those with whom their own interests are inseparably and indissolubly connected. If prices were steady, the landlord's rents would also be steady. His estate would not be ruined by over-cropping, and by the breaking up of old grass-land and meadows in high-priced years; nor would it be thrown on his hands without the possibility of letting it, when prices sink below the cost of production. Instead of being deluded by expectations of augmented revenue, which, so long as the present system lasts, can never be realized for more than two or three years in succession, he would be able to form a precise notion of the extent of his income and resources, and would be able to proportion his expenditure to his means; and above all, he would have the pleasing consciousness that he had regained his proper place in society and in the public estimation; that he was no longer regarded as a monopolist, and that his interests, instead of being opposed, as is at present the case, to those of his neighbours, were identified with theirs.

But it is a mistake to suppose that the abolition of the restrictions on importation would be merely innoxious to the landlords. The truth is, that it would be greatly and signally beneficial to them. Not only would the landlords gain by the general improvement that would result from the freedom of the corn trade, but they would also be relieved from a burden, which, at this moment, presses heavily on their estates, and threatens, at no distant period, to absorb the whole of their

rents. It is almost unnecessary to say that I am now alluding to the poor rates. Were it not for the extreme variations in the price of corn, the payments to able-bodied labourers, which constitute full three-fourths of the total assessment, might be entirely dispensed with. But so long as we continue to act on a system which necessarily occasions the most tremendous fluctuations of price, it is quite visionary to think of getting rid of this burden. Wages, though they are ultimately regulated by the price of necessaries, do not vary immediately with their variations. Prices, and consequently wages, are reduced by a *succession* of abundant harvests; but wages do not and cannot rise the moment the harvest becomes deficient, and prices attain the famine level. And if, under such circumstances, the labourers of a densely peopled country like England, where their condition can never be very prosperous, were not partly provided for by extrinsic assistance, the probability, or rather, one should say, the certainty is, that rebellion and intestine commotion would ensue, and that the security of property would be completely subverted. Those, therefore, who are really desirous of freeing the country from the great and constantly increasing burden of poor rates, ought above all to direct their efforts to procure the abolition of those restrictions which, by causing excessive fluctuations in the price of necessaries, expose the poor to misery and famine, and disable them for providing for themselves. Abolish the corn laws, and the abolition of all rates levied on account of the able-bodied poor may be effected with equal facility and security. But if the landlords will not consent to the establishment of a system of freedom, let them not deceive themselves by supposing that the pressure of the poor rates will ever be effectually diminished. If they will have monopoly, they must take all its consequences along with it; and they need neither murmur nor repine, should every shilling of their rents

be ultimately required for the support of workhouses and beggars. There is another circumstance which has not been noticed; in the recent discussions with respect to the corn laws, but which seems to be of the greatest importance in forming a right estimate of their operation; the stimulus given by a high price of corn to the cultivation of potatoes. When there are two species of food obtainable in a country, it is obvious that an artificial rise in the price of one of them has really the same effect on the other as if a bounty were given on its consumption. Efforts have been made to collect authentic accounts with respect to the cultivation of potatoes in Great Britain since 1795; and these, though imperfect, are sufficient to show that it has been at least *tripled* during the period in question. Those who have had the best means of forming a correct opinion on such a point, seem also to be very decidedly of opinion, that the comparatively low range of prices since 1820 is to be in a very considerable degree ascribed to the increased consumption of potatoes. They have already become a more important article than corn in the subsistence of the labouring class in many very populous districts; and were a succession of bad harvests and high prices to take place for only a few years together, the stimulus they would give to the use of the potato would be so great, that it is doubtful whether our prices would not be, in consequence, permanently sunk below the level of those of the Continent. But it is unnecessary again to repeat what was formerly said to show that these results cannot be too much deprecated.* Should our people ever become habitually dependent upon the potato for the principal part of their food, they would unavoidably sink to the same miserable condition as the peasantry of Ireland. Under such circumstances, their wages being entirely regulated by the

* See note on the Use of the Potato as a principal Article of Food,

price of the cheapest species of food hitherto raised in Europe, would not enable them to obtain any thing else when it was deficient; so that, whenever the potato crop failed, they would be left without the means of support; and dearth would be attended with all the horrors of famine!

For these reasons it seems to be clear, that, though foreign corn were for ever excluded from our markets, and though it were possible to prevent them from being overstocked with corn of our own growth, the stimulus that increased prices would give to the growth and consumption of the potato would effectually prevent them from being maintained, for any considerable period, at a high elevation. The landlords should advert to this circumstance; and those who do so, will perhaps be of opinion that it is of itself sufficient to show that, in attempting to keep up prices to an unnatural height, they have engaged in an enterprise in which they cannot but fail; and which must, under almost any circumstances, be productive of the most serious injury to themselves and the country.

The farmers have still less reason than the landlords to support the existing system; and it is indeed quite apparent, that if they had a clear perception of their own interest, they would join in petitioning for its abolition. Suppose it were possible to maintain the home prices steady at about 80s., still it is easy to see that it would be infinitely better for the farmers were they allowed to settle at the fair and natural level of 50s. or 55s. If prices become stationary at the lower limit of 50s. or 55s., the rent, wages of labour, and other outgoings of the farmer, will be all proportionally adjusted; if they are raised to the higher limit of 80s., rent, wages, &c. will sustain a corresponding increase. It is impossible, however, as has been repeatedly demonstrated, to raise wages without *reducing profits*; so that it is unquestionably true, that instead of high prices being really advan-

tageous to the farmer, they are distinctly and completely the reverse. The object of the farmer, as of all other producers, must always be, to derive the greatest possible profit from his capital; and it is absolutely certain that profits invariably fall as prices rise, and rise as prices fall. The price of wheat in Illinois and Indiana does not amount to one-third of its price in England; and yet an Illinois or Indiana farmer, with a capital of £1,000, would derive as much profit from it as an English farmer would derive from a capital of £3,000 or £4,000. It appears, therefore, that the real and permanent interests of the farmers and consumers are precisely the same; and that a permanently high price of produce, supposing it could be maintained, would not be less injurious to the one class than the other.

“A farmer,” it has been justly said, “is as much a capitalist as a shopkeeper, or a manufacturer, and the profits of farming capital must, in the end, be lowered by any cause which lowers the profits of other capital. It is the interest of all capitalists to have the necessaries of life, and consequently corn, among the rest, cheap; because their labourers will then be contented with lower wages. A farmer's gain cannot be permanently greater than that of other capitalists. Even during the currency of a lease, a rise in the price of corn is not always an advantage to him; for, if there be a general rise in the price of all other commodities also at the same time, he must give a corresponding increased price for his coats, hats, horses, sheep, cattle, &c.; and unless during the currency of a lease, he has no interest whatever in high prices; because competition will effectually prevent him from deriving more than a very temporary advantage from them. He has, however, in common with all other capitalists, a very strong interest in high profits; and it is not possible that profits should be high for a long period together, when the necessaries of life are dear. A high price of corn, therefore, not only is not beneficial to the farmer

as such, but it is positively injurious to him. He is injured in two ways; first, as a consumer of corn in common with the rest of the community, by having to consume a dear, instead of a cheap commodity; and, secondly, he is injured in a still greater degree, as an owner of capital, by being compelled to give high wages to all the labourers he employs.*

Much has been said about the necessity of securing a remunerating price to the agriculturists. But the truth is, that prices are equally remunerative at one limit as at another. Remunerative price is justly defined by Mr. Ricardo, to be "that price at which corn can be raised, paying all charges, including rent, and leaving to the grower a fair profit on his capital." It must, therefore, rise according as population increases, or as restrictions on the importation of comparatively cheap foreign corn force recourse to poor soils. It was stated by Messrs. Lyson, Wakefield, Harvey, and other agriculturists examined by the committee of the House of Commons in 1821, that the best lands under cultivation in England yield from thirty-two to forty bushels an acre of wheat, while the poorest lands under cultivation yield only from eight to twelve bushels. Now, it is plain from this statement, that if the best lands only were cultivated, the remunerative price of corn would not exceed a *third* or a *fourth* of what it must amount to when the worst lands are cultivated. When a given expenditure of capital and labour, applied to the cultivation of the best soil, obtains a return of thirty-six quarters, and when the *same* expenditure, applied to an inferior soil, obtains only a return of eighteen quarters, the price, in order to be remunerative, must be *doubled*,—when a return of only twelve quarters is obtained, the price must be *tripled*,—and when the re-

* "Cheap Corn best for Farmers," p. 23, 2d ed.—This tract is said to have been written by Henry Drummond, Esq., the munificent founder of the Chair of Political Economy in the University of Oxford.

turn sinks to nine quarters, it must be quadrupled. It is absurd, therefore, to attempt to found any argument in favour of the restrictive system on the alleged necessity of securing a remunerative price to the farmer. If the ports were thrown open to the free importation of foreign corn, prices would fall to about 50s. or 55s. a quarter, and would, most probably, continue steady at about that elevation. But, though under such circumstances inferior lands would be thrown out of tillage, the price would still be sufficiently high to remunerate the cultivators of superior lands. In fact, prices, if they are steady, are equally remunerative at 50s. as at 100s. a quarter. The only difference is, that in the first case, none but superior soils being cultivated, industry is comparatively productive, and the rate of profit proportionally high; while, in the last case, cultivation being extended over poor soils, industry is comparatively unproductive, and the rate of profit proportionally low!

One of the most popular arguments urged in defence of the corn laws rests on the ground that duties have been imposed to protect many important branches of manufacturing and commercial industry from foreign competition, and that justice to the agriculturists requires that they should be placed in the same favoured situation. But, in answer to this statement, it may be observed, that a protection from foreign competition can be of no value to the producers of such commodities as are exported, without the aid of a bounty, to other countries. And such is the case with all the important manufactures carried on in Great Britain. The duties intended to protect them have been really inoperative; they have served only to encumber the statute book; and to afford a pretext for the enactment of really effective prohibitions.

And such, too, is the view that is now almost universally taken of the operation of the duties in question. The old system of absolute prohibition has been of late almost

wholly abandoned; and a system of *ad valorem* duties has been in most instances adopted in its stead.

Thus, for example, by the acts passed in 1824-5, the ports of Great Britain are opened to the importation of foreign cotton-manufactured goods, on their paying an *ad valorem* importation duty of ten per cent. Foreign woollen goods are admitted on paying a duty of fifteen per cent.; foreign earthen-ware on the same duty as woollens; foreign cast-iron on a duty of ten per cent.; and wrought foreign iron on a duty of twenty per cent., and so on.

But the plea of the agriculturists would have been wholly inapplicable, though these modifications of the restrictive system had not been carried into effect. "Because," says Mr. Ricardo, referring to this argument, "the cost of production, and, therefore, the prices of various manufactured commodities, are raised to the consumer by one error in legislation, the country has been called upon, on the plea of justice, quietly to submit to fresh exactions. Because we all pay an additional price for our linen, muslin, and cottons, it is thought just that we should pay also an additional price for our corn. Because, in the general distribution of the labour of the world, we have prevented the greatest amount of productions from being obtained by that labour in manufactured commodities, we should further punish ourselves by diminishing the productive powers of the general labour in the supply of raw produce. It would be much wiser to acknowledge the errors which a mistaken policy has induced us to adopt, and immediately to commence a gradual recurrence to the sound principles of an universally free trade.*

* Principles of Political Economy and Taxation, p. 444, 1st ed.

SECTION III.—*Principle which ought to determine the Imposition of a Duty on the Importation of Foreign Corn.—Burdens peculiarly affecting the Agriculturists—Constant Duty required to countervail these Burdens—Remarks on the operation of a Graduated Duty—Drawback to be allowed on Exportation.*

In order to simplify the consideration of this great question, I have argued thus far on the supposition, that there is nothing in the circumstances under which the agriculturists of Great Britain are placed, or in the public burdens imposed on them, that could unfit them for withstanding the free competition of foreigners, or entitle them, in any view of the matter, to claim that a higher duty than five shillings or six shillings a quarter should be imposed on foreign wheat, and proportionally on other foreign corn when imported. But as this is a point of great practical importance, and with respect to which much diversity of opinion is entertained, it will be proper to examine it somewhat in detail.

In entering upon this examination, it is necessary, in the first place, to distinguish between the landlords, as such, and the growers of corn. Rent being the excess, or the value of the excess, of the produce obtained from the superior lands of a country, over that portion of their produce, or its value, that is required to defray the expenses of their cultivation, and to yield the farmers the common and ordinary rate of profit on their capital, it is obvious that it is altogether extrinsic to the cost of production. And, therefore, it results, that such taxes as fall exclusively on rent might be augmented so as to absorb it entirely, without in the slightest degree affecting the price of corn. Nothing can affect its price, unless it affect the cost of its production; but rent being a surplus which is over and above that cost, it is quite clear that it is of no consequence to a cultivator whether the rent which he pays be received

by a landlord or a tax-gatherer. Hence, though it should appear that the landlords of this or any other country are more heavily taxed than any other class of the community, that circumstance would not afford the shadow of a ground for giving the home growers of corn a protection against foreign competition. If the opening of the ports should have the effect to throw any unusual burden on the landlords, or to impose a sacrifice on them which it does not impose on the rest of the community, they would be entitled to a compensation. But if the opening of the ports would not affect the relative condition of the landlords—if it would have no influence on the burdens which have been long imposed on them, and under which their estates have been acquired, and the existing interests of the country grown up—and if its only effect would be to place industry on a more secure foundation, to avoid the misapplication of a large amount of capital, and the annual loss of from *fourteen to fifteen* millions—it is clear that the landlords can have no right to claim that a duty should be imposed on foreign corn, in order to protect their interests.

II. With respect, in the *second* place, to those taxes or burdens which affect the cultivators of the soil or the producers of corn, they may be exceedingly heavy without entitling them to a protection from foreign competition. It must be remembered, that *all imported corn must be paid for, either directly or indirectly, by the exportation of some species of manufactured goods*: And it is, consequently, clear, that the home producers of corn have no right to a protecting duty on the importation of foreign corn, unless they can show that the taxes or public charges affecting raw produce exceed those which fall on manufactured goods. However oppressive taxation may be—though it were to abstract a fourth or a third part of the income of every individual—still, if it affected them all equally, it would leave the relative values of the commodities produced by them exactly where

it found them; and if it did this, it is obvious that it could not render any particular class less able than the others to withstand the unfettered competition of foreigners, and could not, therefore, entitle any one to a protecting duty. But, if higher duties were laid on a *particular class* of commodities, the case would be different. Suppose, for example, that the various duties affecting manufactured commodities amount to only 10, while those affecting raw produce amount to 20 per cent.; it is plain that, in order to maintain the agriculturists in the same situation as the manufacturers, the price of raw produce must rise 10 per cent. higher than it would be, were it not loaded with this excess of duty; and it is further obvious that the exclusion of foreign grain, by enabling the cultivators to diminish the supply, enables them to raise the price, and to throw the burdens peculiarly affecting them on the consumers. In the event, however, of the ports being opened to the importation of all sorts of foreign corn free of duty, the agriculturists would be deprived of the power of limiting the supply of corn, and, consequently, of raising their prices, so as to indemnify them for the excess of any burdens by which they may be affected. The 10 per cent. excess of duty, affecting corn raised at home, would then really operate as a bounty on the importation of that which is raised abroad; and if it were not defeated by a protecting duty of 10 per cent., the agriculturists would be placed in a relatively disadvantageous position; and such of them as occupied the poorer description of lands would be driven from their business.

It appears, therefore, that if the growers of corn are only taxed to the same extent as the other classes of producers, they have no claim, whatever may be the absolute magnitude of the burdens laid on them, to a protecting duty. But, if they are more heavily taxed, they are entitled to demand that a duty should be charged on all foreign corn when imported, equivalent to the *excess*

of duties affecting their produce, as compared with those affecting the produce of the manufacturers. Such a duty, by fitting all classes equally to withstand foreign competition, will preserve them in the same relative situation after the opening of the ports as previously; and will treat all parties, as they ought ever to be treated, with the same equal and impartial justice.

Putting, therefore, the question with respect to protection on this ground, the only tenable one on which it can be put, let us next proceed to inquire whether the agriculturists are really more heavily taxed than the manufacturers or merchants.

The taxes which seem peculiarly to affect the agriculturists, and on the pressure of which they found their claim to a protecting duty, are tithes—supposed to amount, Ireland included, to about four millions and a half a year—the land-tax amounting to two millions—and poor rates and other county burdens, computed at about seven millions more—making, in all, about *thirteen* millions.

But, on examination, it will be found, that by far the largest proportion of this sum *has invariably been paid out of rent*, and that it has really nothing to do with the cost of producing corn.

With respect, in the first place, to tithes.—Two different opinions have been advanced as to their incidence and operation. Dr. Smith contends that tithes form a part of the rent of the land; and that being thus exclusively defrayed by the landlords, they have no influence on the price of corn or on the interests of any other class. On the other hand, Mr. Ricardo contends that the imposition of a tithe occasions an equivalent rise in the price of corn; and that, consequently, it does not fall more heavily on the landlords than on the rest of the community. It will be afterwards seen that neither of these opinions is perfectly correct; though Mr. Ricardo's is certainly, in the event of tithes being generally im-

posed, by far the more accurate of the two. But, without entering at present into any nice discussion of the subject, it is plain that the effect of tithes must depend, in a great degree, on the extent of land subjected to their operation as compared with the total extent of the country. And as the extent of tithe-free land in Great Britain is so very considerable as to amount to a full half of the whole country, the necessary effect of the tithe is to extend tillage over the untithed lands to the same extent that it contracts it on the tithed lands. Prices, therefore, cannot, in any view of the matter, be raised in a greater proportion than that of half the tithe. And supposing the cost of raising the last portion of grain now cultivated to amount to about 60s., the abolition of the tithe would not reduce its cost below 57s.; nor, for reasons that will be afterwards stated, can it be fairly concluded that it would reduce it so low. But, without adverting farther to these circumstances, it appears obvious that an *ad valorem* duty of 5 per cent. would be amply sufficient to indemnify the agriculturists for any peculiar charge to which they are subject on account of tithes.

That the land-tax is at this moment, and has always been, a tax on rent, and has no effect on the price of corn, is a fact of which there cannot be the slightest doubt. It was originally imposed in 1693, a new valuation of all the lands in the kingdom having been made in the previous year. According to that valuation, it was found, that a tax of 1s. on the pound of the ascertained rental afforded a clear annual revenue of L.500,000. No change has ever been made in the valuation of 1692. The tax, which was at first an annual one, has generally been as high as 4s. a pound of the valued rent. In 1798 it was made perpetual at that rate, leave being at the same time given to the proprietors to redeem it.

Such being the nature and operation of the land-tax, it is obvious, for the reasons already stated, that its ex-

istence forms no ground whatever for the imposition of a duty on foreign corn. The only other burden supposed peculiarly to affect the agriculturists, consists of the rates levied for the support of the poor, and for other public purposes. But, although there is reason to think that this burden really presses more heavily on them than on any other class, the difference is not very material. Houses, workshops, &c. contribute equally with landed property to the support of the poor: and it should also be observed, that the amount of the rates is by no means a fair criterion of the real weight of this burden; for, owing to the system adopted throughout all the southern counties of England, of paying wages out of poor rates, the farmers, it is commonly understood, gain as much, by making the occupiers of houses and villas contribute to the support of the labourers employed by them, as they lose by being more exposed to the rates. Seeing, therefore, that all sorts of fixed property, as well as land, are made to contribute to the rates, that these rates have been improperly enhanced in many counties by the attempts of the landlords and farmers to make those who do not employ labour bear a part of the charges of those who do, and that the abolition of the corn laws would, as has been already seen, enable the greater part of the rates to be dispensed with, it is clear that the duty which the agriculturists are entitled to claim, on the ground of their being peculiarly affected by the poor rates, must be very small indeed—perhaps not more than *one or two per cent. ad valorem*.

However, we should reckon it safer to err on the side of too much protection than of too little: and therefore, instead of proposing that an *ad valorem* duty of *seven or eight per cent.*—which last is certainly all that the agriculturists can justly claim—should be imposed on foreign corn imported, it might be made as high as *ten or twelve per cent.* It has been shown, that the

average price at which foreign wheat might be imported into England, in ordinary years, would most probably be from 48s. to 55s. a quarter; and, in order to get rid of the frauds inseparable from the average system, and to avoid all complicated arrangements, the preferable plan seems to be, to convert the *ad valorem* duty of 10 or 12 per cent. into a fixed duty of 5s. or 6s. a quarter on wheat, and other grain in proportion.

The principal objection to this plan is, that it would not be possible to levy the duty when the home price became very high, and that it would be every now and then necessary to suspend it. But, though this objection is certainly entitled to consideration, it does not seem to be by any means so formidable as it is sometimes represented. It might be enacted, that when the home price rose above a certain level, as 70s., the duty should cease; and those who object that it is not fair to the farmers to deprive them of the full advantage to be derived from high prices, when they are exposed to all the inconvenience attending their fall, should recollect that in matters of this sort it is not always either possible, or, if possible, prudent to carry the soundest principles to an extreme; and that, generally speaking, the public interests will be better consulted by guarding against scarcity and dearth than by securing, at all hazards, a trifling, though just, advantage to a particular class.

The principal objection to a *graduated* scale of duties, such as was proposed in the bill introduced by Mr. Canning, seems to consist in the extreme uncertainty it introduces into every transaction connected with the trade in corn, and the consequent disinclination it must produce on the part of the merchant to import, and of the foreigner to raise grain for our markets. To the necessary fluctuations in the price of corn, caused by variations in the harvests, a graduated scale of du-

ties superinduces an additional source of variation. In Mr. Canning's bill the fluctuation in the duties was always double the fluctuation in the home prices. Supposing, for the sake of illustration, that the bill had been in operation, and that a merchant had commissioned a cargo of foreign corn: it is clear, in the event of the home price having declined 3s. a quarter in the interval between the period when the order was given and completed, that the duty on importation would have advanced 6s.; so that, on this hypothesis, the importer would have realized 9s. a quarter less by the sale of the grain than he expected, and 6s. a quarter less than he would have done had the duty been a constant one. It is difficult, indeed, to believe that a regular or extensive foreign corn trade could have been carried on under such a system. And, as foreigners will not continue to raise corn for markets that are only occasionally open to them, its effect would have been to force us to resort, in seasons of scarcity, to markets intended only for the supply of others—a circumstance which, if it did not occasion our absolute exclusion from them, would, at all events, have precluded our obtaining adequate relief.

It may, perhaps, be said, that if, on the one hand, a graduated scale of duties is injurious to the merchant when prices are falling, and when importation is, therefore, either unnecessary or of less advantage, it is, on the other hand, equally advantageous to him when prices are rising, and when the public interests require that importation should be encouraged. But the prices in the view of the merchant when he gives his order, are always such as he supposes will yield a fair profit. And if they rise, this rise would, supposing the duty to be constant, yield such an extra-profit as would of itself induce him to increase his importations to the utmost. If it were possible to devise a system that would diminish the losses of the merchants engaged in unfavourable speculations, by making a proportional deduc-

tion from the extraordinary gains of those whose speculations turn out to be unusually successful, something, perhaps, might be found to say in its favour. But the system we have been considering proceeds on quite opposite principles. Its effect is not to diminish risks, but to increase them. It adds to the loss resulting from an unsuccessful, and to the profit resulting from a successful speculation!

It is no doubt true that the range of fluctuation might be reduced below what it would have been in Mr. Canning's bill, by making the variations in the amount of the duty equal to, or less than the variations of price. But to whatever extent the duty may vary, it must obviously, to that extent, bring a new element of uncertainty into the field; and must thus necessarily add to the risks attendant upon a trade that is universally admitted to be peculiarly hazardous.

It has been urged in favour of the plan for imposing a graduated scale of duties, that though it may expose the merchant to additional risks, it at least affords additional security to the farmer, by throwing fresh obstacles in the way of importation when the crops are unusually productive. But this is really a very trifling advantage. It has been already seen that no system can give security to the farmer, if the average price, or the cost of corn in this country, be greater than its average price, or its cost in the surrounding markets. The fall of price that uniformly takes place in years of unusual plenty, is of itself, and without any extrinsic assistance, quite sufficient to prevent an excess of importation. The farmers in such years are never injured by the influx of foreign corn: the injury to which they are then exposed results from the circumstance of the cost price of corn in this country having been raised by artificial regulations to a higher level than in the contiguous countries; which renders it impossible to relieve the home markets of any portion of the redundant supply by exportation abroad, until prices have

fallen considerably below the cost of production. If we would render the agriculturists really secure, we must relinquish all attempts to force up our average prices to a comparatively high elevation. And if we do this, it will be seen to be as unnecessary as it is useless, to attempt artificially to exclude foreign corn in plentiful years.

From the way in which the duties in Mr. Canning's bill were arranged, very little wheat could have been imported when the home price was below 65s. The duty when the home price was at that limit was fixed at 10s.; and as the duty would have increased to 20s. in the event of the home price sinking to 60s., importation at that rate would have been quite impracticable. But these prices are very decidedly above the common level of surrounding countries; so that, supposing the act had had the effect to keep up prices in ordinary years to 60s. or 65s., the impossibility of exporting in a year of unusual plenty would have made them, as has been previously explained, sink so low as to be productive of the most injurious consequences to the agriculturists. Should a graduated scale of duties be again proposed, the constant duty of 1s. a quarter should begin to take effect when the home price reached 60s., or at most 65s.; and the variation in the amount of the duty should not exceed the variation of price.

But, for the reasons already stated, it would seem that a constant duty is decidedly preferable to a graduated one. When the duty is constant, all classes, farmers as well as merchants, are aware of its amount, and can previously calculate the extent of its influence and operation. But the effect of a duty that fluctuates with the fluctuations of price can never be appreciated beforehand. Its magnitude depends on contingent and accidental circumstances; and it must, therefore, of necessity prejudice the interests of the farmer as well as of the corn dealer.

When a duty is laid on the importation of foreign corn

for the equitable purpose of countervailing the peculiar burdens laid on corn raised at home, an equivalent drawback ought to be allowed to the farmer, on whatever quantities he may export to other countries. If, in allowing this drawback we are merely returning to the farmer a tax which he has already paid, and which he must have to place him in a fair state of competition in the foreign markets, not only with the foreign producer, but with his own countrymen who are producing other commodities. It is essentially different from a bounty on exportation, in the sense that the word bounty is usually understood; for, by a bounty is generally meant a tax levied on the people for the purpose of rendering corn unnaturally cheap to the foreign consumer, whereas, what I propose is to sell our corn at the price at which we can really afford to produce it, and not to add to its price a tax, which shall induce the foreigner rather to purchase it from some other country, and deprive us of a trade, which, under a system of free competition, we might have selected.

It is clear that justice cannot possibly be done to the farmer unless he be allowed this drawback. But a graduated duty, fluctuating with the price, is not imposed in order to countervail the taxes peculiarly affecting the home growers of corn, but to protect them from foreign competition; and its imposition would not, therefore, afford any ground for allowing an equivalent drawback on exportation. But suppose that the principle of granting a drawback were, even in this case, to be conceded, it is difficult to see how it could be carried into effect, under such a complicated system, without leading to the greatest frauds and abuses; and though there were no other arguments to show the superiority of a fixed, over a fluctuating system of duties, the difficulty of allowing a drawback, on the principle of the latter, ought to be held as conclusive against it.

* The subjoined tables have been copied from accounts printed by order of the House of Commons.

TABLES OF THE PRICES, IMPORTS, EXPORTS, &c. OF CORN.

No. I.—Account of the Prices of Middling or Meeting Wheat per Quarter, at Windsor market, as ascertained by the audit books of Eton College, from 1726 to 1820, both inclusive.*

YEARS.	Prices of wheat at Windsor, nine gallons to the bushel.			Prices of wheat reduced to the Winchester bushel of eight gallons.			Average of ten years according to the Winchester bushel of eight gallons.	YEARS.	Prices of wheat at Windsor, nine gallons to the bushel.			Prices of wheat reduced to the Winchester bushel of eight gallons.			Average of ten years according to the Winchester bushel of eight gallons.
	£	s.	d.	£	s.	d.			£	s.	d.	£	s.	d.	
1726	2	6	0	2	0	10		1774	2	15	11				
1727	2	9	0	1	17	4		1775	2	17	8	2	11	3	
1728	2	14	6	2	8	5		1776	2	8	0	2	2	8	
1729	2	6	10	2	1	7		1777	2	15	0	2	8	10	
1730	1	16	6	1	12	5		1778	2	9	6	2	4	0	
1731	1	12	10	1	9	2		1779	2	0	8	1	16	1	
1732	1	6	8	1	3	8		1780	2	8	6	2	3	1	
1733	1	8	4	1	5	2		1781	2	19	0	2	12	5	
1734	1	18	10	1	14	6		1782	3	0	6	2	13	9	
1735	2	9	0	1	18	2	1 15 2	1783	3	1	0	2	14	2	
1736	2	0	4	1	15	10		1784	3	0	6	2	13	9	
1737	1	18	0	1	13	9		1785	2	14	0	2	8	0	
1738	1	15	6	1	11	6		1786	2	7	6	2	5	2	
1739	1	18	6	1	14	2		1787	2	11	6	2	5	9	
1740	2	10	2	2	5	1		1788	2	15	6	2	9	4	
1741	2	6	8	2	1	5		1789	3	3	2	2	16	1	
1742	1	14	0	1	10	2		1790	3	3	2	2	16	1	
1743	1	4	10	1	2	1		1791	2	15	6	2	9	4	
1744	1	4	10	1	2	1		1792	2	13	0				
1745	1	7	6	1	4	5	1 12 1	1793	2	15	8				
1746	1	19	0	1	14	8		1794	2	14	0				
1747	1	14	10	1	10	11		1795	4	1	6	2	14	3	
1748	1	17	0	1	12	10		1796	4	0	2				
1749	1	17	0	1	12	10		1797	3	2	0				
1750	1	12	6	1	8	10		1798	2	14	0				
1751	1	18	6	1	14	2		1799	3	15	8				
1752	2	1	10	1	17	2		1800	6	7	0				
1753	2	4	8	1	19	8		1801	6	8	6				
1754	1	14	8	1	10	9		1802	3	7	2				
1755	1	13	10	1	10	1	1 13 2	1803	3	0	0				
1756	2	5	2	2	0	1		1804	3	9	6				
1757	3	0	0	2	13	4		1805	4	8	0	4	1	2	
1758	2	10	0	2	4	5		1806	4	3	0				
1759	1	19	8	1	15	3		1807	3	18	0				
1760	1	16	6	1	12	5		1808	3	19	2				
1761	1	10	2	1	6	9		1809	5	6	0				
1762	1	19	0	1	14	8		1810	5	12	0				
1763	2	0	8	1	16	1		1811	5	8	0				
1764	2	6	8	2	1	5		1812	6	8	0				
1765	2	14	0	2	8	0	1 19 3	1813	6	0	0				
1766	2	8	6	2	3	1		1814	4	5	0				
1767	3	4	6	2	17	4		1815	3	16	0	4	17	6	
1768	3	0	6	2	13	9		1816	4	2	0				
1769	2	6	8	2	0	7		1817	5	16	0				
1770	2	9	0	2	3	6		1818	4	18	0				
1771	2	17	0	2	10	8		1819	3	18	0				
1772	3	6	0	2	18	8		1820	3	16	0				
1773	3	6	6	2	19	1									

* For the previous part of this table, see vol. i. p. 417.

No. II.—Account of the Average Prices of British Corn per Winchester quarter, since 1792, as ascertained by the Receiver of Corn Returns, under the act for Registering Prices. (10. Geo. III. cap. 39.)*

Years.	Wheat.			Rye.			Barley.			Oats.			Beans.			Pease.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1792	2	2	11	1	10	8	1	6	9	0	17	10	1	11	7	1	12	8
1793	2	8	11	1	15	11	1	11	9	1	1	3	1	17	8	1	18	4
1794	2	11	8	1	17	9	1	12	10	1	2	0	2	2	6	2	6	8
1795	3	14	2	2	8	5	1	17	8	2	4	9	2	6	8	2	13	4
1796	3	17	1	2	7	0	1	15	7	1	1	9	1	18	10	2	3	6
1797	2	13	1	1	11	11	1	7	9	0	16	9	1	7	6	1	13	5
1798	2	10	3	1	10	11	1	9	1	0	19	10	1	10	1	1	13	11
1799	3	7	6	2	3	9	1	16	0	1	7	7	2	4	7	2	5	2
1800	5	13	7	3	16	11	3	0	0	1	19	10	3	9	3	3	7	5
1801	5	18	3	3	19	9	3	7	9	1	16	6	3	2	8	3	7	8
1802	3	7	5	2	3	3	1	13	1	1	0	7	1	16	14	1	19	6
1803	2	16	6	1	16	11	1	4	10	1	1	3	1	14	8	1	18	6
1804	3	0	1	1	17	1	1	10	4	1	3	9	1	18	7	2	0	10
1805	4	7	10	2	14	4	2	4	8	1	8	0	2	7	5	2	8	4
1806	3	19	0	2	7	4	1	18	6	1	5	8	2	3	9	2	3	6
1807	3	13	3	2	7	6	1	18	4	1	8	1	2	7	3	2	15	11
1808	3	19	0	2	12	4	2	2	1	1	13	8	0	8	3	6	7	
1809	4	15	7	3	0	9	2	7	3	1	12	8	3	0	9	3	0	2
1810	5	6	2	2	19	0	2	7	11	1	9	4	2	13	7	2	16	9
1811	4	14	6	2	9	11	2	1	10	1	7	11	2	7	10	2	11	6
1812	6	5	5	3	15	11	3	6	6	2	4	0	3	12	8	3	13	7
1813	5	8	9	3	10	7	2	18	4	1	19	5	3	16	5	3	18	6
1814	3	13	11	2	4	6	1	17	4	1	6	6	2	6	7	2	10	0
1815	3	4	4	1	17	10	1	10	3	1	3	10	1	16	1	1	18	10
1816	3	15	10	2	3	2	1	13	5	1	3	6	1	18	4	1	18	4
1817	4	14	9	2	16	6	2	8	3	1	12	1	2	12	0	2	11	5
1818	4	4	1	2	14	10	2	13	6	1	12	11	3	3	1	2	19	11
1819	3	13	0	2	9	0	2	6	8	1	9	4	2	15	5	2	16	0
1820	3	16	7	2	0	10	1	13	10	1	4	2	3	6	2	4	11	
1821	2	14	5	1	11	1	1	5	3	0	18	11	1	10	0	1	11	9
1822	2	3	3	1	0	3	1	1	3	0	17	7	1	3	9	1	5	7
1823	2	11	9	1	10	11	1	10	7	1	2	3	1	12	1	1	13	11
1824	3	2	3	2	0	2	1	15	3	1	4	1	1	18	10	1	19	5
1825	3	6	6	2	1	0	1	18	10	1	4	11	2	1	6	2	4	0
1826	2	16	11	1	19	11	1	13	4	1	5	11	2	2	11	2	6	2

No. III.—Account of the Average Prices of Corn per barrel, and of Oatmeal per cwt. of 112 lbs. in Dublin market, from 1813 to 1820, both inclusive.

Years.	Wheat.			Rye.			Barley.			Oats.			Beans.			Pease.			Oatmeal.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1813	2	13	3½	1	5	0	1	5	7½	1	0	11½	3	0	0	1	10	1½	0	13	6½
1814	1	15	1	1	0	11	0	18	9½	0	13	10½	1	10	0	0	18	11½	0	16	4½
1815	1	13	7½				0	13	1½	0	12	9½				0	18	0½	0	12	9½
1816	2	8	1				0	14	9	0	13	0½				0	18	3½	0	14	4
1817	2	3	10½	1	13	0	0	16	2½	0	13	7½							0	15	6½
1818	2	5	9				1	4	0½	0	18	4½							0	17	11½
1819	1	19	2½				1	3	7	0	15	11½							0	17	1½
1820	1	9	6½				0	14	11	0	12	5½							0	14	2½

* The prices in this table, from 1792 to 1820 inclusive, represent the average of England and Wales only; but those from 1820 to 1826 inclusive, are the average of Great Britain.

No. IV.

Wheat and Wheat Flour Imported into and Exported from Great Britain
from 1781 to 1825 (in Quarters)

YEARS ending the 5th of January.	Imported from			Exported to		
	Ireland.	All other Parts.	Total.	Ireland.	All other Parts.	Total.
1781	2,384	1,581	3,915	46,439	147,620	224,059
1782	41,315	118,551	159,866	2,511	100,510	103,021
1783	4,146	76,549	80,695	1,295	143,857	145,152
1784	558	583,625	584,183	30,482	12,451	51,943
1785	14,423	202,524	216,947	50,262	39,026	89,288
1786	23,810	87,053	110,853	7,899	124,786	132,685
1787	10,928	40,535	51,463	8,869	196,597	205,466
1788	10,225	49,114	59,339	974	119,562	120,536
1789	34,643	114,067	148,710	790	82,181	82,971
1790	57,951	54,705	112,656	506	139,508	140,014
1791	35,444	187,113	222,557	462	30,430	30,892
1792	18,523	450,533	469,056	1,392	49,234	70,626
1793	1,272	21,145	22,417	1,806	298,472	300,278
1794	14,572	475,826	490,398	1,281	75,588	76,869
1795	9,157	318,745	327,902	43,097	111,951	155,048
1796	14,493	299,300	313,793	804	18,035	18,839
1797	4	879,196	879,200	1,409	24,270	24,679
1798	40,565	421,202	461,767	2,291	62,234	54,525
1799	17,490	379,231	396,721	9,626	50,156	59,782
1800	15,315	447,870	463,185	5,202	34,160	39,362
1801	749	1,263,771	1,264,520	3,726	18,287	22,013
1802	524	1,424,242	1,424,766	685	27,821	28,406
1803	109,519	538,145	647,664	1,800	148,104	149,904
1804	61,270	312,455	373,725	2,059	74,521	76,580
1805	70,100	391,040	461,140	707	62,366	63,073
1806	84,412	836,422	920,834	1,754	77,201	77,955
1807	102,483	207,859	310,342	2,868	27,198	29,566
1808	45,110	359,831	404,941	2,429	22,084	25,112
1809	43,496	41,388	84,884	28,621	69,484	98,005
1810	68,124	387,884	456,008	848	20,435	31,278
1811	127,510	1,439,614	1,567,124	2,364	73,431	75,795
1812	147,567	188,563	336,130	1,080	96,085	97,765
1813	160,842	128,664	289,506	645	45,080	45,725
1814	217,154	341,846	559,000	2,678	Records destroyed by fire.	
1815	228,610	623,956	852,666	2,222	109,155	111,477
1816	192,026	192,449	384,475	447	227,300	227,947
1817	122,836	209,055	332,401	12,446	109,165	121,011
1818	60,817	1,029,038	1,089,855	31,933	235,391	317,524
1819	111,383	1,582,878	1,694,261	8,276	50,392	58,668
1820	155,980	469,658	625,638	4,126	40,363	44,089
1821	409,293	567,195	996,478	6,184	88,523	94,677
1822	569,700	137,684	707,384	3,696	196,150	199,846
1823	463,003	47,596	510,602	4,840	156,159	160,999
1824	400,067	23,951	424,019	15,781	130,170	145,951
1825	356,384	85,186	441,567	3,737	57,943	61,680

No. VI

Totals of Corn, Grain, Meat and Flour, Imported into and Exported from Great Britain, from 1781 to 1825.

YEARS ending the 5th of January.	Imported from			Exported to		
	Ireland.	All other Parts.	Total.	Ireland.	All other Parts.	Total.
	Quarters.	Quarters.	Quarters.	Quarters.	Quarters.	Quarters.
1781	46,864	178,782	225,646	60,199	275,505	335,704
1782	108,303	189,165	297,468	23,290	182,946	206,236
1783	43,436	96,064	140,400	8,261	226,482	234,743
1784	86,080	1,036,299	1,072,969	51,328	38,188	89,516
1785	137,096	499,575	636,671	58,074	186,952	245,026
1786	201,261	308,130	599,391	18,567	247,536	266,103
1787	303,961	334,285	638,246	9,936	258,801	268,737
1788	238,713	425,113	663,826	4,373	192,861	197,234
1789	248,005	339,484	587,489	3,430	208,770	210,200
1790	361,940	205,127	567,067	1,941	463,293	465,234
1791	444,040	619,965	1,064,025	1,032	86,157	87,189
1792	348,856	1,039,732	1,388,588	2,162	105,065	107,227
1793	566,839	644,812	1,211,651	16,592	371,569	388,161
1794	314,732	1,149,231	1,463,963	2,192	109,380	111,572
1795	407,225	1,069,886	1,477,111	41,884	148,354	188,238
1796	871,681	498,663	870,334	2,044	30,740	32,784
1797	342,814	1,638,292	1,980,606	3,421	54,635	58,059
1798	388,048	790,617	1,178,665	2,787	98,618	101,405
1799	433,645	894,510	1,328,155	10,336	100,334	110,670
1800	376,335	672,280	1,048,565	28,358	70,195	98,553
1801	3,237	2,135,597	2,138,834	4,709	42,103	46,812
1802	898	2,406,544	2,406,442	2,038	53,092	55,130
1803	400,616	829,263	1,283,899	3,420	165,263	168,703
1804	343,624	505,936	939,460	21,703	112,707	134,410
1805	316,988	930,606	1,247,593	98,810	111,897	210,707
1806	307,252	1,160,538	1,487,790	1,779	112,262	114,061
1807	466,967	395,358	862,325	19,441	78,378	97,819
1808	463,405	811,955	1,275,360	5,155	70,258	75,413
1809	656,760	111,243	768,012	34,533	109,872	144,405
1810	933,658	773,513	1,707,171	6,339	58,773	65,112
1811	632,839	1,688,268	2,321,107	24,029	120,416	144,445
1812	430,180	273,573	703,762	31,138	227,736	258,874
1813	600,286	267,514	857,740	12,892	144,559	157,481
1814	977,165	465,699	1,442,864	15,702	(Records destroyed by fire)	
1815	817,228	955,801	1,773,029	16,439	226,236	245,675
1816	824,548	329,710	1,154,258	5,321	280,930	295,251
1817	877,295	315,775	1,193,070	15,103	194,385	209,490
1818	703,650	1,797,181	2,501,040	146,553	372,841	519,394
1819	1,215,791	5,522,729	6,738,520	26,348	91,145	117,493
1820	972,441	1,702,080	2,675,371	15,596	89,633	105,229
1821	1,425,058	1,333,910	2,758,968	12,806	134,984	147,790
1822	1,822,815	257,654	2,080,470	10,754	255,908	266,662
1823	1,063,088	125,504	1,188,593	72,684	208,826	281,510
1824	1,628,153	33,641	1,581,794	35,691	175,198	210,789
1825	1,634,024	610,637	2,244,662	39,460	87,601	127,061

NOTE XI.

NAVIGATION LAWS.

Rise of the Navigation Laws—Influence ascribed to them—Recent Modifications of these Laws—Reciprocity System.

THE origin of the Navigation Laws of England may be traced to the reign of Richard II., or perhaps to a still more remote period. But as no intelligible account of the varying and contradictory enactments framed at so distant an epoch could be compressed within any reasonable space, it is sufficient to observe, that, in the reign of Henry VII., two of the leading principles of the late navigation law were distinctly recognised, in the prohibition of the importation of certain commodities, unless imported in ships belonging to English owners, and manned by English seamen. In the early part of the reign of Elizabeth (5 Eliz. cap. 5.) foreign ships were excluded from our fisheries and coasting trade. The republican parliament gave a great extension to the navigation laws, by the act of 1650, which prohibited all ships, of all foreign nations whatever, from trading with the plantations in America, without having previously obtained a license. These acts were, however, rather intended to regulate the trade between the different ports and dependencies of the empire, than to regulate our intercourse with foreigners. But in the following year, (9th of October, 1651,) the republican parliament passed the famous *Act of Navigation*. This act had a double object. It was intended not only to promote our own navigation, but also to strike a decisive blow at the naval power of the Dutch, who then engrossed almost the whole *carrying trade* of the world, and against whom various circumstances had conspired to incense the English. The act in question declared, that no goods or

commodities whatever, of the growth, production, or manufacture of Asia, Africa, or America, should be imported either into England or Ireland, or any of the plantations, except in ships belonging to English subjects, and of which the master and the greater number of the crew were also English. Having thus secured the import trade of Asia, Africa, and America, to the English ship-owners, the act went on to secure to them, as far as that was possible, the import trade of Europe. For this purpose, it further enacted, that no goods, of the growth, production, or manufacture of any country in Europe, should be imported into Great Britain, except in British ships, or *in such ships as were the real property of the people of the country or place in which the goods were produced, or from which they could only be, or most usually were, exported.* The latter part of the clause was entirely levelled against the Dutch, who had but little native produce to export, and whose ships were principally employed in carrying the produce of other countries to foreign markets. Such were the leading provisions of this famous act. They were adopted by the regal government which succeeded Cromwell, and form the basis of the act of the 12th of Charles II. cap. 18, which continued to a very recent period to be the rule by which our naval intercourse with other countries was mainly regulated; and which has been pompously designated the *Charta Maritima* of England!

In the statute of the 12th of Charles II. the clause against importing foreign commodities, except in British ships, or in ships belonging to the country or place where the goods were produced, or from which they were exported, was so far modified that the prohibition was made to apply only to certain articles, since well known in commerce by the name of *enumerated* articles, leave being at the same time given to import all other articles in ships of any description. But this modification was of very little importance, inasmuch as the enu-

merated articles comprised all those that were of most importance in commerce, as timber, grain, tar, hemp and flax, potashes, wines, spirits, sugar, &c. Parliament seems, however, to have very speedily come round to the opinion that too much had been done in the way of relaxation; and in the 14th of Charles II. a supplemental statute was passed, avowedly with the intention of obviating some evasions of the statute of the preceding year, which, it was affirmed, had been practised by the Hollanders and Germans. This, however, seems to have been a mere pretence, to excuse our desire to follow up the blow aimed, by the former statute, at the carrying trade of Holland. And such was our jealousy of the naval and commercial greatness of the Dutch, that, in order to cripple it, we did not hesitate totally to proscribe all trade with them; and, to prevent the possibility of fraud, or of clandestine or indirect intercourse with Holland, we went so far as to include the commerce with the Netherlands and Germany in the same proscription. The statute of the 14th of Charles II. prohibited all importation from these countries, of *any long list of enumerated commodities, under any circumstances, or in any vessels, whether British or foreign; under the penalty of seizure and confiscation of the ships and goods.* So far as it depended on us, Holland, the Netherlands, and Germany, were virtually placed without the pale of the commercial world! And though the extreme rigour of this statute was subsequently modified, its principal provisions remained in full force until the late alterations.

The policy, if not the motives which dictated these statutes, has met with very general eulogy. It has been said, and by no less an authority than Dr. Smith, that national animosity did, in this instance, that which the most deliberate wisdom could have recommended. "When the act of navigation was made," says he, "though England and Holland were not actually at war,

the most violent animosity subsisted between the two nations. It had begun during the government of the long parliament, which first framed this act, and it broke out soon after in the Dutch wars during that of the Protector and of Charles II. It is not impossible, therefore, that some of the regulations of this famous act may have proceeded from national animosity. They are as wise, however, as if they had all been dictated by the most deliberate wisdom. National animosity at that particular time aimed at the very same object which the most deliberate wisdom would have recommended; the diminution of the naval power of Holland, the only naval power which could endanger the security of England. The act of navigation is *not favourable to foreign commerce, or to the growth of that opulence which can arise from it.* The interest of a nation in its commercial relations to foreign nations is, like that of a merchant with regard to the different people with whom he deals, to buy as cheap and to sell as dear as possible. But the act of navigation, by diminishing the number of sellers, must necessarily diminish that of buyers; and we are thus likely not only to buy foreign goods dearer; but to sell our own cheaper, than if there was a more perfect freedom of trade. As defence, however, is of much more importance than opulence, the act of navigation is, perhaps, the wisest of all the commercial regulations of England.

It may, however, be very fairly doubted, whether, in point of fact, the navigation law had the effects ascribed to it by Dr. Smith, of weakening the naval power of the Dutch, and of increasing that of this kingdom. The Dutch were very powerful at sea for a long period after the passing of this act; and it seems natural to conclude, that the decline of their maritime preponderance was owing rather to the gradual increase of commerce and

navigation in other countries, and to the disasters and burdens occasioned by the ruinous contests the Republic had to sustain with Cromwell, Charles II. and Louis XIV., than to the mere exclusion of their merchant vessels from the ports of England. It is not meant to say, that this exclusion was altogether without effect. The efforts of the Dutch to procure a repeal of the English navigation law, show that in their apprehension it operated injuriously on their commerce.* It is certain, however, that its influence in this respect has been greatly overrated in this country. *Excessive taxation*, and not our navigation law, was the principal cause of the fall of profits, and of the decline of manufactures, commerce, and navigation in Holland. “Les guerres,”[†] says the well-informed author of the *Commerce de la Hollande*, “terminées par les traités de Nimegue, de Ryswick, d’Utrecht, et enfin la dernière par le traité d’Aix la Chapelle, ont successivement obligé la République de faire usage d’un grand crédit, et de faire des emprunts énormes pour en soutenir les fraix. Les dettes ont surchargé l’état d’une somme immense d’intérêts, qui ne pouvoient être payés que par une augmentation excessive d’impôts, dont il a fallu faire porter la plus forte partie par les consommations dans un pays qui n’a qu’un territoire extrêmement bornée, et par conséquent par l’industrie. Il a donc fallu faire enchérir infiniment la main-d’œuvre. Cette cherté de la main-d’œuvre a non-seulement restreint presque toute sorte de fabrique et d’industrie à la consommation intérieure, mais elle a encore porté un coup bien sensible au commerce de fret, partie accessoire et la plus précieuse du commerce d’économie : car cette cherté a rendu la construction plus chère, et augmenté le prix de tous les ouvrages qui tiennent à la navigation,

* In the treaty of Breda, agreed upon in 1667, between the States General and Charles II., the latter undertook to procure the repeal of the navigation law. But the subject was never agitated in either house of parliament.

même de tous les ouvrages de ports et des magasins. Il n'étoit pas possible que l'augmentation du prix de la main-d'œuvre ne donnât, malgré tous les efforts de l'économie Hollandoise, un avantage sensible aux autres nations qui voudroient se livrer au commerce d'économie et à celui de fret."*

It would be easy to corroborate this statement by extracts from innumerable Dutch writers.† But it is unnecessary to do more than refer to a very valuable *Memoir on the Best Means of Amending and Redressing the Commerce of the Republic*, drawn up by some of the best-informed merchants of Holland, and published in 1751, by order of the Stadtholder, William IV., Prince of Orange. It is there stated, that "The OPPRESSIVE TAXES, which have, under various denominations, been imposed on trade, must be placed at the head of all the causes that have co-operated to the prejudice and discouragement of commerce; and it may justly be said, that *it can only be attributed to these taxes that the trade of this country has been diverted out of its channel, and transferred to our neighbours, and must daily be still more and more alienated and shut out from us, unless the progress thereof be stopt by some quick and effectual remedy. Nor is it difficult to see, from these observations, that the same can be effected by no other means than a diminution of all duties.*"‡

These extracts show, that it is not to our navigation law, nor to the restrictive regulations of other foreign powers, but to the abuse of the funding system, and the excess of taxation, that the decline of the commercial greatness and maritime power of Holland was really owing. Neither does it appear that the opinion maintained by Dr. Smith and others, that the navigation

* Tome ii. p. 211.

† See especially the *Richesse de la Hollande*, tome i. pp. 39, 179, &c.

‡ *Memoir on the Best Means, &c. Eng. trans. p. 27.*

law had a powerful influence in augmenting the naval power of this country, rests on any better foundation. The taste of the nation for naval enterprise had been awakened; the navy had become exceedingly formidable; and Blake had achieved his victories before the enactment of this famous law. So far, indeed, is it from being certain that the navigation act had, in this respect, the effect commonly ascribed to it, that there are good grounds for thinking it had a precisely opposite effect, and that it operated rather to diminish than to increase our mercantile navy. It is stated in Roger Coke's *Treatise on Trade*, published in 1671,* that this act, by lessening the resort of strangers to our ports, had a most injurious effect on our commerce; and he further states that we had lost, within two years of the passing of the act of 1650, the greater part of the Baltic and Greenland trades.† Sir Josiah Child, whose treatise was published in 1691, corroborates Coke's statement: For, while he decidedly approves of the navigation law, he admits that the English shipping employed in the Eastland and Baltic trades had decreased at least *two-thirds* since its enactment, and that the foreign shipping employed in these trades had proportionally increased.‡ Exclusively of these contemporary authorities, it may be worth while to mention, that Sir Matthew Decker, an extensive and extremely well informed merchant, condemns the whole principle of the navigation act; and contends, that instead of increasing our shipping and seamen, it had diminished them both; and that, by rendering the freight of ships higher than it would otherwise have been, it had entailed a heavy burden on the public, and been one of the main causes that had prevented our carrying on the fishery so successfully as the Dutch.§

* Page 36.

† Page 48.

‡ Child's *Treatise on Trade*, p. 89, Glasg. edit.§ Essay on the Causes of the Decline of Foreign Trade, p. 60, ed. 1756; see also *Introductory Discourse*, vol. I. p. xlv.

There does not seem to be any very good grounds on which to question these statements; and they are at all events sufficient to show, that the assertions of those who contend that the navigation laws had a prodigious effect in increasing the number of our ships and sailors, must be received with very great modification. But, suppose that all that has been said by the apologists of these laws were true to the letter;—suppose it were conceded, that, when first framed, the Act of Navigation was extremely politic and proper, that would afford but a very slender presumption in favour of the policy of supporting it in the present day. Human institutions are not made for immortality. They must be accommodated to the varying circumstances and exigences of society. But the situation of Great Britain and the other countries of Europe has totally changed since 1650. The envied wealth and commercial greatness of Holland have passed away. We have no longer any thing to fear from her hostility; and “he must be indeed strangely influenced by antiquated prejudices and bygone apprehensions, who can entertain any of that jealousy from which the severity of this law principally originated.” London has become, what Amsterdam formerly was, the grand emporium of the commercial world—*universi orbis terrarum emporium*. And the real question which now presents itself for our consideration is, not what are the best means by which we may rise to naval greatness, but—*what are the best means of preserving that undisputed preeminence in maritime affairs to which we have attained?*

Now, it does not really seem that there can be much difficulty in deciding this question. Navigation and naval power are the children, not the parents—the effect, not the cause—of commerce. If the latter be increased, the increase of the former will follow as a matter of course. More ships and more sailors become necessary, according as the commerce between different and distant countries is extended. A country, circumstanced like Great

Britain in the reign of Charles II. when her shipping was comparatively limited, might perhaps be warranted in endeavouring to increase its amount, by excluding foreign ships from her harbours. But it is almost superfluous to add that it is not by any such regulations, but solely by the aid of a flourishing and widely-extended commerce, that the immense mercantile navy we have now accumulated can be supported.

But it is extremely easy to show, that to have continued to enforce the provisions of the old navigation law, in the present state of the world, would have been among the most efficient means that could have been devised for the destruction of our commerce. The wealth and power to which Britain has attained, has inspired other nations with the same feelings of envy, jealousy, and hatred, that the wealth of Holland formerly generated in our minds. Instead of ascribing our commercial and manufacturing superiority to its true causes—to the comparative freedom of our constitution, the absence of all oppressive feudal privileges, the security of property, and the fairness of our system of taxation—our foreign rivals contend that it has been entirely owing to our exclusive system, and appeal to our example to stimulate their respective governments to adopt retaliatory measures, and to protect them against British competition. These representations have already had the most injurious operation. In 1787, the American legislature passed an act, copied to the very letter from our navigation law, with the avowed intention of its operating as a retaliatory measure against this country: Our northern rivals have threatened to act on the same principle; and would have carried their threats into effect but for timely concessions on our part. The same engines by which we laboured to destroy the trade of Holland were thus about to be brought, by what we could not have called an unjust retribution, to operate against ourselves. Nor can there be a doubt that, had we con-

tinued to maintain our illiberal and exclusive system, and refused to set a better example to others, and to teach them the advantage of recurring to sounder principles, we should have run a very great risk of falling a victim to the vindictive spirit which such shortsighted and selfish policy would have generated.

For these reasons, it seems difficult to question the policy of the changes that have recently been effected in the navigation laws, partly by the bills introduced by Mr. Wallace in 1821, and partly by the adoption of what has been called the *Reciprocity System*. Under the new law it is, in the *first* place, enacted that the intercourse with all European countries, in amity with Great Britain, shall be placed on the same footing. The memorials of our former animosity, and of our jealousy of the prosperity of our neighbours, have thus been abolished; and the same law is henceforth to regulate our commerce with the Continent. This uniformity will be of singular advantage; for, besides giving greater scope to mercantile operations, and extending our traffic with some of our most opulent neighbours, it will remove a great source of embarrassment and litigation; at the same time that it will detract considerably from that selfish character which has been believed on the Continent, and not without considerable reason, to be the animating principle of our commercial system.

In the *second* place, the distinction between enumerated and non-enumerated goods is still kept up under the new regulations; but, instead of confining the importation of the former into the United Kingdom, either to British ships, or ships belonging to the country or place where the goods were produced, or from which they originally were *exported*, the new regulations permit that they may be imported either in British ships, in ships of the country of which the goods are the produce, or in ships of the country or place from which they are *imported* into England. This is a very important altera-

tions. Under the old law, when a number of articles, the products of different countries, but all of them suitable for importation into England, were found in a foreign port, they could not be imported except in a British ship, or separately in ships belonging to the different countries whose produce they were. This was obviously a very great hardship on the foreigners, without being of any real advantage to our own ship owners. When the foreign merchant had vessels of his own, it was not very probable he would permit them to remain unoccupied, and freight a British vessel; and there were very few ports of any importance in which foreign bottoms might not be found, in which the articles could be legally imported. The real effect of the old law was not, therefore, to cause the employment of British ships, but to oblige foreigners to assort their cargoes less advantageously than they might otherwise have done, and thus to lessen their intercourse with our markets. The new law obviates this inconvenience; while, by restricting the importation of European goods to ships of the *built* of the country of which the goods are the growth, or to those of the *built* of the country or port from which the goods are shipped, and which are *wholly owned* by the inhabitants of such country or port, it is rendered very difficult for the people of a particular country to become the barriers of the produce of other countries to our markets.

The *third* new regulation, is of such obvious and unquestionable utility, that it is surprising it was not long ago adopted. By the old law, all articles, the produce of Asia, Africa, or America, could only be imported, *directly in a British ship, from the place of their production.* This law had already been repealed, in so far as respected the United States, whose ships were allowed to import their produce directly into this country; but it was maintained with respect to Asia, Africa, and South America. And hence, although a British ship happened to

find in South American, African, or Asiatic ports, articles the produce of any of the other quarters of the globe, suitable for our markets, and with which it might have been extremely advantageous for her to complete her cargo, she was prohibited from taking them on board under penalty of forfeiture and confiscation; not only of the goods, but also of the ship. This most oppressive regulation is now repealed; and it has been made lawful for British ships to take on board articles whose importation is not prohibited, wherever they find them, without regard to the country where they were produced or made. The products of Asia and Africa, required for home consumption, have still to be imported directly from those continents in British ships; but they may be imported for re-exportation from any port in Europe.

Besides the regulations repealed by the bills introduced by Mr. Wallace, it had been a part of our policy to encourage the employment of our shipping by imposing higher duties on commodities imported into our harbours in foreign vessels, than were imposed on them when imported in British vessels; and it had also been customary to charge foreign vessels with higher port and light-house duties, &c. This system was always loudly complained of by foreigners, but we had little difficulty in maintaining it, so long as the state of our manufactures enabled us to disregard the retaliatory measures of other powers. But the extraordinary increase that has taken place, since the commencement of the late war, in our manufactures for foreign consumption, and the necessity under which we have, in consequence, been placed, of cultivating our customers abroad, have led to the adoption of the *reciprocity system*. This system was first introduced into the trade with the United States. After the North American colonies had succeeded in establishing their independence, they set about framing a code of navigation laws on the model of those of this country. Among other regulations of a restrictive char-

acter, it was enacted that all foreign vessels trading to the United States should pay half a dollar, which was afterwards raised to a dollar, per-ton duty, beyond what was paid by American ships: And further that goods imported in foreign vessels should pay a duty of 10 per cent. over and above what was payable on the same description of goods imported in American vessels.

This law was avowedly directed against the navigation of Great Britain, though, as it was bottomed on the very same principles as our navigation laws, we could not openly complain of its operation. Under these circumstances it would have been sound policy to have at once proposed an accommodation; and instead of attempting to meet retaliation by retaliation, to have offered to modify our navigation law; in so far as American shipping was concerned, on condition of the Americans making reciprocal modifications in our favour. A different course was, however, followed. Various devices were fallen upon to endeavour to counteract the navigation system of the Americans, without in any degree relaxing our own: but they all failed of their object; and at length it became obvious to every one that we had engaged in an unequal struggle; and that the real effect of our policy was, to give a bounty on the importation of the manufactured goods of other countries into the United States, and thus gradually to exclude both our manufactures and ships from the ports of the Republic. In consequence, the conviction of the necessity of making concessions gained ground progressively; and it was ultimately fixed, by the commercial treaty agreed upon between great Britain and the United States in 1815, that in future *equal charges* should be imposed on the ships of either country in the ports of the other, and that *equal duties* should be laid upon all articles, the produce of the one country imported into the other, whether such importation was effected in the ships of the one or the other.

The new states of South America were naturally anxious to establish a commercial marine; and, to forward their views in this respect, they contemplated enacting navigation laws. But this intention was frustrated, by the interference of the British government, who, without stipulating for any peculiar advantage, wisely offered to admit their ships into our ports on a fair footing of reciprocity, or on their paying the same charges as our own ships, on condition that they admitted British ships into their ports on a similar footing. Commercial treaties framed on this sound and liberal principle have since been entered into with most of these states.

The principle of the reciprocity system having been thus conceded in the case of the intercourse with the United States, whose commercial marine is second only to that of Great Britain, and the South American republics, it was not possible to refuse acting on the same principle, in the case of such European countries, as might choose to admit our ships into their ports on a footing of equality.* The first demand of this sort was made on the part of the Prussian government, by whom an order in council was issued on the 20th of June 1822, which made large additions to the port dues charged on all ships belonging to those nations which did not admit Prussian ships on a footing of reciprocity. The real object of this order was to injure the navigation of this country; and it was speedily found that it had the desired effect, and that its operation on British shipping was most pernicious.

Under these circumstances, the British merchants and ship-owners immediately applied to our government for

* By the fourth section of the act 6th Geo. IV, cap. 13, it is enacted, that his Majesty may, by an order in council, admit the ships of foreign states into our ports, on payment of the like duties that are charged on British vessels, provided that British ships are admitted into the ports of such foreign states, on payment of the like duties that are charged on their vessels.

relief: 'We were assailed,' says Mr. Huskisson, 'with representations from all quarters, connected with the shipping and trade of the country, against the heavy charges imposed upon British ships in the ports of Prussia. In such circumstances, what course did his Majesty's Government take? We felt it to be our duty, in the first instance, to communicate with the Prussian minister in this country; and our minister at Berlin was, I believe, also directed to confer with the Prussian Government on the subject. I myself had a conference with the Prussian minister at this court, and I well recollect the substance of his reply to me: 'You have,' he said, 'set us the example, by your port and light charges, and your discriminating duties on Prussian ships; and we have not gone beyond the limits of that example. Hitherto, we have confined the increase of our port and tonnage charges to ships only; but it is the intention of my Government, next year,' (and of this he showed me the written proof) *to imitate you still more closely, by imposing discriminating duties on the goods imported in your ships.* Our object is a just protection to our own navigation; and so long as the measure of our protection does not exceed that which is afforded in your ports to British ships, we cannot see with what reason you can complain.'

'Against such a reply what remonstrance could we, in fairness, make to the Prussian Government? We might have addressed ourselves, it may be said by some, to the friendly feelings of that Government;—we might have pleaded long usage in support of our discriminating duties;—we might have urged the advantages which Prussia derived from her trade with England. Appeals like these were not forgotten in the discussion, but they were of little avail against the fact stated by the Consul at Dantzic—that 'the Prussian ship-owners were all going to ruin.'

'By others it may be said, 'Your duty was to retaliate, by increasing your own port charges, and discrimi-

minating duties, on Prussian shippings, or I have already stated generally my reasons against the policy of this latter course. We were not prepared to begin a system of commercial hostility, which, if followed up on both sides to its legitimate consequences, could only tend to reciprocal prohibition. In this state of things, more prudently, as I contend, we entered upon an amicable negotiation with the Prussian Government, upon the principle of our treaty with the United States, that of abolishing, on both sides, all discriminating duties on the ships and goods of the respective countries in the ports of the other.

“ Having concluded an arrangement with Prussia upon this basis, we soon found it necessary to do the same with some other of the Northern States. Similar conventions were accordingly entered into with Denmark and Sweden. Reciprocity is the foundation of all these conventions; but it is only fair to add, that they contain other stipulations for giving facility to trade, and from which the commerce of this country, I am confident, will in the result derive considerable advantage.”*

“ This clear and satisfactory statement shows conclusively that the establishment of the reciprocity system between this country and Prussia, Sweden, &c. with respect to which so violent a clamour has recently been raised, was not a measure of choice, but of necessity. In the state in which our manufactures are now placed, we could not afford to hazard their exclusion from a country into which they are annually imported to the extent of about seven millions. So long as the Prussians, Swedes, Danes, &c. chose to submit to our system of discriminating duties on foreign shippings, and on the goods imported in them, without retaliating, it was no business of ours to tell them that that system was illiberal and

* See Mr. Haskins's Speech in the House of Commons, 12th May 1825, on the State of the Shipping Interest.

oppressive. But when they found this out without our telling them, and when they declared that unless we modified our restrictions, they would retaliate on our commerce, and either entirely exclude our commodities from their markets, or load those that were imported in British ships with prohibitory duties, should we have been justified had we refused to come to an accommodation with them? Were we to sacrifice the substance to the shadow? To turn away some of our very best customers because they chose to stipulate that the intercourse between them and us should be conducted either in their ships or in ours, as the merchants might think best? Our government had only a choice of difficulties; and they wisely preferred adopting a system which has preserved free access for the English manufacturer to the markets of Prussia, and to the English ship owners an equal chance with those of Prussia of being employed in the traffic between the two countries, to a system that would eventually, and at no distant period, have put an end to all intercourse between the two countries, and which had already subjected it to great difficulties.

It has been said by the ship-owners, and others opposed to the late alterations, that the Prussians can build, man, and victual ships at a cheaper rate than we can do; and that the ultimate effect of the reciprocity system will, consequently, be to give them a decided superiority in the trade. But, admitting this statement to be true, still, for the reasons already given, it is pretty evident that the policy we have pursued was, under the circumstances of the case, the best. If we had not consented to the establishment of the reciprocity system, we must have submitted to be entirely excluded from the markets of the United States, Prussia, &c. In grasping at what was beyond our reach, we should thus have lost what we were already in possession of. We should not only have injured our ship-owners by getting them forcibly excluded from the ports of many great commercial states, but we

should have done an irreparable injury to our manufacturers—a class which, without undervaluing the ship-owners, is, in wealth, and numbers, at least of twenty times more importance than they. Although, therefore, no doubt could be entertained with respect to the statements of the ship-owners as to the comparative cheapness of foreign shipping, that would be no good objection to the measures recently adopted. But there is great reason to think that these statements are entitled to very little regard. In comparing the cost of British and foreign shipping, it is usual to estimate it by the tonnage; but this is a very false criterion; for, while foreign ships are accurately measured, our ships are measured so that a vessel of 150 tons register generally carries 220 tons of a mixed cargo, and a vessel registered at 400 tons seldom carries less than 600. When this difference is taken into account, it will be found that the foreigners have no advantage in the cheapness of their ships; and it is generally admitted that ships built in the ports on the Baltic will not last the time nor bear the wear and tear that ships built in this country or France will do. The wages of American seamen are not less than ours; and it is stated by those engaged in the shipping trade, that the wages paid by the northern ship-owners are as high as in England, and that their crews are larger in proportion to the burden of the ship. The difference in the cost of victualling must be immaterial; for, in all distant voyages our ships procure provisions, and stores of all sorts at the same rate as the foreigner.* On the whole, therefore, it would appear that the alarm with respect to the apprehended decay of our shipping is in a great degree, if not entirely, imaginary. And, while the late modifications in the navigation laws were imperiously required by a just regard to our manufacturing and commercial interests,

* See on this subject an able pamphlet, entitled Observations on the Warehousing System and Navigation Laws, by John Hall, Esq., Secretary to the St. Catherine's Dock Company.

there are no good grounds for thinking that they will be injurious to our shipping.

The following table shows that though the foreign shipping frequenting our ports since 1814 has increased, it has not increased nearly in the same proportion as the British.

An Account of the Total Number of Vessels, with the amount of their Tonnage, and the Number of Men and Boys employed in navigating the same (including their repeated voyages), that entered inwards into the ports of Great Britain from all parts of the World, in the several years from 1814 to 1826, both inclusive, distinguishing the British from the Foreign.

Years.	British.			Foreign.			Total.		
	Vessels.	Tons.	Men.	Vess.	Tons.	Men.	Vessels.	Tons.	Men.
1814.	16,065	1,846,670	114,049	5,109	566,516	35,581	21,174	2,413,186	149,630
1815.	16,851	1,993,150	120,027	4,919	673,918	39,058	21,770	2,667,068	159,085
1816.	16,754	1,966,890	119,779	2,825	317,577	22,253	19,579	2,284,467	142,032
1817.	18,707	2,240,675	131,901	3,163	401,792	24,745	21,870	2,642,467	156,646
1818.	20,401	2,457,779	143,800	5,898	704,511	40,690	26,299	3,162,290	184,490
1819.	19,851	2,413,019	142,160	3,854	478,220	29,138	23,705	2,891,239	171,298
1820.	18,586	2,270,400	135,195	3,258	408,401	25,472	21,841	2,678,801	160,667
1821.	18,734	2,263,413	134,699	3,091	366,397	24,400	21,829	2,630,210	159,099
1822.	20,212	2,390,238	147,603	3,113	419,691	25,207	23,325	2,809,932	173,410
1823.	20,303	2,469,053	154,954	3,206	534,674	31,329	24,109	3,003,727	186,287
1824.	19,164	2,364,249	142,923	5,280	694,880	38,662	24,441	3,059,129	181,585
1825.	21,786	2,786,844	162,614	6,561	892,601	48,943	28,347	3,679,445	211,557
1826.	18,960	2,478,047	151,327	5,439	643,922	37,137	24,399	3,121,969	168,464

Office of Registrar General of Shipping,
Custom House, London,

26th April, 1827.

If I am right in the foregoing conclusions, it is plain that the navigation laws were not merely injurious to the commerce of the country, but that they were inadequate to their object of forcing the employment of a great comparative amount of shipping. But, supposing that they had been successful in the latter object, and that they had done no peculiar harm to our commercial intercourse with other nations, still their policy would seem to be very doubtful. It has been the custom

to take for granted that no nation can possess a powerful warlike navy without being, at the same time possessed of a large mercantile navy, from which to draw recruits for the former; and Dr. Smith gave his sanction to the navigation laws, only because he imagined that they would increase our mercantile navy, and that, by doing so they afforded the means of increasing our maritime power, and, consequently, of adding to the defence and security of the country. But notwithstanding the high authority by which this opinion has been supported, it does not seem to rest on any very good foundation; and I shall endeavour to show, in the following note on Impressment, that all that is necessary to the formation of the largest warlike navy, is the possession of convenient harbours, and of wealth sufficient to build and man ships.

NOTE XII.

IMPRESSMENT—PLAN FOR ITS ABOLITION.

The cruelty and oppressiveness of the practice of impressment being admitted on all hands, it is unnecessary to make any observations on these topics: I shall, therefore, proceed briefly to inquire whether the existence of this practice be really defensible, on the ground alleged by its apologists, of its being indispensable for the manning of the fleet at the breaking out of a war, or in cases of emergency.

The argument in favour of the necessity of impressment may be stated as follows:

It is obvious, on the ordinary principle by which the supply of any description of artisans is proportioned to the effective demand for them, that, generally speaking,

no country can possess a greater number of sailors than is required to man the vessels of her government and her merchants. The number of sailors now employed in the merchant service of Great Britain amounts, according to the official statement, to about 160,000,* and there are, besides, 21,000 sailors employed in the navy, making in all about 181,000, exclusive of fishermen, watermen, &c. many of whom, however, are protected from impressment. After the conclusion of a war, there are generally a considerable number of sailors discharged from the fleet, for whose services there is no demand; and at such periods their total number proportionally exceeds the number of those actually engaged in the king's and the merchant service. But in the lapse of a very few years this surplus entirely disappears; and the total number of sailors, like the total number of any other description of workmen, is then proportioned to the demand for them.

Now, it is contended, on the principle here stated, that if the number of sailors required to man the fleet, on the breaking out of a war, should considerably exceed the number of those maintained on the peace establishment, recourse must unavoidably be had to impressment. And such is most certainly the precise situation in which we should be placed were a war now to break out. Instead of 20,000, it would be a low estimate to suppose that 40,000 or 50,000 seamen would then be wanted for the fleet. And it must also be kept in mind that a war, instead of diminishing our foreign commerce, may have the effect to throw a greater share of the trade of the world into our hands, and thus to increase the demand for our merchant ships; nor, so long as we retain our present naval superiority, is there any considerable probability that that demand will be materially diminished in consequence of hostilities. Unless, however, a war were to throw a very large proportion of our merchant ships out

* 160,309; see Finance Accounts for 1826, p. 297!

of employment, it is evident, we should not be able to man the fleet without, either resorting to impressment, or offering such high wages, as would have the effect to withdraw so many sailors from the merchant service as would lay the commerce of the country under very great difficulties. The twenty or thirty thousand additional seamen wanted for the manning of the fleet cannot be created by the publication of a declaration of war. They can only be got from the merchant service; and if the merchants have a demand for them, and are willing to offer as high wages, as government can afford, recourse must unavoidably be had to impressment.

It is certain, however, that this necessity is not natural but artificial,—that it is of our own making, and may be very easily obviated. So far, indeed, is it from being true that impressment is indispensable for the manning of the fleet; that it is not even necessary that we should have a single merchant ship from which to impress men. It has been usually supposed that no nation can possess a great warlike navy, unless it be at the same time possessed of a great mercantile navy; and in consequence, as has been just seen, of the prevalence of this opinion, the most vexatious and oppressive restraints have been laid on commerce in the view of forcing the employment of ships and sailors. All, however, that is really required for the attainment of naval power, is the possession of convenient harbours, and of wealth sufficient to build ships, and to pay the wages of their crews. How paradoxical soever the proposition may at first sight appear, it will notwithstanding be found, on examination, that the navy of Great Britain might be as formidable as it now is, or, if that were desirable, infinitely more so, though we did not possess a single merchant ship. It is admitted on all hands, that the only use of merchant ships, in respect of national defence, is the means afforded by them of breeding up and training sailors, who may afterwards be made available, by im-

pressment or otherwise, for the manning of the fleet. But the question is, are there any good reasons for preferring this circuitous method of procuring sailors for the navy? There can be no doubt of the fact that sailors may be brought up in ships of war as well as in merchantmen; and some very high authorities in naval matters have declared, what indeed it was only natural to suppose, that a sailor who has been from infancy brought up on board a ship of war, is decidedly better fitted for the peculiar sort of duty required on board of her, than if he had been brought up in a merchantman. A sailor bred in the latter is ignorant of many things that are indispensably necessary to form a good man-of-war's man. He has to be trained to the management of guns, to the sword-exercise, &c.; and has to learn to submit himself to that regular routine duty and strict discipline essential in a fleet.

Sound policy would, therefore, suggest that, instead of keeping so small a force as from twenty to twenty-five thousand seamen afloat during peace, and trusting to impressment to man the fleet on the breaking out of a war, our peace establishment should be fixed at *forty* or *fifty* thousand able-bodied seamen. According to the admiralty regulations, *one fourth* part of the crew of a man-of-war may, *exclusively of marines*, consist of *landsmen and boys*; and it has been repeatedly stated, that this description of persons formed, at the close of last war, on an average, a full third of the crews of almost all our ships. Suppose, then, that we had 40,000 able-bodied and thorough-bred seamen on board our ships of war in time of peace, we should be able, on the breaking out of a war, by enlisting the ordinary proportion of *landsmen and boys* for the sea service, instantly to *man* such a powerful and effective fleet as would suffice to crush all that there is any probability could be opposed to it: And on this system, it is obvious that the supply of sailors for the fleet might be constantly kept up without

ever abstracting a single individual from the merchant service; and, consequently, without either resorting to impressment, or giving the least shock to the commerce of the country; at the same time that the crews would be thoroughly trained, and would thus attain to a state of discipline to which they have hitherto been strangers.

To facilitate the obtaining of volunteers, sailors should be enlisted for limited periods only. At the end of the *first* period of three, five, or seven years, as might be fixed upon, they should be entitled to a discharge, and liberty might be allowed them to practise any trade in any town or place in the country, without acquiring the freedom of any corporate body or association. If they enlisted for a *second* period, they should be entitled to a pension on its termination; and if they enlisted for a *third* period, they should be entitled, over and above the wages paid to other seamen, to the pension due them at the termination of their *second* period of service, and to have that pension doubled on the expiration of the *third* period. And these pensions ought to be exclusive of allowances for wounds, &c. which might be continued as at present.

It should also be enacted, that henceforth no individual should be sent to the navy as to a place of punishment; and that the sentence of no criminal, of any description whatever, should be commuted on his consenting to go on board one of his Majesty's ships.

That the improvement of the fleet, the abolition of impressment, and the relief of commerce from a multitude of oppressive shackles and restraints, are all objects of vast national importance, no one can deny; and to realize them all, we have only to act on just and fair principles—to give our sailors adequate encouragement; to keep a sufficient number of them afloat during peace; and instead of disgracing the country, and degrading the naval service, by filling his Majesty's ships with sailors kidnapped from merchantmen, and the

sweepings of our jails, to make them nurseries of the *volunteers* who are afterwards to lead them to victory.

The only objection worth alluding to, that can be made to this plan, is founded on the ground of expense. But though it were to cost a few hundred thousand pounds a year more than the present system, I cannot doubt, inasmuch as it is evident that without incurring this expense the injustice and misery caused by the practice of impressment cannot be got rid of, that it would be most cheerfully submitted to on the part of the public. In point of fact, however, the plan now suggested would be really cheaper than that which has hitherto been acted upon. According to the navy estimates for 1827, the total charge on account of wages and victuals for thirty thousand men, including nine thousand marines, to serve in the fleet for thirteen lunar months, is stated at L.1,579,500; from which, by deducting the proportional charge on account of the marines, we have L.1,105,650 as the total charge on account of the 21,000 seamen. Supposing now that the number of seamen on the peace establishment were doubled, or increased, as it ought to be, to 42,000 men, exclusive of marines, the whole additional cost that would be thereby incurred would, only, on the highest estimate, amount to L.1,105,650; and it should also be observed, inasmuch as the crews of most of the ships now at sea are far below their full complement, that the number of seamen might be doubled without causing any thing like a proportional increase in the charge for wear and tear, which forms an item in the navy estimates that is seldom less than L.300,000. But without taking this circumstance into account, still there can be no doubt that the abolition of the practice of impressment would be most advantageously purchased by an addition of L.1,200,000 or L.1,400,000 a year to the cost of the peace establishment. It is really an error to suppose that this odious practice has the recommendation of cheapness in its favour. Every one knows that

if any employment be particularly disagreeable or hazardous, or if those who are engaged in it be peculiarly exposed to any species of oppression or ill treatment, there will be a disinclination on the part of young men to enter it; and the employment could not be carried on, unless wages were to rise so as to afford the labourers a reasonable compensation for exposing themselves to the unfavourable circumstances attending it. Now, this is most especially the case with the sea service. The violence and injustice to which sailors are exposed, operate powerfully in preventing young men from entering on board ship; and have thus, by artificially lessening the supply of sailors, the effect to raise their wages above their natural level, to the extreme injury as well of the merchant as of the king's service.

It is impossible to form any accurate estimate of the addition that must thus be made to the wages of our seamen; but taking it so low as only 5s. a lunar month, or L.3, 5s. a year, it would make on the yearly wages of 160,000 seamen employed in the merchant service a sum of L.520,000: so that, assuming this estimate to be well founded, the reduction in the wages of seamen in time of peace, that would follow the total abolition of impressment, would amount to nearly half the sum that it would cost to maintain such a number of sailors on the peace establishment as would enable that measure to be effected.

It may be mentioned in proof of the moderation of the estimate now made, that while the wages of all other sorts of labourers and artisans are uniformly much higher in the United States than in England, those of sailors are generally either on the same level or *lower!* The reason is, that our sagacious rivals have abandoned the practice of impressment. The navy of the United States is manned by means of voluntary enlistment only. The Americans are desirous of becoming a great naval power;

and they have wisely abolished a practice that would have driven all their best sailors from their service, and have forced them to man their navy with felons and the offscourings of society.

But it is in war that the superior cheapness of the plan now proposed would chiefly manifest itself. It has been repeatedly stated, that there were above 16,000 British sailors in the American service at the close of last war; and the wages of our seamen, which in time of peace rarely exceed 50s. or 60s. a month, had then risen to 100s. or 120s. ! imposing a burden on the commerce of the country, exclusive of its other pernicious consequences, infinitely outweighing twenty years cost of a peace establishment three times as great as that which has been suggested in this note.

Our merchants are every now and then loudly complaining of the high wages demanded by the sailors. But it is against the *cause* of the evil, and not against its consequences, that they ought to raise an outcry. The truth is, that the wages of our seamen will never be effectually reduced until the practice of impressment is abolished. It is impressment that is the real cause of the deficient numbers, and consequent high wages of our seamen; and it is idle to suppose that they will ever be materially diminished so long as this practice is maintained. If we will have injustice, it is folly to clamour about its expense. "The custom of impressment," says Sir Matthew Decker, "puts a freeborn 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 before 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 triple their wages? which is the case with our*

*sailors in time of war, to the great detriment of our trade and manufactures.”**

The increase of wages caused by the practice of impressment, at all times, but especially during war, is not however its worst effect. The wish to lessen this expense leads, in a vast number of cases, to the sending of ships to sea with insufficient crews; and consequently to the loss of many lives and much valuable property. It is difficult to say how much the rate of insurance is affected by this circumstance, but that it is materially affected is a fact of which there is no doubt.

But in the absence of all other arguments in favour of the abolition of impressment, it is certain that the circumstances under which the rise of America has placed this country, will compel its abolition. In former times our seamen were in the habit, on the breaking out of a war, of deserting in considerable numbers to Holland; but the difference of language was an insuperable obstacle to their carrying this practice to any great extent. With America, however, the case is altogether different. Our seamen are there assured of a safe asylum among their kindred and friends,—among those whose language, customs, and habits are all identical with their own, and who will not fail to hold out every inducement to draw them to their service. If, therefore, the overpowering temptations which our sailors will have, at the breaking out of a war, to desert to America, be not effectually counteracted—and they can only be counteracted by the unconditional abandonment of impressment—it is not difficult to see that the ultimate triumph of the American navy will be secured by our obstinately clinging to a system fraught with injustice, cruelty, and oppression.

Although, therefore, it might perhaps cost a little more to man the fleet *during peace* on the system now proposed, than on that which is in use, that increased cost would

* *Essay on the Causes of the Decline of Foreign Trade, ed. 1756, p. 24.*

be more than balanced by other savings : for, as has been already shown, by permitting the abolition of impressment, it would have the effect to cause a very considerable reduction in the wages of seamen, and consequently in the cost of manning our merchant ships even in time of peace ; at the same time that it would effectually prevent wages from rising to the oppressive height to which they have risen during periods of war.

But though impressment were as cheap as it is really dear, and though it were as equitable and humane as it is unjust and cruel, it will be found to be impossible, for the reasons previously stated, and many more that will readily suggest themselves, to continue to act upon it in future without endangering our naval superiority. Many of our most distinguished naval officers concur in this opinion ; and are thoroughly convinced of the necessity of some radical change being effected in the present system.

NOTE XIII.

COLONIAL POLICY.

DR. Smith has entered so fully and ably into an examination of the policy of the restrictions which Great Britain and other nations have been in the habit of imposing on the trade of their colonies, that it would have been unnecessary to add another word on the subject, but for the effect which he ascribes to the monopoly in elevating the rate of profit. Dr. Smith supposed that the monopoly increased the field for the employment of capital ; and as he supposed that the rate of profit depended on the extent of the demand for capital, compared with its amount, he naturally concluded

that it increased the rate of profit. But it is not difficult to see that this is an error. The rate of profit is not, as has been already seen, in the slightest degree dependent on the magnitude of the field for the employment of capital; but is determined entirely by the productiveness of industry at the time. Profits consist of the excess, or the value of the excess, of the commodities produced by the expenditure of a given quantity of capital and labour, over that original amount of capital and labour, or its value. It is plain then that they must be wholly unaffected by the mere *extension* of the field for the employment of capital, how great soever that extension may be. Suppose, to illustrate this principle, that ten millions of acres of land were added, by a fiat of Providence, to Great Britain: the effect that this addition to the soil of the country, or to the existing field for the employment of capital, would have on the rate of profit, would depend entirely on the circumstance, whether this new land was of the same or of greater productive power than the poorest soils now under cultivation. If it were of the same degree of productiveness as these poor soils, we might, if we chose, expend 500 or 1000 millions in its cultivation, but it is obvious that no addition would thereby be made to the *rate of profit*. If the farmer of the worst land now cultivated get a return of ten quarters or of L.10 for a certain outlay of capital, he will evidently get precisely the same return if he lay out the same capital on any other quantity of equally poor land. It is true that if the new land added to the country were of *greater productive power than the worst quality now cultivated*, the rate of profit would rise; but it would rise, not because the field for the investment of capital had been enlarged, but because it had become more productive—because the same outlay of capital that yields only a return of ten quarters or of L.10 on the last land now cultivated, would then perhaps yield a return of twelve quarters or of L.12.

But it is said that the monopoly of the colony trade

has this very effect—that it renders the field for the employment of capital more productive, as well as more extensive. According to the theory of Dr. Smith, when new and unusually advantageous channels of foreign commerce are discovered, the merchants who first engage in them realize larger profits than ordinary, and these larger profits tempt capitalists to withdraw their stocks from less lucrative employments, so that the supply of commodities produced for the home market is diminished; which, as the demand continues the same, necessarily occasions a general rise of prices and profits. But Mr. Ricardo has shown the fallacy of this statement. It is clear, that after new channels of commerce are opened, whether by means of a monopoly or otherwise, there must either be the *same*, a *greater*, or a *less* amount of the national revenue expended in the purchase of foreign commodities than before. If, in the *first* place, the *same* amount of revenue be laid out in the purchase of these commodities as before, there will be the same amount of revenue to lay out on articles produced at home, and no change whatever will be occasioned: If, in the *second* place, a *greater* amount of revenue should be laid out in the purchase of foreign articles; then, as there must be a proportionally less demand for articles produced at home, a corresponding portion of the capital and labour previously employed in producing commodities for the home market will be set free, and will henceforth be employed in the production of the commodities sent abroad to pay the greater amount of goods imported; and hence it appears, inasmuch as every increased demand for foreign produce necessarily brings along with it the means of procuring the augmented supply without requiring any additional capital, that neither prices, nor profits could be affected by such an increase: And if, in the *third* and last place, owing to the greater cheapness of foreign produce, a *less* proportion of the revenue of the country should be devoted to their purchase, a less

amount of capital would be required to produce the commodities exported to pay them; and the capital thus set free would, of course, be employed in producing the increased supply of commodities for the home market, on which the portion of revenue saved in the purchase of foreign commodities must, in future, be expended. And thus it appears, that in every case—whether the *same*, a *greater*, or a *less* proportion of the national revenue be laid out in the purchase of foreign commodities—the discovery or formation of new channels of commerce cannot of itself have any effect whatever on the rate of profit.*

It is true, indeed, that if foreign commerce enable us to import corn, or any other article which necessarily enters into the consumption of the labourer, at a cheaper rate than it can be produced at home, it will have the effect to lower wages and raise profits. It is obvious, however, that this is a result that could not be brought about by the monopoly of the supply of all the colonies and countries in the world. It does not depend on exportation, but on importation,—on liberty being granted to import corn from *those who can furnish it at the lowest price, whether they be dependent colonists or independent foreigners.*

It is almost unnecessary to add, that the reasonings advanced by Dr. Smith, with respect to the advantages that would be derived from the abolition of the monopoly of the colony trade, have received the most ample confirmation from the effects that have followed the American war. Our commerce with the United States, since the era of their independence, has grown with their growth, and is proportionally as great as when we had a governor in every state. And while we have thus continued to enjoy every previous advantage resulting from our intercourse with the colonies, we have done this without being subjected to the heavy expense of main-

* Ricardo's Principles of Political Economy, p. 149, 1st ed.

taining armaments for the defence of such distant and extensive territories.

The late changes in the navigation laws amount to a complete abandonment of the old colonial system. The colonies are now placed in the same situation, with respect to trade, as if they formed integral parts of Great Britain. Foreign ships are allowed to bring to the colonies the produce of their respective countries, and to take back their produce to their own countries; but they are not allowed to carry the produce of the colonies between nations to which such ships do not belong.*

* For a more ample discussion of this subject, see Edinburgh Review, number 88, article, Colonial Policy.

** For the convenience of those who may be desirous of comparing the statements in the Wealth of Nations, as to the population of the West Indies and North and South America, in 1775, with their population at present, I subjoin Humboldt's estimate of the population of these countries, and his classification of the different races, as given in the *Essai Politique sur l'Isle de Cuba*, published in 1826.

Population of the Antilles, or West India Islands.

DIVISIONS.	Total Population.	Slaves : Blacks, and a few Mulattoes.	Free Persons of colour : Mulattoes and Blacks.	Whites.
Spanish Antilles, Cuba, Portorico, &c. . .	943,000	281,400	319,500	342,100
Hayti . . .	820,000	. . .	790,000	30,000
English Antilles, Jamaica, Barbadoes, &c. . .	776,500	626,800	78,350	71,350
French Antilles, Martinico, Guadeloupe, &c.	219,000	178,000	18,000	23,000
Dutch, Danish, and Swedish Antilles, St. Eustatia, Curaçoa, &c. . .	84,500	61,300	7,050	16,150
	2,843,000	1,147,500 (40 p. c.)	1,212,000 (43 p. c.)	482,600 (17 p. c.)

DISTRIBUTION OF RACES IN CONTINENTAL AND
INSULAR AMERICA.

1st, WHITES.	
Spanish America	3,276,000
The Antilles, (exclusive of Cuba and other Spanish Insular Possessions)	140,000
Brazil	920,000
The United States	8,575,000
Canada	550,000
English, Dutch, and French Guyana	10,000
	13,471,000
2d, INDIANS.	
Spanish America	7,530,000
Brazil	260,000
Independent Indians of North America	400,000
Independent Indians of South America	420,000
	8,610,000
3d, NEGROES.	
The Antilles, (inclusive of Cuba and Portorico)	1,960,000
Spanish Continental America	387,000
Brazil	1,960,000
English, Dutch, and French Guyana	206,000
United States	1,920,000
	6,433,000
4th, MIXED RACES.	
Spanish America	5,328,000
The Antilles, (exclusive of Cuba, Portorico, and Marguerite)	190,000
Brazil, and the United States	890,000
English, Dutch, and French Guyana	20,000
	6,428,000

RECAPITULATION.

TOTAL POPULATION OF AMERICA AND THE WEST INDIES.			
Whites	13,471,000	or	38 p. cent.
Indians	8,610,000		25
Negroes	6,433,000		19
Mixed Races	6,428,000		18
	34,942,000		

NOTE XIV.

COMMERCIAL TREATY WITH FRANCE IN 1786.

WITH very few exceptions, the commercial treaties that have hitherto been negotiated, have not been bottomed on any fair principle of reciprocity, but have been entered into because each of the contracting parties believed they had secured an advantage at the expense of the other. It is almost superfluous to add, that these supposed advantages have most commonly proved to be either imaginary or positively pernicious. When one country obtains, by treaty or otherwise, the exclusive privilege of supplying the markets of another with some species of produce she had not previously been in the habit of exporting to them, she is almost invariably obliged, in order to enable the trade to be carried on, to give that other a similar monopoly in her markets. Thus, in the case of the famous commercial treaty between this country and Portugal, negotiated by Mr. Methuen in 1703, we obtained the exclusive privilege of supplying the Portuguese markets with woollens; but the Portuguese would not have had the power of giving effect to the treaty, or of supplying us with equivalents for our woollens, had we not given them the monopoly of the British market for wine. The treaty was thus obviously productive of a double mischief. For, in the *first* place, it was injurious to the Portuguese, by narrowing their market for woollens, and attracting too great a proportion of their capital to the production of wine; and, in the *second* place, it was injurious to the British, inasmuch as by obliging us to impose heavy discriminating duties on the wines of France and other countries, it compelled us to buy much worse wine at a much higher price, at the same time that it sti-

mulated the French, Spaniards, &c. to retaliate on our commerce by excluding several of our most valuable commodities from their markets,

It is visionary indeed to imagine that any nation will ever continue to grant to another any exclusive advantage in her markets, unless she obtain what she reckons an equivalent advantage in the markets of the other. And if a commercial treaty, stipulating for an exclusive privilege, should be really observed on the part of the country granting the privilege, we may be assured that the concessions made by the country in whose favour the privilege has been granted are sufficient fully to countervail it. Those who grasp at exclusive advantages in matters of this sort, or who attempt to extort valuable privileges from the weakness or ignorance of their neighbours, are sure to be defeated in their object. All really beneficial commercial transactions are founded on a fair principle of reciprocity; and that nation will always flourish most, and have the foundations of her prosperity and power best secured, who is a universal merchant, and who deals with all the world on fair and liberal principles.

The doctrines laid down by the best writers on public law, correspond, in this instance, with those deduced from the principles of economical science. "All men ought," says Vattel, "to find on earth the things they stand in need of. In the primitive state of communion, they took them wherever they happened to meet with them, if another had not before appropriated them to his own use. The introduction of dominion and property could not deprive men of so essential a right, and consequently it cannot take place without leaving them, in general, some mean of procuring what is useful or necessary to them. That mean is commerce; by it every man may still supply his wants. Things being now become property, there are no means of obtaining them without the owner's consent; nor are they usually to be had for nothing; but they may be bought or exchanged

for other things of equal value. Men are, therefore, under an obligation to carry on that commerce with each other, if they wish not to deviate from the views of nature; and this obligation extends also to whole nations or states. It is seldom that nature is seen in one place to produce every thing necessary for the use of man; one country abounds in corn, another in pastures and cattle, a third in timber and metals, &c. If all these countries trade together, as is agreeable to human nature, none of them will be without such things as are useful and necessary; and the views of nature, our common mother, will be fulfilled. Further, one country is fitter for some kind of products than another, as, for instance, fitter for the vine than for tillage. If trade and barter take place, every nation, on the certainty of procuring what it wants, will employ its land and industry in the most advantageous manner; and mankind in general prove gainers by it. Such are the foundations of the general obligation incumbent on nations reciprocally to cultivate commerce.”*

The commercial treaty concluded between this country and France, in 1786, was one of the first, as it still is one of the most memorable instances of two great nations agreeing to carry on a friendly intercourse, without stipulating for any exclusive advantages. It is true, indeed, that in doing so, they took the most enlarged and enlightened view of their real and lasting interests. Situated as Great Britain and France are, near to each other, and each possessed of much that the other wants—the one abounding in all the products that a fertile soil and a genial climate can supply, and the other in those that are the fruit of comparative excellence in manufacturing and commercial industry—it is obvious, that if no restrictions were laid on the intercourse between them, the one would form the greatest and most advantageous mar-

* Book ii. chap. ii. sect. 21.

ket for the produce of the other. But their jealousy of each other has so fettered the commercial intercourse between them, that we derive more advantage from our commerce with China than from that which we carry on with our nearest, most opulent, and most populous neighbour. The object of the commercial treaty alluded to, was to introduce a better and more friendly system; to moderate the severity of the restrictions laid on commerce; and, by familiarizing both parties with the advantages that would result from an extensive intercourse, to teach them to forget their animosities, and to feel a lively interest in each other's welfare.

The speech made by Mr. Pitt, by whom this treaty was negotiated, on laying it before the House of Commons, is highly deserving of attention; and whether we refer to the soundness and liberality of its general principles, or the eloquence and ability with which they are enforced, it cannot be too highly praised. "France," said Mr. Pitt, "was, by the peculiar dispensation of Providence, gifted, perhaps, more than any other country upon earth, with what made life desirable, in point of soil, climate, and natural productions. It had the most fertile vineyards, and the richest harvests. The greatest luxuries of life were produced in it with little cost, and with moderate labour. Britain was not thus blessed by nature; but, on the other hand, it possessed, through the happy freedom of its constitution, and the equal security of its laws, an energy in its enterprise, and a stability in its exertions, which had gradually raised it to a high state of commercial grandeur; and not being so bountifully gifted by Heaven, it had recourse to labour and art, by which it had acquired the ability of supplying its neighbours with all the artificial embellishments of life, in exchange for their natural luxuries. Thus standing with regard to each other, a friendly connexion seemed to be pointed out between them, instead of that state of unalterable enmity which was falsely said to be their

true political feeling towards one another." Having triumphantly refuted the commercial arguments against the treaty, Mr. Pitt inquired, in answer to an argument inculcating constant jealousy of France, "whether, in using the word jealousy, it was meant to recommend to this country such a species of jealousy as should be either mad or blind; such a species of jealousy as should induce her either madly to throw away what was to make her happy, or blindly grasp at what must end in her ruin. Was the necessity of a perpetual animosity with France so evident and pressing, that for it we were to sacrifice every commercial advantage we might expect from a friendly intercourse with that country; or was a pacific connexion between the two kingdoms so highly offensive, that even an extension of commerce could not counterpoise it? The quarrels between France and Britain had too long continued to harass not only those two great nations themselves, but had frequently embroiled the peace of Europe; nay, they had disturbed the tranquillity of the most remote parts of the world. They had by their past conduct acted as if they were intended for the destruction of each other; but he hoped the time was now come, when they would justify the order of the universe, and show that they were better calculated for the more amiable purposes of friendly intercourse and mutual benevolence."—"Considering the treaty," he continued, "in a political point of view, he should not hesitate to contend against the too frequently advanced doctrine that France was and must be the unalterable enemy of Britain. To suppose that any nation was unalterably the enemy of another, was weak and childish. It had neither its foundation in the experience of nations nor in the history of man. It was a libel on the constitution of political societies, and supposed diabolical malice in the original frame of man."

It is unnecessary to specify the regulations in this

treaty.* The war that unfortunately broke out in 1793 put a total stop to the growing intercourse between the two countries; and no commercial treaty has been entered into since the peace. But the principles on which the treaty of 1786 was founded, are as applicable at this moment as they were then; and the statesman who shall carry them into effect a second time, by procuring the repeal or diminution of the existing prohibitions and duties on the trade between the two countries, will confer the greatest boon on them both.

The disinclination of foreign governments to enter into commercial treaties on a footing of reciprocity, has sometimes been urged as a reason why we should not admit the commodities of their subjects into our markets. But a regard to their own interest will always induce those who consider the matter dispassionately to purchase whatever commodities they want in the cheapest and best market. It is true that the French government have, by an unwise and most impolitic regulation, prevented the introduction of English cottons and hardware into France; and have thus forced their own subjects to misemploy a large proportion of their capital, and to purchase inferior articles at a higher price than that for which they might otherwise obtain them. But this is a line of conduct that ought to be carefully avoided, not followed. The fact that a foreign government has done an injury to its subjects by making them pay an artificially enhanced price for their cottons and hardware, can be no apology for the government of this country injuring those entitled to its protection by making them pay an enhanced price for their wines, brandies, and silks. To act thus, is not to retaliate on the French, but on ourselves. It is erecting the blind and brutal impulses of revenge into maxims of state policy. Our business is not to inquire where others

* This treaty has been repeatedly published. An account of its principal provisions is given in Macpherson's *Annals of Commerce*, vol. iv. pp. 112—116.

buy the produce they consume, but to buy that for which we have a demand wherever it can be obtained at the cheapest rate. No foreign nation will ever refuse to sell; and as there can be no selling without an equal buying, no exportation without an equal importation, by acting on a liberal system ourselves, we shall not only reap a very great immediate advantage, but shall inevitably compel others to abandon their restrictions.

The late reduction of the duties on French wines and silks is an earnest of a better spirit having gained an ascendancy in our councils. Besides the direct advantage resulting from this measure, it will serve to convince the foreigner that in endeavouring to negotiate commercial treaties, our object is not to secure any advantage at the expense of others, but to give facilities to a commerce productive of reciprocal and equal benefit to all parties.

NOTE XV.

PETITION OF THE MERCHANTS OF LONDON FOR A FREE TRADE.

THE following petition, to which reference has been already made, as forming an important era in the commercial history of the country,* was subscribed by all the principal merchants of London. It was presented to the House of Commons on the 8th of May 1820. Similar petitions were subsequently presented from all the great trading and manufacturing towns.

*“ To the Honourable the Commons, &c. the Petition of the
Merchants of the City of London,*

“ SHEWETH,

“ That foreign commerce is eminently conducive to

* Vol. ii. p. 344, note.

the wealth and prosperity of a country, by enabling it to import the commodities for the production of which the soil, climate, capital, and industry of other countries are best calculated, and to export in payment those articles for which its own situation is better adapted.

“ That freedom from restraint is calculated to give the utmost extension to foreign trade, and the best direction to the capital and industry of the country.

“ That the maxim of buying in the cheapest market, and selling in the dearest, which regulates every merchant in his individual dealings, is strictly applicable, as the best rule for the trade of the whole nation.

“ That a policy founded on these principles, would render the commerce of the world an interchange of mutual advantages, and diffuse an increase of wealth and enjoyments among the inhabitants of each state.

“ That, unfortunately, a policy the very reverse of this, has been, and is, more or less, adopted and acted upon by the government of this and every other country; each trying to exclude the productions of other countries, with the specious and well-meant design of encouraging its own productions: thus inflicting on the bulk of its subjects who are consumers, the necessity of submitting to privations in the quantity or quality of commodities; and thus rendering what ought to be the source of mutual benefit and of harmony among states, a constantly recurring occasion of jealousy and hostility.

“ That the prevailing prejudices in favour of the protective or restrictive system may be traced to the erroneous supposition that every importation of foreign commodities occasions a diminution or discouragement of our own productions to the same extent: whereas it may be clearly shown, that although the particular description of production which could not stand against unrestrained foreign competition would be discouraged, yet as no importation could be continued for any length of time, without a corresponding exportation, direct or in-

direct, there would be an encouragement, for the purpose of that exportation, of some other production to which our situation might be better suited: thus affording at least an equal, and probably a greater, and certainly a more beneficial employment to our own capital and labour.

“ That of the numerous protective and prohibitory duties of our commercial code, it may be proved, that while all operate as a very heavy tax on the community at large, very few are of any ultimate benefit to the classes in whose favour they were originally instituted, and none to the extent of the loss occasioned by them to other classes.

“ That among the other evils of the restrictive, or protective system, not the least is, that the artificial protection of one branch of industry, or source of production, against foreign competition, is set up as a ground of claim by other branches for similar protection; so that if the reasoning upon which these restrictive or prohibitory regulations are founded were followed out consistently, it would not stop short of excluding us from all foreign commerce whatsoever. And the same train of argument, which, with corresponding prohibitions and protective duties, should exclude us from foreign trade, might be brought forward to justify the re-enactment of restrictions upon the interchange of productions (unconnected with public revenue) among the kingdoms composing the union, or among the counties of the same kingdom.

“ That an investigation of the effects of the restrictive system, at this time, is peculiarly called for, as it may, in the opinion of your petitioners, lead to a strong presumption, that the distress which now so generally prevails, is considerably aggravated by that system; and that some relief may be obtained by the earliest practicable removal of such of the restraints as may be shown to be most injurious to the capital and industry of the com-

munity, and to be attended with no compensating benefit to the public revenue.

“ That a declaration against the anti-commercial principles of our restrictive system is of the more importance at the present juncture, inasmuch as in several instances of recent occurrence, the merchants and manufacturers in foreign states have assailed their respective governments with applications for further protective or prohibitory duties and regulations, urging the example and authority of this country, against which they are almost exclusively directed, as a sanction for the policy of such measures. And certainly, if the reasoning upon which our restrictions have been defended is worth any thing, it will apply in behalf of the regulations of foreign states against us. They insist upon our superiority in capital and machinery, as we do upon their comparative exemption from taxation, and with equal foundation.

“ That nothing would more tend to counteract the commercial hostility of foreign states, than the adoption of a more enlightened and more conciliatory policy on the part of this country.

“ That although, as a matter of mere diplomacy, it may sometimes answer to hold out the removal of particular prohibitions, or high duties, as depending upon corresponding concessions by other states in our favour, it does not follow that we should maintain our restrictions, in cases where the desired concessions on their part cannot be obtained. Our restrictions would not be the less prejudicial to our own capital and industry, because other governments persisted in preserving impolitic regulations.

“ That, upon the whole, the most liberal would prove to be the most politic course, on such occasions.

“ That, independent of the direct benefit to be derived by this country on every occasion of such concession or relaxation, a great incidental object would be gained, by the recognition of a sound principle or standard, to which

all subsequent arrangements might be referred; and by the salutary influence which a promulgation of such just views, by the legislature and by the nation at large, could not fail to have on the policy of other states.

“ That in thus declaring, as your petitioners do, their conviction of the impolicy and injustice of the restrictive system, and in desiring every practicable relaxation of it, they have in view only such parts of it as are not connected, or are only subordinately so, with the public revenue: As long as the necessity for the present amount of revenue subsists, your petitioners cannot expect so important a branch of it as the customs to be given up, nor to be materially diminished, unless some substitute, less objectionable, be suggested. But it is *against every restrictive regulation of trade, not essential to the revenue, against all duties merely protective from foreign competition, and against the excess of such duties as are partly for the purpose of revenue, and partly for that of protection*, that the prayer of the present petition is respectfully submitted to the wisdom of parliament.

“ May it therefore,” &c.

NOTE XVI.

COMMERCIAL REVULSIONS.

A REVULSION may take place in any branch of industry, either from circumstances arising out of political changes, such as the breaking out of a war, the imposition of a new tax, &c., or it may take place from miscalculations on the part of those engaged in the business. The former class of revulsions obviously depend on contingencies that can neither be foreseen nor provided against, and are, therefore, beyond the sphere of the political economist. But with respect to the latter class, or those which are

occasioned by the miscalculations of the parties, they most commonly originate in a derangement of the usual proportion between the supply and demand of some species of produce. Suppose, for example, that owing either to the opening of new markets, to a change of fashion, or to any other cause, the demand for cotton goods were considerably increased:—The consequences of such increased demand would be, that the price of cottons would immediately rise, and that the manufacturers would obtain comparatively high profits. But the rate of profit in different employments has a constant tendency to equality; and it can never, unless when monopolies interfere to prevent or counteract the operation of the principle of competition, continue for any considerable period either higher or lower in one than in the rest. As soon, therefore, as this rise in the price of cottons had taken place, additional capital would begin to be employed in their production. The manufacturers already engaged in the cotton trade would endeavour to borrow fresh capital; while a number of those engaged in other businesses would withdraw from them, and enter into it. Unluckily, however, it is next to certain that this transference of capital would not stop at the point when it would suffice to produce the additional supply of cottons at the old prices, but that it would be carried so much farther as to produce a glut of cottons, and a ruinous revulsion. A number of causes conspire to produce this effect:—The advantages which any particular 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 the whole body of those who are engaged in other businesses. The adventurous and sanguine—those who are particularly disposed to take *omne ignotum pro magnifico*—crowd into a business which they readily believe presents the shortest and safest road to wealth and consideration; at the same

time that many of that generally numerous class, who have their capitals lent to others, and who are waiting until a favourable opportunity occur for investing them in some industrious undertaking, are tempted to follow the same course. It occurs to few, that the same causes which impel one 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 who are already engaged in the advantageous business, stretch their credit to the utmost, in order 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.

I have collected, in an article in the *Edinburgh Review*,* some rather striking instances of the effects of this principle; and I have endeavoured to point out the means by which those fluctuations that most frequently lead to miscalculation might be most easily avoided. The most efficient of these means seems to be the gradual establishment of a system of free trade. By preventing any business from being carried on for the prosecution of which a country has no natural or acquired advantage, and by preventing any branch of industry which a country is in a condition to carry on, from attracting more of the national capital than what properly belongs to it, a system of free trade would have a powerful tendency to lessen the frequency of revulsions, and to mitigate their violence when they did occur. The revulsion that took place in

* Number 87, article 3.

agricultural industry, for example, in the latter part of 1813, was almost wholly owing to the artificial system on which we had previously acted. In consequence of the laws restricting importation in 1791 and 1804, and of the peculiar circumstances connected with the late war, the prices of all sorts of corn in this country rose to an immense height, as compared with the prices of the Continent. There was, therefore, no opportunity of exporting any excess of produce to a foreign market; so that the moment cultivation had been so far extended as to enable us to raise, in ordinary years, a supply of corn adequate to our own consumption, the first luxuriant crop necessarily sunk prices far below the cost of production, and involved the farmers in bankruptcy and ruin. And their subsequent distress has been principally owing, as has been already seen, to the efforts made by the land-owners to keep up prices at an artificial elevation.*

The true line of policy that a government ought to follow, as respects commercial affairs, has been ably pointed out by Mr. Alexander Baring. "The only beneficial care," says he, "a government can take of commerce, is to afford it general protection in time of war, to remove by treaties the restrictions of foreign governments in time of peace, and cautiously to abstain from any, however plausible, of its own creating. If every law of regulation, either of our internal or external trade, were repealed, with the exception of those necessary for the collection of revenue, it would be an undoubted benefit to commerce, as well as to the community at large. An avowed system of leaving things to take their own course, and of not listening to the interested solicitations of one class or another for relief, whenever the imprudence of speculation has occasioned losses, would, sooner than any artificial remedy, reproduce that equilibrium of demand and supply, which the ardour of gain will fre-

* See note on the Corn Laws and Corn Trade, *ante*, p. 342.

quently derange, but which the same cause, when let alone, will as infallibly restore.

“ The interference of the political regulator in these cases, is not only a certain injury to the other classes of the community, but generally so to that in whose favour it is exercised. If too much sugar be manufactured in Jamaica, or too much cotton in Manchester, the loss of those concerned will soon correct the mischief; but if forced means are devised to provide for the former a temporary increase of demand, which cannot be permanently secured, a recurrence to that natural state of fair profit, which is most to be desired by the planter, is artificially prevented by the very means intended for his relief. And if the cotton manufacturer, on the other hand, is to have his imprudences relieved at the expense of those employed on linen, silk, wool, or other materials, the injustice, as well as impolicy of such a remedy, need no illustration.

“ Whenever the assistance of government is called for by any class of traders or manufacturers, it is usual to make the most splendid display of the importance of that particular branch to the nation at large. The West and East India interests, the ship-owners, the manufacturers, the American merchants, have all the means of making these brilliant representations; but it should be recollected, that the interest of the state consists in the prosperity of the whole; that it is contrary to sound policy to advance one beyond its natural means, and still more to do so at the expense of others; and that the only mode of ascertaining the natural limits of each, is *to leave them all alone.*”*

Nothing, perhaps, tends so much to generate a spirit of overtrading, and by consequence to lead to commercial revulsions, as sudden changes in the quantity and

* An Inquiry into the Causes and Consequences of the Orders in Council, 1st edit. p. 123.

value of money. Those who embark most readily and eagerly in time-bargains, and other speculative adventures, are not, generally speaking, of the class of rich and old-established merchants. They consist principally of those who have but recently entered into business, and who are tempted, by the chance of speedily making a fortune, to engage in such hazardous transactions. And while any unusual facility in obtaining discounts must act as an additional and powerful motive to such persons to speculate, it is at the same time obvious that the rise of prices, consequent upon any additions made to the currency, will not only lead them to believe that their anticipations are to be realized, but will, most probably, induce even the most considerate merchants to withhold their produce from market, in the expectation of a further advance. The miscalculations of particular classes of producers, or merchants, affect themselves only, or at most exert but a comparatively slight influence over the rest of the community; but a revulsion occasioned by a sudden change in the quantity and value of money affects every individual, and is always productive of the most pernicious results.

The discount of bills at long dates is also a great incentive to unsafe speculation. When an individual obtains money which he is not to be called upon to pay for six, twelve, or perhaps eighteen months, he is either led to employ it as capital, or is tempted to adventure in some sort of undertaking that is not to terminate until some distant period; and the consequence is, that when the bill becomes due, he is most frequently unable to pay it, or can only pay it by withdrawing capital at a great loss from businesses in which it was employed.*

It is unnecessary here to repeat what has been already

* Mr. Burgess has suggested (Letter to Mr. Canning, p. 124) that an act should be passed, prohibiting the drawing or accepting of all bills exceeding three months or ninety days date.

stated at so much length in the note on Money, with respect to the revulsions occasioned by the bankruptcy of country bankers, and the prevalence of panics. It has been shown, that the taking of securities from the issuers of notes would effectually obviate these sources of mischief; and would give a degree of stability and steadiness to every branch of industry, which it is quite impossible to obtain under the present money system.

NOTE XVII.

HERRING FISHERY,

A VERY considerable change has been effected in the laws under which the British herring fishery was conducted when the *Wealth of Nations* was published, by the acts of 1808 and 1815; and a still greater change is now in progress under the provisions of the act 5th Geo. IV. cap. 64.

Dr. Smith has justly observed of the tonnage bounty, that as it was proportioned to the burden of the ship, and not to her skill and success in fishing, its real effect was to induce the fitting out of ships, not to catch herrings, but to catch the bounty.* It might have been supposed, that after the public attention had once been called to so preposterous a system, it would have been totally abandoned. This has not, however, been the case. A bounty of £3 per ton on all vessels employed in the deep sea herring fishery of above sixty tons burden, but payable only on one hundred tons, has been granted since the year 1809; and in 1820 a bounty of 20s. per ton, which under certain specified circumstances might be increased to 50s., was granted on all vessels of from fifteen to sixty tons fitted out for the shore herring

* Vol. ii. p. 385.

fishery. And exclusively of these bounties on the tonnage, a bounty of about, 4s. per barrel, has been allowed for a considerable number of years on herrings cured gutted. A board of commissioners for superintending all matters connected with the fishery was appointed in 1808. This board is bound to lay an annual report of its proceedings and of the state of the fishery before parliament. It distributes the bounties, and has the control of the officers placed at the different fishing stations, to see that the vessels are fitted out, and that the herrings are gutted, packed, and the barrels branded in terms of the statutes.

By comparing the subjoined table with those given by Dr. Smith, it will be seen that the fishery has made a very great progress, and that its extension during the last ten or twelve years has been particularly rapid. The character of British herrings now stands deservedly high; and the fishery is become a source of profit and employment to a considerable number of people.

Abstract of the total quantity of White Herrings cured, branded for bounty, and exported, in so far as the same may have been brought under the cognizance of the Officers of the Fishery, from the 5th of April 1810, to the 5th of April 1826; distinguishing each Year, and the Herrings cured gutted from those cured ungutted.

YEARS ending the 5th of April.	Total Quantity of Herrings Cured.			Total Quantity of Herrings Branded for Bounty.	Total Quantity of Herrings Exported.		
	Gutted.	Ungutted.	Total.		Gutted.	Ungutted.	Total.
	Barrels.	Barrels.	Barrels.		Barrels.	Barrels.	Barrels.
1811	65,430	26,397½	91,827½	55,662½	18,880	19,253	38,133
1812	72,515½	39,004	111,519½	58,430	27,564	35,256	62,820
1813	89,900½	63,587½	153,488½	70,027½	40,100	69,625	109,725½
1814	52,931½	57,611	110,542½	38,184½	34,929	83,474½	118,403½
1815	105,372½	54,767	160,139½	83,876	68,938	72,367½	141,305½
1816	135,981	26,670½	162,651½	116,436	81,544½	26,143	107,688
1817	155,776	36,567½	192,343½	140,018½	115,480½	23,148	138,628½
1818	204,270½	23,420½	227,691	183,089½	148,147½	14,192	162,339½
1819	303,777½	37,116½	340,894	270,022½	212,301½	14,860½	227,162
1820	347,190½	35,301	382,491½	309,700½	244,096	9,420	253,516
1821	413,308	28,887½	442,195½	363,872	289,445½	5,360	294,805½
1822	291,626½	24,897½	316,524½	263,205½	212,690½	2,065½	214,956
1823	225,037	23,832	248,869	203,110	169,459½	985½	170,445
1824	335,450	56,740½	392,190½	299,631	238,505½	1,125	239,630½
1825	303,397	44,268½	347,665½	270,844½	201,882½	134	202,016½
1826	340,118	39,115½	379,233½	294,422½	217,053½	20	217,073½

The commissioners, in their report for last year, (1826) farther mention, that “ exclusively of the vessels and mariners employed in the deep sea herring, cod, and ling fishery, 10,365 boats, manned by upwards of 44,000 fishermen, have been engaged in the shore curing department of the fishery; and that the number of coopers, labourers, and packers employed therein, exceeds 31,000; making together a total of 75,041 individuals, exclusively of the curers, by whose exertions and capital the business of the fishery is carried on.”

It is not possible, however, that any branch of industry can be in a healthy or really flourishing state, so long as it is bolstered up by a system of bounties, and subjected to the trammels of custom-house regulations, and the interference of government officers. If, as there seems to be no doubt, the fishery affords an advantageous field for the employment of capital, it will flow to it without the aid of artificial encouragement, as naturally as it flows to any other department of industry. But if the fishery be not a business of this description, if it cannot support itself without the aid of bounties, then it is plain that its prosecution can be of no real or lasting advantage. For these reasons, it would seem that no just objection can be made to the act of last session, for gradually diminishing and ultimately withdrawing the bounties on the fishery. The period when they are to cease (5th April 1830) might, perhaps, have been advantageously deferred to a somewhat more distant term. But it is abundantly certain that the system hitherto acted upon has been exceedingly defective; and that sound policy required that the business should be emancipated from its fetters, and left to be carried on under a system of free competition, according to the views and interests of those concerned. During the continuance of the duty on salt, it would have been very difficult to exempt the fishery from some sort of restraint; but the repeal of that most oppressive duty

Note XVIII. NAVIGATION OF THE EGYPTIANS. 431

has afforded a very favourable opportunity for placing it in a state of freedom.*

NOTE XVIII.†

NAVIGATION OF THE EGYPTIANS.

THE unqualified assertion of Dr. Smith, that “the ancient Egyptians had a superstitious aversion to the sea,”‡ imbodyes one of those common errors which, when once received, pass from hand to hand unchallenged, and for a time impose even on the most scrupulous; like a counterfeit coin tolerably lackered, which, thrown into the general currency of the country, continues to circulate till suspicion or accident lead to the application of a decisive test, by which the false gloss is washed off and the worthless imitation exposed. At the period when Dr. Smith wrote, and for a considerable space thereafter, few accurate notions were entertained respecting the history, literature, antiquities, and political condition of Egypt, under the different dynasties of its native princes. A dense, if not impenetrable cloud overshadowed the annals of the most interesting kingdom of the ancient world; and it was not till recent discoveries had promised to furnish a key for deciphering the sculptures on its monuments and the hitherto mysterious writings on its papyri, that the learned began to examine with sufficient care the statements of the Greek and Roman

* For a full, able, and interesting account of the British fisheries, the reader is referred to the article on that subject in the Supplement to the Encyclopædia Britannica, written by Mr. Barrow.

† I am indebted for this note to my friend James Browne, Esq. LL. D. Advocate; who has raised himself, by his articles on Hieroglyphics and the History of Roman Literature, in the Edinburgh Review, to a prominent place in the very first class of critics and scholars.

‡ Vol. ii. p. 156.

writers, and to compare them with the facts which accident, ingenuity, or investigation had brought to light. Prior to this era, (for such it unquestionably is,) the ancient Egyptians were almost universally supposed to have held the sea in abhorrence, and to have been utter strangers to navigation; and so inveterate had the error become, that a late distinguished writer on geography, M. Malte-Brun, adopts the statement in question as one of that class of truths which admit of no dispute, and are acquiesced in as soon as they are enunciated* But there seems to me to be the strongest reason for dissenting from a statement founded upon an impression incautiously received from the Greek writers who visited Egypt in the days of her adversity, and inconsistent with many of the facts disclosed by the very authorities from which it has been derived.

Such, according to Plutarch,† was the detestation of the ancient Egyptians for the sea that they symbolized it by Typhon, or the evil demon. The priests, too, abstained from fish, and never made use of marine salt,‡ which they denominated the froth of Typhon. But these miserable superstitions had probably only a partial existence, and were not observed beyond the precincts of the sacred college. Besides, the worship of Osiris seems to have been often confounded with that of the Nile. The god was feigned to have been destroyed by Typhon, and the waters of the river were lost in the sea of which Typhon was the emblem or symbol.§ Hence the mythologists naturally represented the sea as hostile to the stream, and identified it with the malignant demon,

* Précis de la Géographie Universelle, tome i. p. 13. Paris, 1812.

† De Iside et Osiride, p. 363, et seq.

‡ Except during the seasons of fasting and purification, they appear to have used fossil salt. Plut. *Symp.* lib. v. c. 10.

§ Plutarch (*De Iside, &c. ubi supra*) expressly says that Typhon was held to represent the sea into which the waters of the Nile flow and are swallowed up.

the enemy of Osiris. But among a grave and learned nation these allegorical vagaries can scarcely be supposed to have had much political influence; and we shall find in the sequel that they had none whatever *before* the period when Egypt was compelled to submit to her Persian conquerors.

Naucratis, we are told by Herodotus,* was the only Egyptian sea-port open to the navigators of the Mediterranean until the reign of Psammeticus; and there all the commerce of Egypt was concentrated. A foreign vessel entering any other harbour, unless compelled to do so by stress of weather, was condemned; and strangers, who landed on any other part of the coast, were considered as enemies and repelled as invaders, except under the circumstances just mentioned. Ameilhon† considers this regulation merely in the light of “une mesure financière pour faciliter la perception des droits de douanes;” but Reynier‡ and most others suppose it to have proceeded from the dislike entertained by the Egyptians for foreigners, especially navigators; and it is advanced as a proof of their indifférence to commerce, and their peculiar prejudices against all naval enterprises. The Phœnicians, however, were the only people on the shores of the Mediterranean with whom the Egyptians traded in remoter times; and being a nation of kindred origin and descent, it may well be doubted whether the regulation mentioned by the Greek historian was ever meant to be enforced against *them*, or whether it was not intended to apply to a case of a totally different description. Various considerations, indeed, unite to support the latter opinion. It is obvious, from events which occurred during the reign of Psammeticus himself, that Greek pirates were in the habit of making frequent descents on the coast of Egypt,

* Lib. ii. c. 179.

† Commerce des Ptolémées, p. 277.

‡ De l'Economie Publique et Rurale des Egyptiens et des Carthaginois, p. 251.

for purposes of plunder. "The ancient Kings of Egypt," says Strabo,* "were satisfied with the productions of their own country, hating (*διαβελλήμενοι*) all navigators, but especially the Greeks." But if the Greek navigators who landed in Egypt, plundered the country whenever they found an opportunity of doing so, the antipathy shown to them by the Pharaohs, was not very wonderful; and surely this of itself is sufficient to account for all that Herodotus, Diodorus, and Strabo have said of the "superstitious aversion to the sea," alleged to have been entertained by the ancient Egyptians. The monarchs of Egypt established the regulation in question, not to preclude the intercourse of their subjects with foreigners, but to prevent the intrusion of pirates; not to confine foreign commerce within the narrowest possible limits, but to protect their dominions against the buccaneering expeditions of the Greeks, who, in ancient, as in modern times, infested the shores of the Mediterranean, and committed the greatest atrocities. It seems unreasonable, therefore, to attribute to an absurd prejudice what cannot be accounted for on obvious principles of prudence and policy, or to judge of the statements of the Greek writers apart from the considerations by which they are reconciled and explained. If the horror of the sea ascribed to the ancient Egyptians had been as great as has been pretended, the total extinction of all commerce and navigation would have been the consequence; and if this sentiment had been the offspring of religion, no trace of naval enterprise would be discernible while that religion or superstition maintained its full ascendancy. The Hindus at this day are under the dominion of a creed similar in this respect to that attributed gratuitously to the ancient Egyptians; and we will venture to affirm, that among all their numerous legends and traditions there is not one from which it can be inferred that the fol-

* Geogr. lib. xvii.

lowers of Brahma ever committed themselves *truci pelago*, far less constructed fleets and undertook distant and dangerous expeditions. Had the superstitious prejudices of the Egyptians been analogous to those of the Hindoos, would not their annals have been equally barren of naval achievements? It ought to be kept in view, however, that when the Greeks began to acquire the rudiments of civilization, to settle down into regular communities, and to abandon their piratical and predatory courses, the regulation above referred to was relaxed, even in regard to them; and after the reign of Psammeticus, no obstruction whatever was offered to their maritime intercourse with Egypt,—a striking proof, as appears to me, of the soundness of the interpretation which has been now given.

But the very writers upon whose authority it has been rashly alleged that “the ancient Egyptians had a superstitious aversion to the sea,” afford sufficient evidence to induce us to draw a different conclusion. When Plutarch and Diodorus, for example, relate, without animadversion, the voyages of Osiris,* they at the same time tacitly admit the Egyptians to have been a maritime people from the earliest period of their history. Osiris, according to them, was a great navigator; and hence the figure of a ship or boat is one of the emblems accompanying the representation of this deified prince, as well as that of his sister-spouse Isis, on the monuments. But a great navigator can scarcely be supposed to have been the king of a people who were utter strangers to, and filled with a religious hatred of navigation. It may be said, indeed, that the voyages of Osiris are entirely fabulous, and that no safe conclusions can be drawn from the mythological legends of so remote an antiquity. The writers above named, however, do not contest the truth of these voyages, which they ought to

* Vide Jablonski, *Pantheon Ægyptiorum*, lib. ii. c. 1. *Origines*, b. iv. c. 4.

have deemed impossible, if the sea had always been an object of abhorrence to the Egyptians, and if that people had been always totally unacquainted with the art of navigation. Again, Sesostris, who is generally supposed by chronologists to have flourished about seventeen centuries before our era, fitted out a fleet of 400 sail, with which he navigated the Erythræan Sea and the Indian Ocean; while a powerful army marched through Syria, Persia, and India, as far as the sea which separates China from Japan; whence returning by a northern route, with the king at its head, it traversed Scythia, as far as the Tanais, and having established a colony at Colchis, on the eastern shore of the Euxine, penetrated into Europe and conquered Thrace, where the expedition terminated.* Such is the account given by Diodorus in his se-

* Jameson (*Spicilegia Antiq. Ægypti*, c. xiv. p. 328, Glasg. 1720) maintains, "*Sesostris, ut a vulgo scriptorum describitur, nunquam spirasse;*" and others have adopted and defended the same hypothesis. The recent discoveries in hieroglyphics, however, have furnished new and unexpected proofs of the real existence of this renowned conqueror, and supplied a conclusive answer to all the quibbles of Jameson and others who have espoused the sceptical side of the question. From a copious deduction of facts equally obvious and indisputable, it has been demonstrated, that the Egyptian sovereign, described in his royal hieroglyphic legend, as "*Approved by the Sun; Beloved of Ammon, Son of the Sun, RAMSES,*" is the same prince with the *Rhameses* of Tacitus, the *Ramesses* or *Rampses* of Manetho, the *Sethos* or *Sethosis* of the same historian, (who expressly says, *apud Josephum*, lib. i. p. 1053, that *Sethos* also bore the name of *Ramesses*,) the *Sesoosis* of Diodorus, and the *SESOSTRIS* of Herodotus and Strabo. (Champollion, *Précis du Système Hieroglyphique*, p. 226.) His name occurs also in the Royal Canon of Manetho; and in the Chronological Table of Abydos, discovered by Mr. Bankes; it is found, with its appropriate legend, on all the monuments of the age to which it belongs; and every notice which history has preserved, is confirmed by the inscriptions that have already been deciphered. If all this concurrent evidence is to be rejected, and if Sesostris and his exploits are to be considered as fabulous, the whole history of ancient Egypt, which rests on no better foundation, must, at the same time, crumble

venth book; and Pliny, who refers to it, adds, that many of the ships composing the fleet were of large dimensions. Is it probable, then, that a fleet of 400 large ships would be created in the very infancy of navigation? Nay, does not its very existence presuppose a long acquaintance with naval affairs, and much experience both in the construction and management of ships? The voyages of Cæcrop, of Cadmus, and of Danaus, all of which took place more than 1400 years before Christ, equally announce the ancient Egyptians to have been a people accustomed to undertake distant naval expeditions. For if they had possessed neither ships nor mariners, as has been generally alleged, they could not have founded colonies either in Greece or on the shores of the Euxine; yet the Cecropian towers were built by one Egyptian colony, and the plains of Colchis peopled by another.*

Prior to the reign of Psammeticus, the Greeks, as is clear from the joint testimony of Herodotus and Diodorus, had but little commercial intercourse with the Egyptians; and they appear to have derived whatever knowledge they possessed of the history of Egypt, antecedently to that period, from the doubtful and discordant communications of the priests. We cannot, therefore, be surprised if they have furnished us with no distinct or continuous history of the naval enterprises of the Egyptians from the age of Sesostriis to that of Nechos, the son of Psammeticus—a period in regard to which they were evidently destitute of any accurate or even probable information. No sooner, however, could they speak from their own observation, than they announced the naval enterprises of the Egyptians. Nechos sent a fleet

down, and be abandoned as unworthy of attention or examination. On the subject of *Rhames* or *Sesostriis*, see the remarkable passage of Tacitus, *Annalium* lib. ii. p. 78. Amstelod. 1649.

* *Origines*, ubi supra.

from the Red Sea, which is asserted by the concurrent testimony of antiquity, to have circumnavigated Africa and returned to Egypt by the Mediterranean; at least to have sailed from the Red Sea and returned by the Mediterranean, which necessarily implies the circumnavigation of Africa, and of course the doubling of the Cape, which is commonly supposed to have been first achieved in modern times. It is true, Herodotus states, in his fourth book, that Nechos employed in this celebrated expedition Phœnician ships and Phœnician mariners; but he had said before in his second, that the same Egyptian monarch built ships of three banks of oars both on the Red Sea and the Mediterranean. Now, if this were true, there could be no reason why Nechos should have hired vessels from the Phœnicians. The Egyptians had a navy of their own, and a navy, too, superior to that of the Phœnicians; for no fact of ancient history is better authenticated than that Apries, the grandson of Nechos, defeated the king of Tyre in a great and decisive naval battle.

How then is it possible to believe that the Egyptians were a people who detested the sea, symbolizing it as Typhon, or the evil demon, and that they were utter strangers to the art of navigation? Is it conceivable that a people who had once 400 large ships should suddenly abandon all naval enterprises, and give themselves up to the superstitious and absurd prejudices which have been ascribed to them? The fleets of Sesostris, as we have seen, navigated the Erythræan Sea and the Indian Ocean. After the time of that monarch, Egyptian colonies passed into Europe, and established themselves in Attica, Bœotia, and Argos. The vessel in which Armais, whom the Greeks call Danaus, arrived in Greece, is said to have had fifty banks of oars. The fleet of Nechos sailed from Suez, on the Red Sea, and, after circumnavigating Africa, returned to the Canopic mouth of the Nile. In the time of

Apries, the Egyptians disputed the empire of the sea with the Phœnicians. Such is the information given us by the Greeks, * who, at the same time allege, that the Egyptians hated the sea, and were ignorant of the art of navigation! This apparent contradiction may, however, be explained and reconciled with facts known, and admitted on all hands. When the Greek writers above named visited Egypt, the Egyptians were a conquered people; the religious frenzy and iconoclastic madness of the Persian invasion had passed over them, overturning the temples of their gods, and the monuments and palaces of their kings; desolating, oppressing, and destroying. Herodotus sojourned in Egypt after this dreadful tem-

* The Greeks, who erected temples to Isis, as the protectress of mariners, must have borrowed their notions of that goddess from the Egyptians! She was represented by different deities among the Greeks and Romans, but her identity can never be mistaken. According to Plutarch, she was the same with Thetis; she is addressed in Apuleius as *Regina Cæli, sive tu Ceres, seu tu cælestis Venus*; Homer, Hesiod, and Plato point out the same divinity, under the name of Aphrodite. But if Venus was the patroness of navigation, Isis was adored under the same character, and was therefore identical with the sea-born Venus. The Corinthians built temples to her under the names of the Egyptian and Pelagian Isis; and Juvenal, in speaking of the votive tablets hung up by mariners, says, *Pictores quis nescit ab Iside pasci?* Many temples were consecrated to Isis in the sea-port towns, not only of Greece, but of Italy and Gaul. The Egyptians celebrated a festival in her honour, which was called the festival of the ship; and hence a ship became the symbol of the goddess, under which form she was worshipped from a very remote antiquity. Tacitus has this remarkable passage; *Pars Suevorum et Isidi sacrificat; unde causu et origo peregrino sacro, parum comperi, nisi quod signum, in modum liburnæ figuratum, docet advectam religionem.* That the worship of Isis under the form of a ship was of Egyptian origin, no one will doubt; but how this superstition found its way among the Suevi, it will be difficult to conjecture, unless we suppose the ancient Egyptians to have been less hostile to strangers, and more accustomed to navigation, than some modern authors seem willing to allow. *Origines, ubi supra.*

pest had expended its fury, leaving everywhere the wrecks and traces of its terrible course, and after the people had suffered the most cruel and continued persecution of which history affords us any example. Diodorus Siculus, Strabo, and Plutarch, knew them after they had been long humbled under the authority of their Greek and Roman masters. The spirit, the energy, the independence of the nation were gone; its superstitions only remained. After the invasion of Cambyses and his fire-worshippers, the Egyptians had neither ships nor mariners; but that this was not the case in the time of the Pharaohs, has, I think, been clearly shown from the writings of those very authors who ascribe to them "a superstitious aversion to the sea."

Finally, this conclusion will derive additional probability, or, rather, it will attain to almost perfect certainty, if we attend to the physical configuration of the country. Egypt consists principally of a valley watered by the Nile, by which indeed it is partly formed, and confined on the right and left by a barren expanse of deserts; and the greater part of this valley is annually submerged by the overflowings of the river, which impart to the soil the requisite moisture, and cover it with a fertilizing mud. The rise of the Nile commences with the summer solstice; it attains its greatest height at the autumnal equinox, when the whole of Lower Egypt is in fact a lake or sea; and after continuing stationary for some days, it diminishes at a less rapid rate than it rose.* It is plain, therefore, that the inhabitants of Egypt must from the earliest times have been accustomed to navigation; and for this obvious reason, that in the ordinary state of the river it afforded the easiest and readiest communication between the different parts of the country, and during the period of the inundation it was equally indispensable to the existence of the

* Malte-Brun, vol. iv. pp. 19 and 25. Eng. trans.

people, and the preservation of the animals, which they reared, either for domestic uses or from motives of superstition. The Nile is not only a source of fertility, but a great natural channel of communication; and the very circumstance which renders it the one, must necessarily have converted it into the other. But as the tendency of mankind is to advance and improve their condition by cultivating the arts to which their attention has from natural or other causes been directed, it is not consistent with experience to suppose that the Egyptians, who inhabited a country traversed longitudinally by a great river, and were annually compelled to navigate an inland sea, should not, at a very early period, have ventured beyond these limits, and tempted the hazards and perils of the ocean.

NOTE XIX.

DISPOSAL OF PROPERTY BY WILL.

History, Advantages, and Disadvantages of Entails—Primogeniture—Law of Equal Succession—Effects of that Law in France—Law of Landlord and Tenant in Ireland—Do. in Scotland—Effects of these Laws.

THE history of entails is involved in a good deal of obscurity. Dr. Smith contends that they were altogether unknown to the ancients, and that they were only introduced to preserve a certain lineal succession, of which the law or custom of primogeniture first gave the idea.* There seem, however, to be good grounds for doubting the perfect accuracy of this opinion. In the more early

* Vol. ii. p. 181.

ages, the power of devising property by will is confined within very narrow limits. A man's children, or, in their default, his relations, are then exclusively his heirs; and it is only in a comparatively advanced and refined period, that the advantages to be derived from allowing individuals to bequeath their property to strangers, in preference to the heirs of their own body or their immediate connexions, can be fully perceived and acted upon. But when the right to bequeath property to any particular heir has once been recognised, the step seems easy and natural to the recognition of the right of the deviser to name an indefinite series of heirs, and to prescribe the conditions on which they shall be entitled to hold the property. The *fideicommissa*, or trust settlements of the Romans, were devised for the express purpose of retaining the estates of the individual, making the settlement in the line of succession he had pointed out. In the latter ages of the empire, it was customary to insert *prohibitive* and *irritant* clauses in the *commissa*, similar to those inserted in modern entails; and, as such settlements were sanctioned by law, they had the effect to entail property for the *four* generations to which their duration was limited.*

The succession to landed estates in modern Europe has been generally regulated by the custom of primogeniture. During the violence and confusion of the middle ages, land was the only species of property that had anything like even tolerable security; and that security, deficient as it was, could be enjoyed only by the possessors of large estates, who could arm and bring together a considerable number of vassals and retainers to support and defend their rights. It was plainly, therefore, the interest of the landed proprietors to prevent their estates from being split into small portions, and to transmit them entire to their successors. And as the military

* Sandford on Entails, p. 13.

and other feudal services, due by the possessors of fiefs to the crown, could be more easily and conveniently paid by one than by many feudatories, both parties found it for their advantage to prevent the subdivision of estates; by introducing and establishing the laws of entail and of primogeniture.

It was customary in England, from a pretty remote epoch, to settle estates upon individuals under certain conditions and stipulations. Modes, however, were speedily found of eluding these conditions; and in order to obviate such evasions, the statute of the 13th Edward I. cap. 1. (*de donis conditionalibus*) was enacted. This statute, which in effect established a system of perpetual entail, was planned by the greater barons to prevent, not the alienation merely, but also the forfeiture of their estates. An attainder could only occasion the forfeiture of the property belonging to the person attainted, or such as he was entitled to alienate; but the moment that effect was given to the clauses against alienation and the contraction of debt, the person in possession of an estate was reduced to the condition of a life-tenant, and the estate went to the next heir notwithstanding his attainder. This statute continued in force for about two hundred years. It was, however, productive of the most injurious consequences. "Children," says Mr. Justice Blackstone, speaking of this law, "grew disobedient when they knew they could not be set aside: farmers were ousted of their leases made by tenants in tail; for, if such leases had been valid, then, under colour of long leases, the issue might have been virtually disinherited: creditors were defrauded of their debts; for, if a tenant in tail could have charged his estate with their payment, he might also have defeated his issue, by mortgaging it for as much as it was worth: innumerable latent entails were produced to deprive purchasers of the lands they had fairly bought; of suits in consequence of which our

ancient books are full: and treasons were encouraged, as estates-tail were not liable to forfeiture longer than for the tenant's life. So that they were justly branded as the source of new contentions, and mischiefs unknown to the common law; and almost universally considered as the common grievance of the realm.*

Owing, however, to the security which the statute of Edward I. gave to the estates of the nobility against forfeiture, they could not be brought to consent to its repeal or modification. But what it was thus impossible to accomplish by the direct interference of the legislature, was at length effected by a contrivance, or, as Blackstone has termed it, a *pia fraus* of the lawyers, Edward IV. observing the little effect that attainders for high treason had in securing the allegiance of families whose property was protected from forfeiture by entails, instigated the lawyers to fall upon a device for breaking them, by a judgment in a feigned suit called a *recovery*. The inroad that was successfully made on the inviolability of entails led to others; and in the reigns of Henry VII. and Henry VIII. various acts were passed, circumscribing the power of entail, and placing it almost on the footing on which it stands at this day.†

If I might be allowed to hazard an opinion on such a point, I should say that in its present state the English law of entail has come very near perfection. It seems to have hit the precise medium which it was most desirable to attain, by giving to every individual that degree of power over the disposal of his property which is necessary to inspire him with the desire of accumulating a fortune; at the same time that it takes from him the

* Commentaries, book ii. chap. 7.

† It was ruled by these acts, that an heir of entail, attainted of high treason, forfeited the estate for himself and his issue, but the rights of third parties, or of *remainder men*, as they are styled, were not affected by the forfeiture.

power of naming an indefinite series of heirs, and of fixing the conditions under which his property shall be always enjoyed. An English gentleman may entail an estate on such heirs as are in existence when the deed is executed, or until the first unborn heir of entail shall attain the age of twenty-one: but here the destination stops; and though the heirs named in the entail cannot alienate the estate, or encumber it with debt, they are allowed to grant leases which are good against their successors for three lives, or twenty-one years.

The practice of entailing originated in Scotland at a comparatively recent period. The earliest entail on record is that of the estate of Roxburgh, dated in 1648; and the practice was first established on a solid foundation by the statute of 1685, which reduced heirs of entail to the condition of mere tenants for life, and gave the entailer the power of regulating the perpetual destination of the property. This act seems to have been intended, like the English act of Edward I., not only to prevent the alienation of the property of those executing an entail, but to protect it from forfeiture. At the period when it was passed, Scotland was subjected to the most revolting despotism. Acts that had previously been considered either as innocent, or as constituting only a very venial offence, were declared to be treasonable; statutes, with clauses having a retrospective operation, and intended to strike at individuals who had done nothing cognizable by any existing law, were frequently enacted; while, though the other engines of tyranny had been insufficient, the servility of the judges rendered it impossible for any one to escape, against whom the crown lawyers had instituted a prosecution. Under these distressing circumstances, the estates were glad to adopt any device that promised to give them any greater security that their properties would escape the forfeitures to which they were so much exposed; and in this view, as well as in the view of preventing their alienation, they passed the act of 1685, authorizing the

establishment of entails, with a tacit belief that a forfeiture would affect only the life interest of the possessor, and that, in the event of his death, the property would descend to the next heir.* This principle was indeed expressly sanctioned by an act passed in 1690; after the Stuart dynasty had been expelled from the country. But in the reign of Queen Anne the Scotch law of forfeiture was placed on the same footing as the English.

The system of entail, established by the act of 1685, has ever since been acted upon, and has been carried to a very great extent. It appears from the register, that previously to the enactment of the statute of 1685, only twenty-four entails had been executed in all Scotland, but since that epoch the practice has been progressively and rapidly extending. There appear to have been recorded between

1685 and 1705,	79 entails.
1705	1725, 125.
1725	1745, 158.
1745	1765, 138.
1765	1785, 272.
1785	1805, 360.
1805	1825, 459.

It is not easy to say what is the exact proportion of the whole landed property of the kingdom that is thus placed under the fetters of a strict entail. Dr. Smith, and previously to him, Sir John Dalrymple, estimated the entailed lands at about a fifth part of the whole. But it appears, from the foregoing table, that the number of entails has more than doubled since 1785; and it is most probable that at this moment not less than a *half* of the landed property of Scotland is held under entail. In corroboration of this estimate, I may mention, that it is stated in the General Report of Scotland, published in 1814, that while the valued rent of Scotland amounts

* Laing's History of Scotland, vol. iv. p. 166, 3d edit.

to L.3,804,221 Scots, the valued rent of the estates under entail amounts to L.1,213,279 Scots. According, therefore, to this statement, it would appear that in 1811, the period to which the estimate refers, about a third part of the landed property of Scotland was entailed; and as about a third part of the entails on record have been executed since 1811, it may be fairly concluded that the entailed lands must now amount to about a half of the whole.

Attempts have been made, at different times, to effect some modification in the present law of entail. In 1764, the Faculty of Advocates, after agreeing by a large majority (forty-three to four) to resolutions against it, drew up the heads of a bill for restraining entails, on a plan suggested by Lord Kames; which, had they been embodied in a statute, would have had the effect to place the Scotch system of entail nearly on the same footing as the English. The project excited a good deal of discussion at the time; ultimately, however, it fell to the ground, and no vigorous effort has since been made to check the practice. Additions are daily making to the quantity of land in tail; and in many extensive and populous districts there is hardly an acre to be found that is not burdened with its fetters.

The law of entail is founded by lawyers on the maxim of the civil law, that every one has the *natural right* of absolutely disposing of his own property, or that *unusquisque est rei suæ moderator et arbiter*. But it is absurd to suppose that there can be any natural right to do any thing inconsistent with the general advantage of society. The question with respect to the policy of entails is not to be decided by a reference to abstract or imaginary principles, but by an examination of their operation and effect. In this, as in all similar cases, we must defer to the test of *utility*, that is, we must institute a comparison between the advantages and disadvantages resulting from the practice of entailing, and decide for or against it as

we find the one or the other predominating? In the view of assisting the formation of a correct conclusion on so important a point, I shall now very briefly advert to what seem to be amongst the principal topics that ought to be attended to in estimating the effect of entails.

In the first place, it is alleged in favour of entails, that they stimulate exertion and economy,—that they hold out to honest industry and ambition the strongest and safest excitement, in the prospect of founding an imperishable name and a powerful family, and of being remembered and venerated by endless generations, as their chief and benefactor; and, in the second place, it is said that entails form the only sure and solid bulwark of a respectable aristocracy, and prevent generations from being ruined by the folly or misfortunes of an individual.

Now, admitting, as I unreservedly do, that the prospect of being able to found a powerful family, and of securing that property, which had been accumulated by a long course of active, laborious, and successful exertion, from the risk of being squandered by the inconsiderate projects or extravagance of any future individual, must act as a very powerful spur to the industry and ambition of the *original founder* of a family, it is obvious it can have no tendency to produce such effects in any of his successors. An heir of entail is in a great measure emancipated from the influence of that parental authority, which, though occasionally abused, is yet, in the vast majority of instances, exerted in the mildest and most indulgent manner, and with the best effects. His chance of succeeding to the property held by his father does not depend on the circumstance of his having deserved it—of his being industrious or idle, dissipated or sober. The succession to entailed estates is not regulated by the principle of *detur digniori*.⁴ Their occupiers have no power to change the established order of succession; they cannot exclude the worst to make room for the best of their sons; but must submit to see

the properties of which they are, in possession descend, as in fact they very frequently do, to the most worthless, undutiful, and depraved, of their children or relations. Granting, therefore, that the institution of entails has a tendency, as it undoubtedly has, to make *one generation* active, frugal and industrious, it is demonstrably clear that it must exempt *every subsequent generation*—that is, every subsequent heir of entail—from feeling the full force of some of the most powerful motives to such conduct. A system of entail causes the succession to property to depend, not on the good or bad conduct of the individual, but on the terms of a deed, written perhaps a couple of centuries before he was in existence. Its effect is, therefore, to substitute a system of fatalism in the place of an enlightened discrimination; to throw property into the hands of the undeserving as well as of the deserving: and it is plainly impossible it can do this without weakening the motives which stimulate men to act the part of good citizens, and strengthening those of an opposite description. When, therefore, we refer, as we ought, to the simple and decisive criterion of *utility*, it is immediately seen that the industry of *one generation* is not to be purchased by the idleness of *all* that are to come after it; and that it is hardly less injurious to allow an individual to appoint his remotest heirs, than it would be to deprive him of the power of nominating those who are to be his immediate successors.

As to the second point, there can be no doubt that a system of entail affords the best attainable security for the permanence of property in particular families. And as those who are possessed of property act, generally speaking, with more independence, and are less liable to be biassed by purely selfish considerations, than those who are comparatively poor, it would seem that the privilege of executing a perpetual entail of a certain amount of property might, with propriety, be allowed to noble families. I should, indeed, be disposed to think

that in the case of such families it would be advantageous to carry this principle a little farther, and to enact that no individual should be advanced to the peerage, who was not able to establish a *majorat*, or to entail such an extent of landed property, on the heirs of the title, as might be deemed sufficient to secure them, supposing they acted with ordinary prudence, from falling into a state of poverty, or becoming mere dependents on the crown. But, although the power of entailing property on a noble family, invested with the prerogative of hereditary legislation, should be admitted, that is no reason why this power should not be confined within certain limits, and made to vary with the entailor's rank in the peerage. Neither is there the shadow of a reason, on political grounds, why this power should be conceded to others. A system of irrevocable and perpetual entail is, in a general point of view, certainly injurious; and though the constitution of the country may be such as to require the privilege to be granted, under proper modifications, to a particular class, it is quite impossible it can ever be such as to require it should be granted to all. The state can never interfere to protect families, deprived of the prerogative of hereditary legislation, from the casualties to which they are naturally subject, by sanctioning a system of inviolable entail, without producing injurious results. It is the duty of every wise government to adopt such regulations as may have the effect to call forth the utmost degree of industry and economy among all classes of its subjects; but it is no part of its business to inquire whether the frugality of those on the dicky, and the extravagance of those in the coach, bid fair to make them change places; and still less to attempt to prevent that change taking place, by raising artificial ramparts round the property of the latter.

By preventing the sale of land, or placing it, as the lawyers say, *extra commercium*, entails are obviously adverse to the spread of agricultural improvement. If an

individual who has no taste for rural pursuits; or who is ignorant of the best mode of managing land, succeed to an entailed estate, he is prevented from disposing of it to another; so that property is thus frequently hindered from coming into the hands of those who would turn it to the best account.

Under the system of entail, as it existed in Scotland previously to 1770, an entailor was authorized to insert clauses in the deed of entail, prohibiting the granting of leases even for the shortest term of years, or burdening the estate with any debts, although they might have been contracted in order to effect the most indispensable improvements. Such a system was hostile in the extreme to every sort of melioration; and the wish to remedy so great an evil gave rise to the statute of the 10th of Geo. III. cap. 51, entitled, "An act for the improvement of lands in Scotland held under strict entail." This act effected some very important alterations. It authorizes the possessors of entailed estates to grant, notwithstanding any stipulations in the entail to the contrary, leases of *ninety-nine* years endurance of patches of ground, not exceeding *five* acres in extent to one person, for the purpose of building; it also authorizes them to grant leases of farms for nineteen years, and, under certain stipulations, for thirty-one years; and it gives the heir in possession of the estate power to burden it to the extent of four years rent for agricultural improvements, and two years rent for the erection of a mansion house, being in all six years rent, provided that he contribute towards them a sum equal to *one-third* of what is charged upon the estate.

In so far as respects the granting of leases, this act has not left much to be desired. And the decisions in the courts of law prohibiting the pernicious practice of taking fines, or *grassums*, at the commencement of a lease,* have placed the *letting* of entailed estates on

* For some observations on this practice, see vol. ii. p. 193, note.

a very advantageous footing. But, with respect to improvements the case is different. From a laudable wish to protect the succeeding heirs of entail from the risk of being burdened with collusive debts that had not really been contracted on account of improvements, the framers of the act of 1770 rendered it necessary, in order properly to constitute a debt against an entailed estate, that the strictest attention should be paid to a variety of minute formalities, with respect to the intimation of the improvements, the registration of the accounts, &c.; and, in consequence of the difficulty of complying with its provisions, this part of the statute has not been very extensively acted upon. Individuals are but little inclined to advance money upon a security that may, at any time, be cancelled, should it be discovered that any one of the formalities required by the statute has not been literally complied with. Several cases of this sort, productive of great hardship to the parties, have actually occurred. And it seems highly desirable, in the event of entails being continued, that some means should be devised for simplifying the formalities required by the act of 1770, and facilitating the execution of improvements.

But it is said, that whatever facilities may be given to the heir in possession of an entailed estate, to execute improvements, it is not to be supposed that he will enter on such as do not promise an immediate return, that he will either build or plant with the same spirit that he would have done had he possessed the estate in fee simple, and been able to dispose of it as he pleased. But though this statement is in the main well founded, it will notwithstanding be found, on examination, that entails are not in these respects so injurious as we might at first be led to suppose. The cases are comparatively rare in which an entailed proprietor would be disposed, supposing he had the fee simple of the estate, to alter the order of succession pointed out in the entail. And though his zeal for improvement must in many instances, be very

considerably abated, it should be observed, that the greater number of improvements usually effected by landlords go rather to beautify and embellish than to add to the real utility or productive power of an estate. The solid and substantial meliorations are generally executed by farmers. And now that leases on entailed estates may be granted of a sufficient length, and that the capital of the tenant is not swallowed up by a fine on his entering into the farm, the injurious influence of entails, though still very sensibly felt, is materially diminished; and the estates of many entailed proprietors are at this moment in the highest state of cultivation and improvement.

Except in so far as entails weaken the parental authority, and are apt to render the heirs undutiful or dissolute, I am not disposed to attach much weight to the statements with respect to the hardships that they are said to impose on the actual possessors of entailed estates. The principal complaint is, that they prevent them from making any adequate provision for their widows and younger children. A recent statute (5 Geo. IV. cap. 87.) has, however, done a good deal to obviate this complaint; though, supposing that statute not to have been enacted, it does not seem entitled to much attention. The want of power to burden the estate with provisions to younger children, must undoubtedly act as a very powerful incentive to the heir in possession to save and accumulate a moiety of fortune. A landed gentleman possessed of an estate in fee simple, has no particular inducement to accumulate a portion of his revenue, inasmuch as by burdening his estate he can without diffi-

* It appears obvious, however, that the provisions in this statute must clash with those in the act of 1770; and if it should have the effect to throw any obstacles in the way of improvements, it would certainly be injurious. See on this point a valuable little work, entitled, *Observations on the Law of Entail*, by Patrick Irvine, Esq. pp. 84—100.

culty provide for all his children. But the possessor of an entailed estate is placed under very different circumstances. He cannot throw the burden of providing for his younger children on their elder brother; and is thus laid under the most sacred obligation to endeavour, by saving a portion of his income or otherwise, to provide for the decent outfit of his younger sons, and the comfortable subsistence of his daughters. In this point of view, therefore, a system of entail does not seem to be pernicious. It is difficult to discover any such powerful motive to industry and economy as the desire to provide for children, who must otherwise be left either destitute or wholly dependent on others.

It is commonly said, that entails enable the heirs in possession to cheat and delude their creditors. But though this statement is partly true of entails in England,* where they are not inserted in a public register, it is wholly inapplicable to Scotch entails. It is ordered by the act of 1685, that every entail shall be inserted, with all its provisions and clauses, in a public register; and no effect is given to an entail unless this enactment be literally complied with. This register is open to public inspection; and as any one may satisfy himself, by referring to it, as to the peculiar conditions under which any given property is held, it is not easy to discover what facility the formation of an entail can give for imposing on creditors.

On the whole, therefore, it may be doubted whether the system of perpetual entail, as now established in Scotland, is so very injurious as it is commonly represented: but every unprejudiced observer must at the same time admit, that by fostering the growth of dissolute habits in the heirs of entail, by locking up property in the hands of those who would be glad to dispose

* It is mentioned by Blackstone, as one of the injurious consequences of the statute *de donis*, that it enabled *latent* entails, &c. to be produced on purpose to defraud creditors. See *ante*, p. 443.

of it, by fettering the application of capital to land, and multiplying the causes of litigation, it is decidedly prejudicial. There could, of course, be no difficulty, were parliament so disposed, to pass an act to prevent the farther extension of the system of entail; but it is by no means an easy matter to deal with the entails already in existence. They have established a right of property, not only in the actual possessors and their families, but, speaking generally, in a wide series of collateral heirs; nor could the rights of the unborn heirs of entail be affected without annulling the clauses in a vast number of settlements, and in marriage contracts, and other deeds entered into *inter vivos*. It is, therefore, hardly possible to suppose that any scheme for relaxing the fetters of entails can be proposed that will do strict justice to all parties; though it might, perhaps, be practicable, by the slow and gradual introduction of modifications, to subvert the system without inflicting any very serious hardship on any individual, or class of individuals.

It is clearly, however, the duty of the legislature to put a stop to the farther progress of the system. Sound policy would dictate that every individual should, as in England, be allowed to bequeath his property, under whatever conditions not injurious to others he chooses to prescribe, to individuals existing at the time when the deed is framed, or until the first unborn heir is twenty-one years of age. This will give to every man a sufficient motive to be industrious and accumulate a fortune; while, if the power of bequeathing be carried farther, and individuals enabled to chalk out an endless series of unborn heirs, who are to succeed to the property as tenants for life, more will certainly be lost by taking from all these heirs many of the most powerful motives to industry and good conduct, than can possibly be gained by the additional stimulus so great a power over the

disposal of his property might give to the industry and economy of the original entail.

¶ The restriction that an individual shall not be allowed to bequeath his property to any heir or heirs, unless he or they are in existence when the deed is executed, or until the first unborn heir be twenty-one years of age, seems to me to be the only one that ought to be laid on the power of making testamentary bequests. It is hardly possible to interfere farther than this—to force, for example, an individual to leave a greater portion of his fortune to his eldest son than to the rest of his children, or to divide his fortune equally among them all, without occasioning the most pernicious results. But, although there can be little doubt of the injurious consequences that must always flow from every attempt to regulate the succession to property by means of legislative enactments and compulsory regulations, there are good grounds for thinking, that the *custom of primogeniture*, or the custom of leaving the whole, or the greater part of the paternal estate, to the eldest son, to the exclusion of his brothers and sisters, is a good one, and has been productive of the greatest advantage. The prejudices of most political philosophers against the custom of primogeniture, seem to rest on no solid foundation. Dr. Smith says, that it is a custom which, “in order to enrich one, beggars all the rest of the children.”* But, so far from agreeing in this opinion, I cannot help thinking, that it is to this very custom that much of the industry, wealth, freedom, and civilization of modern Europe is to be ascribed; and that, were it abolished, and a system of equal division of landed property established in its stead, all the children of landlords, the oldest as well as the youngest, would be reduced to a state of comparative poverty, at the same time

* Vol. ii. p. 484.

Note XIX. DISPOSAL OF PROPERTY BY WILL. 457

that the prosperity of the other classes would be greatly impaired.

The institution or custom of primogeniture, by giving the estate to the eldest son, forces the others to quit the home of their father, and makes them depend, for their success in the world, on the fair exercise of their talents and industry. Neither has it, like the law of entail, any tendency to generate idle or dissipated habits in the eldest sons. They have no absolute right to the paternal estate in the event of the death of the father; they know that he may leave it to whomsoever he pleases; and that they will run a very great risk of being disinherited, if they do not conduct themselves in a way that is agreeable to him. It is obvious, too, that the desire to leave an estate unencumbered to the eldest son, and at the same time not to throw the younger children destitute upon the world, must act as a strong stimulus to industry and economy. It is not indeed to be expected, nor is it to be wished, that the monied fortunes that may thus be accumulated for the younger children should approach in magnitude to the fortunes of the elder. If they are furnished with capitals sufficient to establish them in a profession, or in business, it is enough. They have, in that case, the means of rising in the world, and of making a fortune, put into their hands; and the sense that they must feel of their inferiority in point of wealth, as compared with the head of their family, will be a motive to them to make extraordinary exertions, which could not have had any existence had their patrimonies been equal to his. If you would have a man display all the native resources of his mind, if you would bring all his faculties and powers into full activity, you must render him sensible of his inferiority as compared with others, and inspire him with a desire to rise to the same or a higher level. It is not to those who are placed by their fortunes at the head of society, but to those who are in an inferior situation, and who have raised themselves to

eminence, that mankind are indebted for almost all those inventions and improvements which have so greatly extended the empire of mind over matter, and made such vast additions to the sum of human happiness. If it were possible to reduce all fortunes to an equality, there would be infinitely less industry, and society would approach much nearer to a stationary state. It is not because a man is absolutely poor that he is laborious, inventive, and economical; but because he desires to place himself on a level with those who have a greater command over the necessaries, luxuries, and amusements of human life. If that richer class did not exist, he could have no such motive to exert himself. "And on the same principle it is fair to conclude, that if the custom of primogeniture did not obtain, or if the estates and properties of landed gentlemen were equally divided, there would, on the whole, be decidedly fewer motives to stimulate that class to enter with vigour and energy on the *arena* of ambition and enterprise.

It has been said in favour of the equal partition of landed property amongst all the members of a family, that such is in fact the way in which the fortunes of merchants and manufacturers, and generally of all the commercial and monied classes, are actually distributed amongst their children, and that no bad effects have been found to result from it. But there is hardly any analogy between the cases. The children of a merchant or banker, who have shared equally in the paternal property, may, if they please to form themselves into a company, carry on the business as advantageously as their father. But this cannot be the case with the family of a landed proprietor. Farming cannot be advantageously carried on by joint stock companies. When an estate is to be divided in equal portions to each child, the probability is, that the paternal home will, in most cases, be deserted by all but the eldest son; and there will, generally speaking, either be as many private mansions and

families as there are children; or the lots of each will be sold; at the same time that the younger children will be deprived of the peculiar stimulus to industry that they would have had, had the estate descended to the elder brother, and their fortunes been less than his. But the degradation in the ideas of all classes respecting the style in which gentlemen ought to live, and the magnitude of an adequate fortune, would probably be the worst effect of the establishment of a system of equal inheritance. Our great landed proprietors hire at the head of society. They give the tone in all matters of fashion and expense; and the state and magnificence in which they live act as powerful incentives to the industry and enterprise of the mercantile and manufacturing classes, who never think that they have accumulated sufficient wealth until they are able to emulate the splendour of the richest landlords; whereas, had the great properties of the latter been frittered down by a system of equal division among children, the standard of competence would have been lowered universally; and there would, in consequence, have been less industry and enterprise, not among the younger children of the landlords only, but among all classes of the community.

It has sometimes been contended, that the custom of primogeniture is injurious, because it interests the leading families of the country in the support of expensive public establishments, in which their younger branches are most commonly placed. There is, however, no institution that may not justly be charged with some defects; and admitting that the custom of primogeniture gives the nobility and landed gentry the bias alluded to, that would form but a very small deduction from the many advantages of which it is otherwise productive. But this bias, if it really exists, seems to be very faint. In so far as the administration of justice is concerned, the younger branches of great families have certainly evinced no very particular anxiety to encroach upon the many lucrative situations which it affords; and yet it does not appear

that a reform is more easily effected in that than in any other department. The advantages held out by the army or navy to a man who has been genteelly brought up, are certainly, in a pecuniary point of view, far from alluring; and had the bias in question been so strong as has been represented, it is somewhat surprising that some more strenuous efforts should not have been made by the wealthier classes, to get the pay of the officers augmented. Much has been said about situations in the colonies; but colonies were not originally acquired in order to provide situations for any particular class; but to extend the commerce of the country; and at this moment, if we except a very few of the higher appointments, the others are as commonly filled by the sons of manufacturers and merchants as by those of landed gentlemen. And supposing that the existing outlets for the latter in the army, navy, and church were narrowed, it would merely oblige a greater number of them to enter upon the more lucrative pursuits of commerce and manufactures; a change which, whether advantageous or not to others, would be any thing but injurious to them.

According to the rule established by the Roman law, when a person died *intestate* his inheritance was equally divided amongst his sons and daughters. This principle has been adopted in several of the continental states; and when thus modified, the principle of equal succession is not, perhaps, very objectionable, though, for the reasons already stated, it does not seem to be in any case a sound rule. The principle of the Roman law has recently, however, received a very great extension in France. Instead of following the example of other nations, who have uniformly relaxed the restraints imposed in early and less enlightened ages on the power of bequeathing property by will, the French legislators have followed a different course, and have enacted a law which establishes a nearly equal system of succession, and restricts the power to devise property by will within the narrowest limits.

According to this law a person with one child is allowed to dispose of a moiety of his property as he pleases, the child inheriting the other moiety as *a matter of right*; if a person has two children he is only allowed the absolute disposal of a third of his property; and if he has more than two, three-fourths of the property must be equally divided amongst the children, one-fourth only being left at his own disposal, either to leave to a stranger or to increase the portion of his favourite child. When the father dies intestate, the property is equally divided amongst all his children without respect to sex or seniority.

This law was intended to subvert the foundations of that old feudal aristocracy from whose ascendancy France had suffered so much; and as the power and influence of an aristocracy must always be mainly dependent on the extent of their property, it was certainly well calculated to accomplish its object. It is seldom, however, that a law adapted to a particular emergency can be maintained with advantage as a general rule of national policy; and it will be singular should a law instituted for the express purpose of splitting estates be allowed permanently to regulate the succession to property in a great kingdom. Considered in a general point of view, this law seems to be infinitely more objectionable than a system of perpetual entail. By interfering to so extreme an extent in the disposal of a man's property, it must plainly lessen the motives to accumulation; while, by rendering all the children in a great measure independent of the father, it must weaken the parental authority, and have the same injurious operation, in reference to an entire family, that the law of entail has in reference to a single child. When the estate of the father must be divided, all his descendants are aware, from their earliest infancy, that they are, without any exertion on their part, to obtain a certain provision; and no one can doubt that this certainty must tend to paralyse all their ef-

forts, and to render the younger children at least, less enterprising than they would have been, had they known that their condition in society was to depend principally on themselves, and that they had no security that they would obtain any thing from their parents. But even these do not seem to be its worst effects. The inevitable tendency of this, and of every similar system, is to occasion too great an increase of agricultural population; at the same time that it will operate to reduce landed property into such minute portions as will neither afford sufficient employment to the families occupying them, nor allow of their being cultivated and improved in the best and cheapest manner. The strong predilection, entertained by the great bulk of the children of persons engaged in the business of agriculture, for the pursuits of their fathers, has been remarked by every one in any degree familiar with rural affairs. And it is obvious that the existence of a law compelling every father to divide his estate equally amongst his children, must afford the greatest facilities for gratifying this natural inclination. It will give them the power of continuing in that line of life in which they have been educated, and which must, in consequence, be endeared to them by all those early associations which exert so strong an influence over future conduct. When a family happens to be unusually large, or when the share of the paternal property falling to each of the children, may not enable them to maintain themselves in nearly the same class as their father, some of the more adventurous and generous spirits will probably be disposed to sell their portion and to engage in some other pursuit. But, in the great majority of cases, they will continue to reside on the little properties they have obtained from their ancestors; and the process of division and subdivision will continue, until the whole land has been parcelled out into patches, and filled with an agricultural population equally destitute of the means and the desire of rising in the world.

It is, however, alleged by those who argue in favour of the principle of equal division, that it cannot be carried to an improper extent; that the loss that would be sustained, by dividing an estate into such lots as would not admit of their being farmed in the best manner, would be so great that the coheirs would be induced either to sell the property *en masse*, and divide the price, or farm it in partnership. But this statement proceeds on the assumption, which seems to be as false as it is gratuitous, that the conduct of the coheirs will in all cases be regulated exclusively with a view to their pecuniary interests. There can be no doubt, however, that their conduct will be determined by a variety of considerations. They have not merely to consider what rate of net profit they might under certain circumstances derive from their patrimony, but they have also to consider whether, if it were converted into money, they should be able to employ it so as to *enable them to subsist*; and whether they would choose, supposing they were assured of making a larger profit in another business, to leave that to which they had been accustomed: and it is further plain that, though their revenues should be somewhat greater, in the event of their farming the property in common, than if each farmed his own separate lot, they would not be so independent, and each of them would be prevented from entering into adventures on his own account, and of availing himself of what he would doubtless consider, his superior sagacity. Under such circumstances it is visionary to suppose that the mere magnitude of the rate of profit to be derived by coheirs from employing their capital in a particular way is the only, or even the principal circumstance that would be attended to in deciding how they should dispose of the paternal inheritance; and it appears reasonable to conclude, that in the great majority of cases the motives in favour of parcelling the property would be much stronger than those in favour of retaining it entire.

It should always be remembered, in speculating upon the effects of any measure or rule of law upon the occupancy of landed property, that the possession of a small piece of ground gives a feeling of independence to a small capitalist, or a poor man, that he cannot otherwise experience. It is very rare, indeed, that a possession of this sort will afford him the means of becoming comfortable in his circumstances; but it gives him a security against want. It furnishes him with a cottage; and unless it be unusually small, it will enable him to raise such a supply of potatoes as will go far to support himself and his family. In no way, therefore, can a poor man be so independent. The possession of a piece of ground renders him, in some measure, his own master. It exempts him from the necessity of severe labour and unremitting application; and though it condemns him to perpetual poverty, and extinguishes every hope of rising in the world, it brings so many countervailing circumstances along with it, that the occupiers of small pieces of ground, though uniformly almost in a much less comfortable situation than journeymen tradesmen, are everywhere the object of their envy.

There can be no doubt that the law of equal succession is exceedingly popular in France; but it is not popular from any experience of its beneficial effects in an economical point of view, but because it is considered as the great security for the permanence of the revolutionary establishment. Every proposal for an increase of the portion of the eldest son, and even every proposal for an increase of the power of the testator over his fortune, is associated in the minds of the French people with ideas of *feudal superiority*; and seems to be only the first of a series of efforts by which the aristocracy hope gradually to recover their wealth and privileges. Time only can efface these prejudices; but there is too much reason to fear that before they have been obliterated, and the pernicious consequences of the present law

fully disclosed, it will have effected so great a change in the mode of occupying land, and in the habits of the people, as to render it very difficult indeed to revert to a better order of things.

It is said by the admirers of the French law of succession, that it has introduced peace into families, that the "insolent prerogative" of primogeniture being abolished, the children look upon each other as brothers, and entertain the warmest affection for their parents. In point of fact, however, it has had a precisely opposite effect. It has rendered the children jealous of each other, and of their father. The law might have been defeated had the father been allowed to dispose of his estate during his lifetime; and, therefore, if he either establish any one of his sons in business, or give him any property, the law authorizes an examination into the circumstances; and the courts will, in certain cases, order the equivalent of the expense so laid out, or the property so bestowed, to be restored to the common fund, and divided according to the provisions of the law. It is easy to see what a wide door is thus opened to every sort of fraud, perjury, and litigation. And we cannot wonder at the fact, that innumerable actions, arising out of alleged preferences, have already been brought into the courts of law; and that their decisions have been conflicting in the extreme.

That the condition of the agriculturists of France has, on the whole, been considerably improved since the Revolution, seems certain. But it is not true that this improvement has been in any respect owing to the law of equal inheritance. It has taken place, not in consequence of that law, but in despite of it. The abolition of the feudal privileges of the nobility and clergy, and of the gabelle, corvées, and other grievously oppressive and partial burdens and imposts, must have been of great service to the proprietors and farmers; and, in addition to these advantages, a great part of the proper-

ty of the church, and of the emigrants, came into their hands at extremely low prices; so that small properties were augmented, and fresh energy and vigour given to agricultural pursuits. Still, however, it is certain that the rapid division of landed property, and the continually increasing excess of the agricultural population, caused by the existing law of succession, have gone far to neutralize the effects of these advantageous circumstances; and form at this moment the prominent evils in the social condition of the people of France. "The population of that country," says Mr. Birkbeck, "seems to be arranged thus: a town depends for subsistence on the lands immediately around it. The cultivators individually have not much to spare; because, as their husbandry is a sort of *gardening*, it requires a large country population, and has, in proportion, less superfluity of produce. Thus is formed a numerous but poor country population. The cultivator receives payment for his surplus produce in sous, and he expends only sous. The tradesman is on a par with the farmer; as they receive, so they expend; and thus 50,000 persons may inhabit a district, with a town of 10,000 inhabitants in the centre of it, bartering the superfluity of the country for the arts and manufactures of the town. Poor from generation to generation, and growing continually poorer, as they increase in numbers; *in the country by the division and subdivision of property, in the town by the division and subdivision of trades and professions; such a people, instead of proceeding from the necessaries to the comforts of life, and then to the luxuries, as is the order of things in England, are rather retrograde than progressive. There is no advancement in French society, no improvement, nor hope of it.*"*

[The account given of the condition of the agricultural population of France by M. Lafitte, who will be

* *Tour in France*, 4th edit. p. 34.

admitted by every one to be a most unexceptionable authority, is not more favourable. Si en effet, he observés, le manufacturier des nos grandes villes est aussi avisé, aussi adroit que l'homme doit être aujourd'hui, notre agriculteur est aussi ignorant, aussi pauvre que dans les siècles de la féodalité, et nous avons l'indigente France du quatorzième siècle, pour consommer les produits de l'ingénieuse et riche France du dix-neuvième siècle. Une partie considérable de la population ne mange ni pain ni viande, ne se nourrit que de quelques grossiers légumes, et se couvre à peine de quelques misérables haillons!

The Marquis Garnier, when arguing in favour of the law of equal succession, contends that the passion which impels every rich man to extend his possessions, and to add field to field, will always effectually overbalance the principle of subdivision. But the rule established by the existing French law, that the estates of individuals having families must be divided at their death, will naturally induce the greater number to amass monied fortunes in preference to land. The facts, too, that M. Garnier has stated, prove the very opposite of his theory; for they show that, while there is a very great demand in France for small patches of ground, there is very little demand for moderate-sized farms. Thus, M. Garnier informs us, that a farm which would bring a yearly rent of 4000 or 5000 francs, (L.160 or L.200,) will not sell as a whole for above *twenty-five* years purchase; while, if it were divided into a number of small lots, it would most probably sell for *forty* years purchase.† This fact is pregnant with information; and with information, I regret to say, that gives the most unfavourable view of the state of France; for it proves that agriculture is not prosecuted in that kingdom as it is prosecuted in England, for the sake of realizing a profit on the capital

* Réflexions sur la Réduction de la Rente, pp. 161, 162.

† Richesse des Nations, tome vi. p. 179, édit. 1822.

employed in carrying it on, but in order to acquire the *means of existence* !

But the effect of the law of equal succession, in occasioning the endless subdivision of landed property, and depressing the condition of the rural population, has been distinctly pointed out by the most distinguished French agriculturists. “J’ai vu,” says M. Bose, “dans la ci-devant Lorraine principalement, et en grand nombre, des champs qui n’avaient *qu’un mètre de large sur deux de long*, et ceux du double de cette superficie étaient extrêmement communs, *parceque partout les co-héritiers veulent partager toutes les pièces, quelques petites qu’elles soient.*”*

M. Rainneville, one of the best practical agriculturists in the north of France, in a tract published in 1824, after giving a brief but striking account of the miserable condition of the occupiers of small patches, and of the waste of labour occasioned by them, concludes as follows:—
“Telle est (et ce ne sont pas les hommes qui ont acquis une véritable connoissance de l’état des nos campagnes qui nous démentiront) telle est la somme des inconvéniens attachés à *cette division dont l’action funeste dévore le sol de nos campagnes avec une affligeante rapidité.*”

The late virtuous and excellent Duc de la Rochefoucault-Liancourt gave, in a memoir written in 1814, the following account of the *morcellement* of the estate of Liancourt, well known to have been, previously to the Revolution, one of the best cultivated in Europe.—
“Une grande partie du canton de Liancourt que j’habite, a un genre de culture plus petit encore que ce qu’on appelle la *petite culture*. Ce sont de petites propriétés tellement divisées que dans ce qui est vallon et surtout côteau, on trouvera difficilement des propriétés *d’un arpent*, et que beaucoup n’ont que *dix, douze verges*, et quelquefois *deux*. L’arbre d’une propriété couvre

* Dictionnaire d’Agriculture, art. Subdivision des terres, tome xiv.

une partie de la propriété voisine, dont les arbres couvrent, à leur tour, celle d'un autre voisin. Le nombre des *corps de ferme* dans ce canton, composé de vingt-six communes, n'est peut-être pas aujourd'hui de douze, dont aucune n'est d'une considérable étendue.

“ Les propriétés déjà bien petites, *se sont plus divisées encore par l'héritage des enfans à la mort des premiers partageans.*”

“ Mes clôtures, mes fossés faits avec soin, diminuant la part de l'acquéreur de la partie qui les avoisinait, ont été détruits et comblés; et cette destruction, toute naturelle pour de petits propriétaires, atteste combien la petite culture est incompatible avec les clôtures. Elle s'est considérablement multipliée au détriment de la grande. Mais, encore une fois, elle a été presque partout mal entendue. C'est toujours des grains qu'on a demandé à des terres qui n'en ont pas produit.”

The duke then subjoins the following observations on the condition and character of the small proprietors.

“ Le petit propriétaire veut avoir son grain, et ne calcule pas qu'il en aurait sûrement deux sacs au marché pour le prix de semence, de travail et de soins que lui donne la récolte d'un seul sac sur sa propriété, et par le salaire des journées qu'il aurait employées chez un propriétaire plus aisé. L'amour de la propriété, si naturel, si avantageux pour le bien d'un état, a tourné, exalté toutes les têtes. Dans les momens d'ivresse de la révolution, chacun a voulu être propriétaire, et la plupart courant après l'indépendance et le bonheur, abandonnant le gain sûr que leur procurait leur travail chez les fermiers, n'ont trouvé que de la misère. Trompés dans leurs calculs, ils sont devenus des voisins incommodes et dangereux, et, pour me servir de l'expression énergique de l'un de mes correspondans, *ne sont à l'égard du bonheur de leur canton, que de vrais déserteurs qui maraudent pour soutenir leur existence.*”

M. de Bonald, who had observed the working of the

system in the south of France, observes, in a tract published in 1826, "Les puînés n'ont à se féliciter autant qu'on le croit, de l'égalité des partages. Sans doute, dans quelques familles opulentes et peu nombreuses, les premières parts sont fortes; mais chaque enfant veut faire une famille, et ce bien, divisé d'abord entre un petit nombre, se divise de nouveau entre un plus grand, et tôt ou tard ce morcellement croît en raison géométrique. Chez les petits propriétaires ce mal se fait sentir à la première génération; chacun cependant reste attaché à sa petite fraction de propriété, se tourmente et s'étendue lui-même pour en tirer une chétive subsistance, qu'il auroit gagnée avec moins de peine et plus de profit dans une autre profession; il meurt jeune, ou ne pouvant vivre lui et ses enfants de sa propriété, il ravage celle de ses voisins. *Il faut habiter un pays où tout le peuple est propriétaire, pour se faire une idée juste des inconvénients et du malheur du morcellement infini des biens territoriaux.*"

In a well-written tract, published at Montpellier in 1826, it is stated, "La subdivision toujours graduelle et infinie des héritages menace l'ordre social; et porte déjà, notamment dans les pays de grande culture, une atteinte grave à la prospérité agricole.—Nul doute que l'agriculture est blessée de l'infinie division des propriétés rurales: par cette division disparaissent ces améliorations à opérer en grand, qui, exigeant de fortes dépenses, ne peuvent être entreprises que pour de grands intérêts: par elle se perd la possibilité d'élever des troupeaux, source de toute fécondité: par elle les forêts se dépeuplent; parceque celui-là seul qui possède beaucoup, pouvant attendre les revenus qu'elles donnent, lui seul les respecte; tandis que, au contraire, la médiocrité de fortune, pressée de jouir, les transforme, pour avoir des produits annuels, en champs, qu'une génération voit créer et s'anéantir: par elle deviennent enfin impossibles ces réserves des récoltes qui mettent en mesure de lutter contre les mauvaises années, et contre le bas prix des

produits de la terre:—*Les funestes effets du morcellement continu des propriétés rurales ne sauraient être méconnus; de mal est certain; il n'y a pas de plaisir de l'état est découverte si il s'agit de trouver de baume et les moyens de la cicatriser.*[†]

These authorities, and they might, were it necessary, be multiplied to any extent, show conclusively that the evils apprehended from the law of equal succession are not imaginary; but real; they show that it has already had the most destructive operation; that the mischief is proceeding in an increased ratio; and they warrant the conclusion, that if the law be not repealed, or some means of evading it discovered, it will in all probability end by parcelling out the whole kingdom into miserable patches, occupied by a redundant and beggarly population.*

Perhaps, however, the best illustration of the state to which landed property is tending in France, may be deduced from the returns to the *contribution foncière*. It appears, from tables given in a pamphlet of the Duc de Gaetes† published in 1818, that there were in 1816 no fewer than 10,414,121 taxable properties, in great

* Some of those who argue in favour of the law of equal succession, say that a similar system has been adopted in Switzerland, Tuscany, &c. without having the effects now ascribed to it. But even if this statement were true, which it is not, it would not show that the system is not fully as injurious as has been represented; but merely that there were certain circumstances peculiar to those countries which have counteracted its destructive operation. Sir Francis D'Ivernois, in his able tract on the *Morcellement de la Propriété Foncière en France*, has pointed out some of those circumstances in the case of Switzerland; though, notwithstanding their counteracting influence, it is even there productive of the most pernicious results. "*Le Suisse*," says Sir Francis, "*est aujourd'hui après l'Irlandais, le peuple qui consomme le plus des pommes de terre.*" For an account of the working of the small farming system in Germany, see Mr. Jacob's *View of the Agriculture, &c. of that country*.

† Mémoires sur le Cadastre,

and small, forming so many separate items in the accounts of the direct tax on landed property. But this statement does not give the number of proprietors, many of them holding properties in several *communes*, and being taxed in each. M. de Gaete, however, reckons that there are 4,833,000 individual proprietors; and as most of these are heads of families calculated at 5 persons, he estimates the class of proprietors as consisting of 14,479,000 individuals. According to this view, very nearly one-half of the population of France belongs to that class; and it is estimated that there are besides 4,941,000 agricultural labourers who are not proprietors; so that, on the whole, about a half of the population of France is composed of proprietors great and small, and one-sixth of agricultural labourers; and altogether *two-thirds* of the population are employed in agriculture.

In no country in Europe is there such a vast body of proprietors; and in no civilized European country, with the exception of Ireland, is there so large a proportion of the population directly engaged in the cultivation of the soil. And yet the system of compulsory division is only in its infancy. If it be suffered to run its full length, it appears pretty certain that properties will be perpetually lessening, until, to use the words of Mr. Young, you arrive at the limit, beyond which the earth, cultivate it as you please, will feed no more mouths; yet those simple manners, which instigate to marriage, still continue. What then is the consequence but the most dreadful imaginable! By persevering in this system you soon would exceed the populousness of China, where the putrid carcasses of dogs, cats, rats, and every species of filth and vermin, are sought with avidity, to sustain the life of wretches born only to be starved. Small properties much divided prove the greatest source of misery that can be conceived; and this has operated to such an extent and degree in France, that *a law ought undoubtedly to be*

passed, to render all division below a certain number of arpents illegal.*

But if such was Mr. Young's opinion in 1789, how much more reason must he have had for coming to the same conclusion now, when almost all the large estates then existing in the country have been broken up, and the succession to the smallest patches regulated by the principle of equal division among the children! Had an assembly been held for the express purpose of devising the means by which they could most effectually depress France, and bring her into the same hopeless situation as Ireland, it is not easy to see how they could have hit upon any scheme so well calculated to effect their object, and to extinguish every germ of future improvement, as the institution of the law in question.

In countries where capital is accumulating in masses, and where there are no vicious laws or habits to force the interminable division and subdivision of landed properties, the newest and most powerful machinery is applied to the cultivation of the soil, and the division of rural employments is carried to its fullest extent. But wherever property is very much frittered down, such methods of facilitating production can be but very partially introduced. In the greater number of French, as of Irish farms, it is impossible either to adopt a proper system of rotation in cropping, or to erect threshing machines; and in many instances the horses, and even ploughs, are the joint property of several sets of farmers. Whatever increased supplies of food may be required in a country occupied by small farmers, must be chiefly produced by an increase of animal exertion; and raw produce must, therefore, rise in price with every increase of population, or as soon as it becomes necessary to cultivate any portion of inferior soils. There is, in such cases, no principle of improvement in operation to coun-

* Travels in France, vol. i. pp. 413, 414.

tract the effect of increasing sterility. It is neither checked by improved machinery, nor by any expedients for saving labour; but being allowed to exert its full effect, society very soon becomes clogged in its progress, and its future advancement is rendered extremely problematical.

In a country like England, on the contrary, where a highly improved system of husbandry is generally introduced, where farms are extensive, and where the most powerful machinery is employed in agricultural operations, a comparatively small proportion of the inhabitants is engaged in the cultivation of the soil. The rest are employed in manufacturing industry, or in carrying the products of the different districts of the kingdom to the places where they are in greatest demand, and exchanging them for all the various products of all the countries and climates of the world. The national wealth, and the comforts of all classes, are prodigiously augmented in consequence of this division of employments. The agriculturists of England do not spend their time in clumsy attempts to manufacture their own produce, and the manufacturers cease to interest themselves about the raising of corn and the fattening of cattle. The power of exchanging is the vivifying principle of industry. It stimulates agriculturists to adopt the best system of cultivation, and to raise the largest crops; because it enables them to exchange whatever portion of the produce of their lands exceeds their own consumption for other commodities conducive to their comfort and enjoyments; and it equally stimulates manufacturers to improve the quality and to increase the quantity and variety of their goods, that they may thereby be enabled to obtain a greater quantity of raw produce. A spirit of industry is thus universally diffused; and that apathy and languor, which are characteristic of a rude state of society, entirely disappear.

But if a country were generally divided into small farms, these effects could only take place to a very limited ex-

tenti. Not being able to employ the best machinery, nor to carry the subdivision of employments to a sufficient extent, a much greater number of labourers would necessarily be engaged in the cultivation of the soil, and there would, of course, be a proportionally smaller quantity of its produce to dispose of to others. No one will presume to say, that the agriculture of France is nearly as well improved as that of Britain—that it is not indeed a hundred years behind ours—and yet, while there are more than two-thirds of the people of France employed in this inferior cultivation, less than one-third of our people suffice to carry on the infinitely superior system of cultivation adopted in this country.* It is in this single circumstance that the great superiority of our domestic economy over that of the French chiefly consists. We carry on a vastly better system of agriculture with less than a half of the labourers they require to carry on theirs; so that the entire produce of the industry of the other half of our labourers, not engaged in agriculture, is so much clear gain, so much positive additional wealth, placed at the disposal of the people of this country, over and above what we should possess, were our lands as much subdivided as those of France, and our agriculture conducted on the same plan. Here is the powerful spring that has contributed more, perhaps, than any other to enable us to carry our commercial and manufacturing prosperity to its present unexampled height, and which makes us advance in the career of improvement, notwithstanding we are burdened with a load of taxes that would press to earth the greater population of France. Let us not, therefore, by giving the smallest countenance to any scheme, either for dividing estates or for building cottages on wastes, do any thing that may tend to increase

* According to the census of 1821, there were 2,941,374 families in Great Britain, of which only 978,667, or less than one-third of the whole, were employed in agriculture.

the purely agricultural population of the country; the narrower the limits within which it can be confined, the better will be our agriculture, and the greater will be the surplus produce with which to feed and support the other classes of the society; on whose numbers and prosperity the wealth, power, and glory of the country must ever mainly depend.

The custom of equally dividing the paternal property among all the children of a family, has been long acted upon in Ireland. Sir John Davies, in his valuable tract, entitled "*Discoverie of the Causes why Ireland was never entirely subdued by the English,*" mentions this as one of the customs that had mainly tended to perpetuate the barbarism and poverty of that country. "The custom of *gavelkind,*" says he, "did breed another mischief; for thereby every man being born to land, as well bastard as legitimate, they all held themselves to be *gentlemen.* And though their portions were never so small, and themselves never so poor, for *gavelkind must needs in the end make a poor gentility,* yet did they scorn to descend to husbandry or merchandise, or to learn any mechanical art or science. Besides, these poor gentlemen were so affected to their small portions of land, that they rather chose to live at home by theft, extortion, and coshering, than to seek any better fortunes abroad."*

This custom of *gavelling*, or dividing the paternal inheritance, was not confined to any particular sort of property, but extended to leasehold as well as freehold. And so strongly has this pernicious custom been rooted in the public esteem, that it was to no purpose that a landlord inserted a clause in the lease of a farm prohibiting its subdivision. The courts of law were hostile to all such limitations; and the juries, before whom a case of this description was occasionally tried, if they returned a verdict in favour of the landlord, almost uniformly awarded only nominal damages. The consequences resulting from the

* P. 172, edit. 1747.

combined operation of this custom and law, have been exactly such as might have been anticipated. Instead of being enlarged as the capital of the country enlarged, and as a knowledge of the correct principles of agriculture became more generally diffused, the farms in the possession of the Irish tenantry have been reduced in most instances to mere patches. It is almost always a very difficult task to prevail on the sons of an agriculturist to embrace any other business than that of their father. But the law of Ireland, and the little effect given to the restrictive clauses inserted in leases, relieved the children of the tenantry of that country from the necessity, under which a large proportion of them would otherwise have been placed, of applying themselves to a different business from that to which they had been accustomed from infancy. If the farm was not split amongst them during their father's life, it was sure to be split at his death. Even the daughters were not commonly portioned by the gift of a sum of money, but by that of a patch of land; and the farm that was originally let to a single individual was at farthest at his death, but most commonly sooner, divided into as many shares as he had children! How favourable soever the situation of Ireland might otherwise have been, this system was by itself sufficient to overspread it with the most abject poverty and wretchedness.

It has been said by the apologists of this system, that it is not the power given to the tenants to subdivide and sublet their farms, but the want of capital that has occasioned their being split. But the increase of capital in Ireland during the last half century, though not very rapid, has certainly been considerable, and yet the subdivision of farms has been going on during the whole of that period with a *constantly increasing rapidity*. The *custom* of subdividing farms has done for Ireland what the law of equal succession has done, or is doing for France. It has taught every individual brought up in the country to trust to the land for support. It has

secured to them a sort of wretched independence, and has in consequence given a powerful stimulus to population. In Scotland a totally different system has been followed, and with the happiest results. The succession to farms, as well as estates, has been long regulated in this part of the empire by the law of primogeniture. The tenant of a Scotch farm has no power, unless a clause to that effect be inserted in his lease, which is very rarely done, to devise his interest in the lease. He can neither sublet nor subdivide his farm; and, at his death, it must descend entire to his heir at law. The younger children are not taught from infancy to trust to the land for support; on the contrary, they are early made aware that farming is not a profession on which they can enter, and that it is indispensable they should apply themselves to something else. In consequence, they either establish themselves in towns, or emigrate to other countries; and perhaps there is no one circumstance that has contributed so much as this to inspire Scotchmen with that adventurous, enterprising spirit for which they are celebrated. In this way the agricultural population is kept down to its proper level; and prudential habits are very generally diffused. Instead of becoming less, farms are gradually becoming larger, according to the increase in the capital of those engaged in the business of agriculture. No one prosecutes farming as a means of acquiring a miserable subsistence, but as a means of employing capital with advantage.*

* Though of late years the instances are very few in which leases have been granted in the lowland districts of Scotland, empowering the tenants to assign, subdivide, or sublet their farms, they have not been altogether unknown. In a district in the south-west of Scotland, where the farms are almost all large, and the tenants respectable, the late proprietor of a pretty considerable estate granted leases to some of his tenants for twenty-one years, with a power to subdivide and sublet. These leases recently expired; and one of the farms, consist-

The landed gentlemen of Ireland seem at length to have opened their eyes to the defects of the system under which their estates have long been occupied. The bill introduced by Sir Henry Parnell, and which has passed into a law, for preventing the assignment, subdivision, and subletting of farms, appears to be generally approved by the landlords; and it is not too much to say, that if its provisions are carried into effect, it will do more to improve the condition of the country, than any act that ever received the sanction of the legislature. The present excess of population, is undoubtedly a most formidable obstacle to the introduction of an improved system of agricultural management; but if any means were devised, whether by emigration or otherwise, to get this excess of population disposed of, Sir Henry Parnell's act would afford a considerable security against a recurrence of the evil.

The subdivision of farms has been both a cause and a consequence of the use of the potato as a principal article of food. A small farmer, or even proprietor, with five, ten, or fifteen acres of land, cannot afford to feed himself and his family on bread and beef. He is compelled to resort to some inferior species of food; and as the potato affords the greatest quantity of nourishment on a given extent of land, it is to it that he naturally resorts; while this facility of obtaining supplies of food tempts to fresh divisions. Such have been the consequences of the extreme division of landed property in Ireland; and such are the consequences now actually resulting from

ing of about 300 Scotch acres, had, when it reverted to the present proprietor, upwards of 50 tenants settled upon it! As no other estate in the county had been let in the same way, the tenants were easily ejected; but it is evident that it would have been very difficult indeed to get rid of them had the system acquired any considerable extension. This shows pretty conclusively that nothing more than the power to assign and subdivide farms is wanted to reduce the tenants of Scotland to the same level as those of Ireland.

the same cause in France. That country is not only threatened to be overspread with a redundant, but with a potato feeding population. "Cet aliment précieux," says Count Chaptal, "qui rejettoit le pauvre, est admis aujourd'hui sur la table du riche, et on le regarde, avec raison, comme le plus puissant auxiliaire du froment."*

There seems to be little doubt that it is to the rapidly increasing cultivation of the potato, that the increase of towns in France during the last thirty years is to be ascribed, notwithstanding the increase of the rural population and the low state of agriculture. "La consommation croissante," says Sir Francis D'Ivernois, "des pommes de terre a jusqu'ici caché (tout en l'augmentant néanmoins) le déficit des autres productions rurales que le sol de France pourrait fournir, devrait fournir, et ne fournit point." And an experienced agriculturist, M. Stafforello, in a tract published in 1824, observes, "Pourquoi ne trouveriez-vous pas la cause de cette surabondance qui nuit si fort à notre agriculture, dans cette série des bonnes récoltes dont la providence nous favorise depuis sept années; dans ce système désastreux de prohibitions qui ferme peu à peu le débouché de nos produits agricoles et manufacturés; et dans cette plante exotique, tellement multipliée qu'elle sert aujourd'hui d'auxiliaire à toutes nos céréales?"

* * Being desirous, on a matter of such importance, to learn whether my opinions with respect to the most advantageous method of letting land were approved by those engaged in the business of farming, I used the liberty of submitting two queries on the subject to Mr. Oliver, tenant of Lochend and Millrig farms in the vicinity of Edinburgh, well known as one of the most intelligent, skilful, and extensive practical farmers in the empire; and Mr. Oliver has enabled me to gratify my readers, by

* De l'Industrie Française, tome i. p. 147.

kindly consenting that I should print the queries, with his observations upon them.

Query 1.—Would it be advantageous, or otherwise to the agricultural interest of Scotland were the tenants especially those in the best-cultivated districts, generally invested with the power of subletting their farms?

2.—Supposing that the tenants in the best-cultivated districts of Scotland had the power to divide their farms, and to devise them by will to heirs, what would be the probable effect of such a power on the agriculture of the country, and the condition of the tenants?

REMARKS ON THE ABOVE QUERIES BY MR. OLIVER

“ I. With respect to the *first* of these queries, it appears to me, that though the tenantry were invested with the power of subletting, no great change in the present mode of managing and occupying land in Scotland would be likely to take place for some considerable time. The practice of letting land in this country on leases of 19 years having been quite general for nearly a century, and the power of subletting having been very rarely conceded, the lands have naturally fallen into the occupancy of that class of persons who engage in the business of agriculture with the full purpose of devoting their lives to it. Persons of this description would not be very likely to avail themselves immediately of the privilege of subletting. A considerable time would be necessary to produce so great a change in their habits and views; but that such a change would be gradually produced, is, I think, certain. It appears to me, that much of the superiority which Scotch agriculture has attained over that of most other countries is to be ascribed to the steady, enterprising character of the cultivators; and that the system of letting lands upon leases for a definite number of years, and

the strict prohibition of assigning or subletting, has contributed largely to the formation of that character and enterprise. A man entering upon a lease for 19 or 21 years with the knowledge that it is not in his power to transfer it to another, promptly executes such improvements as he thinks will make an adequate return for the outlay. The certainty, too, that his interest in the farm will cease and determine at the expiration of the 19 years, operates powerfully in stimulating him to a vigorous and early execution of the necessary improvements, as he knows that every year these are delayed the profits to be derived from them must be proportionally diminished. To produce the full effect here described, it is indispensable, however, that there should be no room for doubting that the lessee or his heir is to possess the farm during the whole continuance of the lease; and to secure this certainty, it is necessary that the power to assign or sublet should be strictly prohibited. Many persons who probably would not avail themselves of the privilege, might notwithstanding, were it granted, hesitate about subletting; and the effects of this hesitation would very soon appear on the management of the farm. It may, perhaps, be supposed that this power would not have the effect of making a farmer lessen his exertions, as the greater the improvements made, the higher would be the rent for which the lands would sublet. This would no doubt be the case to a certain extent; but it must be recollected, that a tenant resolved to possess a farm himself, has only to satisfy his own mind that an improvement will be profitable; whereas if he intends to sublet, or is hesitating about it, he must feel that his remuneration is to depend upon his being able to satisfy the sub-tenants that the money expended will be returned with a profit. Tenants so circumstanced are, therefore, naturally led to execute such improvements as most readily strike the eye, and appear advantageous; while those really beneficial ones that

they would have executed; had they been perfectly certain from the beginning of their leases that they would have to occupy the farms to their close, are either not thought of at all, or are postponed. For these and many other reasons which might be stated, I have long considered that the mode of letting lands upon leases for fixed and definite periods, without the power of subletting or assigning, is decidedly the best, and promotes in the greatest degree the interests of the country, the proprietors, and the tenants. Nor do I think that any other term could be advantageously substituted for the one almost universal in Scotland, viz. 19 years. Nineteen or twenty-one years afford ample space for advantageously executing almost every strictly agricultural improvement; and at the same time the term is not so extended as to encourage either dilatoriness or sloth in the tenant. Being thus clearly of opinion that the system of letting farms on leases of 19 years, without the tenants having the power to assign or sublet, has been one of the principal means of creating a class of cultivators in this country superior, I believe I may venture to say, to those of almost any other, and indeed the only description in whose hands agriculture can permanently flourish, I should consider any thing that had any tendency, however slight, to introduce any lower description of tenants as highly injurious. But the granting of a power to sublet would not have a slight effect. It would slowly, perhaps, but, as I think, certainly, bring about a change in our views and habits; and would most probably have the effect to draw into the profession, especially in periods of agricultural prosperity, persons disposed rather to speculate on subletting their farms at an additional rent, than to continue to occupy them during the currency of the lease.

“ I know that many well-informed persons amongst us have thought that the privilege of subletting is reasonable and would prove beneficial to agriculture.

They contend, that tenants of enterprise, and possessed of adequate skill and capital, would be of essential service to agriculture, and would, at the same time, add largely to their own profits, by hiring farms that require improvement; provided they could sublet them, after they had been improved, to tenants of less capital; so that, by granting the power to sublet, the country would, in this way, be more rapidly improved, while an extensive field would be laid open for the operations of skillful and enterprising tenants. If such a division of the agricultural skill and capital of a country could be effected, it would, no doubt, prove beneficial; but, I look upon it as altogether impracticable. No prudent tenant will ever trust, for the repayment of money laid out on improvements, to the management of a person of inferior skill and means; or, if he do, he will, when too late, find out his error. Among tenants, as in every other class, skill and the command of capital, are much oftener found united in the same individual with caution, than with that sort of speculative enterprise which would lead to the division contemplated by those who take this view. Instead then of the privilege of subletting farms *entire and undivided* (for I have hitherto considered it only in that point of view) being a thing likely to prove advantageous either to agriculture or to the tenantry as a body, I feel satisfied that it would be injurious to both. The injury, however, would be aggravated in a tenfold degree, were the power to *subdivide* farms conferred along with the power to sublet. With this additional impulse, the system of subletting, and the annihilation of the existing race of cultivators, would proceed at a greatly accelerated rate. Such a state of things could scarcely fail ultimately to reduce agriculture to the very lowest degree of degradation, by the introduction of a class of tenants, possessing neither skill, capital, nor enterprise, adequate to the proper cultivation of the soil.

The desire of the majority of that class, who are a single remove or two above the condition of labourers, to possess a piece of land, has been so unequivocally established by what has taken place in every country, where facilities for obtaining it have been afforded, that to attempt to prove its existence would only be a waste of time. And that such a desire should exist and be exceedingly powerful, is not matter of surprise. Every one wishes to be free and independent; and many are but too apt to consider, that when they have got a lease of as much land as will suffice to furnish them with milk, meal, potatoes, and other articles forming the chief part of their sustenance, and a house, (to which, in their estimation, no part of the rent is ever charged,) they have attained, or at least made a great advance on the road to independence. They seldom consider that the same articles might have been procured at a much smaller cost from those who have made the study of agriculture the business of their lives, and who possess the means of calling forth the productive energies of the soil. But even if they did consider this, it is extremely doubtful whether it would induce them to alter their mind. There is a positive pleasure, independently altogether of the consideration of profit or loss, in seeing our tables furnished with commodities produced from our own farm, and under our own superintendence. They are distributed with a more liberal hand, and consumed with a much greater degree of freedom, than articles procured by a direct outlay of money, and which can only be replaced by a repetition of the same unpalatable application to the pocket. Besides these considerations, however, there are others which exercise, perhaps, a still greater influence in leading people in inferior circumstances to possess themselves of land. The additional local influence and the increased importance of such persons in their own eyes, when they have acquired a right to be

considered as farmers; stimulate them to obtain that which will bring in its train things so much to be desired. But it is obvious that these persons could only obtain possession of lands by offering exorbitant rents. No tenant would divest himself of a portion of his farm, unless he were to receive, not only the rent he was himself bound to pay, but also all, or nearly all the profit he was reaping from it by possessing it himself; and if his farm was fairly and fully rented when entire and undivided, it follows that, though he were to let it without any additional rent, it must be too high when split down into a number of small farms; for agricultural operations, supposing the skill to be in both cases equal, can never be so well and economically executed on a small scale, as on a large one, which gives opportunities of forming combinations among labourers, and admits of the subdivision of labour being carried to an extent greatly beyond what can ever take place on a small farm. A considerable length of time would no doubt be required, as was formerly stated, to bring the system of subletting and subdividing into full operation in a country like Scotland, occupied by a tenantry with views and habits so little congenial to such practices. Still, however, there appears to be sufficient grounds for thinking, that the strong desire of a very large class of persons to possess themselves, on almost any terms, of a piece of land, would lead them to offer rents greatly beyond its real worth, for purely agricultural purposes. And there can be no doubt that the offer of this additional rent would operate powerfully, in the long run, in inducing farmers to split down and sublet their farms. For, although the additional rent promised would, in the majority of instances, be ill paid, still the temptation, especially after the system had once been introduced, would in numberless instances prove too great for the farmer to resist. That matters would sooner or later reach this state, were

the power of subletting and dividing their farms conferred upon the tenantry, is, in my apprehension, quite certain; and the effect of such a state of things would be to cause agriculture to retrograde almost as rapidly as it has advanced during the last century. The agriculture of every country in Europe, in ancient as well as in modern times, has been prosperous or the reverse in proportion to the capital, intelligence, and skill of the *actual cultivators* of the soil. To this rule, the history of agriculture, so far as I know, affords not a single exception. Indeed so closely and inseparably does bad cultivation seem to be linked with tenantry of an inferior description, that even in Scotland, where the business of husbandry is now so well understood, it is still the rarest thing imaginable to find a small farm, say, from twenty to fifty acres, that would not be a disgrace to the cultivators of a century ago. Indeed it seems to me as unreasonable to suppose that agriculture should not be greatly injured by the introduction of the species of tenants that would gradually overspread the country, were the power of subletting and splitting farms granted, as that the rate of his Majesty's mail coach should not be retarded, if London dray-horses were made to supplant the high-mettled breed at present in use.

“II. With respect to the second query:—supposing, in the first place, that the tenantry of Scotland were invested with the privilege of dividing and devising their farms by will to their heirs-male, but were debarred from assigning or subletting to any other description of tenants, I am disposed to think, that great injury to agriculture would ultimately, and not less certainly ensue than in the cases already considered. The operation of this measure would, however, be for some time less obvious, especially to those unacquainted with the practical details of agriculture; and for a considerable time, perhaps, its effects would be little

felt. During the last fifty years, there has existed among Scotch cultivators the utmost desire to enlarge their farming concerns, and where that could not be done by obtaining leases of contiguous lands, additional farms at the distance of five, ten, or even twenty miles from the tenant's place of residence, have frequently been had recourse to. So general has been the desire for large farms, for some time past among the Scotch tennantry, and so deeply are they impressed with the idea that respectability depends in a great degree on the possession of a large extent of land, that to be a small farmer is in their opinion to be a person deserving of little more consideration than a journeyman tradesman. It is in this feeling, I apprehend, that an explanation is partly to be found of the fact, that lands of a secondary degree of fertility have fetched, for a long time past, higher rents in proportion to their worth than lands of the first degree of fertility; large farms of the former being easily obtained, while it has been comparatively difficult to procure them of the latter description. The same feeling operates with small capitalists in the purchase of land. Most men would rather choose to pay the same sum for 1000 acres than for 200 or 300, though the revenue derived from the former should be something less than that derived from the latter. Such being the feelings and habits by which Scotch farmers are at present actuated, it is not at all likely that they would go very readily into the idea of diminishing the size of their farms. They would think that they had not put down, as they express it, their sons respectably, if each were to get only a portion of his father's farm; and in consequence, the process of splitting would for a time proceed at a comparatively slow rate. Great, however, as the obstacle to splitting, from old habits, undoubtedly is, there is but too much reason to fear that it would be ultimately overcome. There exists among the sons of farmers an almost unconquerable desire to follow the

profession of their fathers. Nor will this seem wonderful to any one acquainted with the mode in which they are brought up. I have seen it somewhere stated, that boys, at a very early age, show a predilection for whips, and girls for dolls. And, however this may be in general, I am sure that a farmer's son is no sooner able to use his legs, than he wishes to be master of a whip, and to be able and permitted to exercise it on the cattle of the farm. He is then desirous of exhibiting himself on horseback; and this frequently, through the indulgence of servants, he enjoys at a very early age. As he advances in life, the scene becomes still more captivating. He sees his father the uncontrolled lord and master of every living thing upon the farm. All give way to his pleasure, and every individual yields implicit obedience to his commands. He seems the only being whose every wish is gratified, and who possesses the undisputed power of controlling and directing the actions of every other person within his reach. At scarcely any period of the year do the calls of business seem to make any serious inroad either on his time or wishes. It is true he must frequently be in the fields superintending the various operations going on there; but this, in most cases, appears a pleasure to a youth. Then there is the command of horses, dogs, guns, and sometimes of foxhounds; the enjoyment of all which sources of amusement, the young men see, or think they see, is perfectly compatible with the proper management of a farm. In this manner, every thing most desirable is associated in their minds with rural affairs, and at a time, too, when the mind is most capable of receiving impressions of a deep and lasting nature; and, when it is considered, that in all probability they have never been afforded an opportunity of contrasting this mode of life with any thing half so captivating, can it excite any surprise that they are almost all bent on becoming farmers? Unless, indeed, a boy's parents determine at an early period to make him choose

one or other of the liberal professions, or to send him abroad, and have taken care to educate him with that view; he has only a choice between the business of a farmer and that of a grocer, silk-mercant, spirit-merchant, or something similar. But, to be able to engage in any one of these, a three or five years apprenticeship must be served; during which time the country youth, who used to be from morn to night in the fields, is doomed to stand twelve hours a day behind a counter, weighing pounds of tea, or measuring gallons of whisky, or yards of ribbon; and even after his apprenticeship is served, he must, if he expect to get on, apply with unremitting assiduity to business. These are the circumstances that render it so difficult, even as matters stand at present, to induce the sons of farmers to choose another profession; but they have no choice, and they know it. The large amount of capital required to stock and improve a farm of the extent considered indispensable to insure respectability, together with the strict prohibition of dividing the farm among two or more sons, even after the father's decease, makes it all but imperative on a farmer having three or four sons, to direct the views of two or three of them to some other profession; and this is accomplished by impressing upon their minds, from their earliest age, the utter impossibility of their ever becoming farmers. But if farmers had the power to divide and devise their farms to their heirs, there cannot, as it appears to me, be a doubt, that the anxiety of the sons to become farmers, strengthened as their chance of attaining their object would be, by the change in the tenure by which their father held his lands, would gradually and not very slowly reduce the size of the present farms; and would ultimately lead to such a division as would render the farms too small to admit of their being economically and profitably occupied. At first, as farms would descend to sons of experienced farmers, there would not be any falling off in the skill of the occupiers; but when the

process of subdividing and splitting had proceeded to a considerable extent, a corresponding diminution would necessarily take place in their capital and qualifications. Small farms must of necessity leave smaller profits in proportion than large ones. It is, therefore, clear that every succeeding generation, under such a system, must become worse and worse qualified for the business of husbandry. Agricultural capital can neither be brought into existence nor preserved without a large disposable produce, out of which rent and profit can only arise; but the disposable produce can never be large in any country where the lands are split down into small farms. There is a farmer's family to support on every small farm as well as large one; and if we may trust to Irish experience, it would appear that the number of children does not diminish with the diminution of farms, but rather increases in an inverse ratio. At all events, the expense of cultivation must be increased when farms are reduced in size, and of course there must either be a reduction of rents, or a diminution of profits. For a considerable time, perhaps, the increased demand for farms would cause the greater part of this reduction to fall upon profits, but it could not fail ultimately to affect rents also. As profits became less, so would the means of cultivation; and what is perhaps of still more importance, the means of cultivating the minds of the succeeding race of farmers, without which even capital will prove as ineffective in their hands as a sword in the hands of one of their ploughmen to parry the thrusts of an expert fencer.

“In the foregoing remarks, I have considered the effects of dividing farms and devising them to heirs, on the supposition that heirs-male only were to inherit portions of their father's farm. If heirs-female, and collateral heirs, were to succeed in the same way, the interests of agriculture would suffer vastly more. It cannot be supposed that farmers daughters should always form ma-

trimonial connexions with the sons of farmers. This, of course, frequently happens; but if farmers could leave their daughters a portion of their farms, such dowries would prove a temptation to persons belonging to other less agreeable professions to seek an alliance with young women of their *caste*. The effect of this would obviously be, to introduce a race of cultivators totally ignorant of the first principles of agriculture; which, together with the smallness of their farms, would assist in reducing the business of farming to the very lowest ebb. Upon the whole, therefore, it appears to me that the present mode of letting land in Scotland upon leases of 19 or 21 years, under the strict prohibition of assigning, subletting, or dividing farms, has contributed very largely to the improvement of our agriculture, and to the respectability of the farmers. This tenure under which we hold our farms gives the tenant perfect security that he shall reap the full benefit of his outlay, at the same time that the certainty that his interest in the farm will cease at the expiration of 19 years, prompts him to a vigorous and instant execution of the necessary improvements; while the prohibition of subletting, subdividing, and assigning, effectually prevents the splitting of farms, and the introduction of a less wealthy and less intelligent class of cultivators. I should, therefore, consider that any change in the existing law of landlord and tenant, or in the custom of letting, that might have the effect of allowing subletting or subdivision in any form, or devising by will to heirs, would most probably prove highly injurious both to the tenants and the landlords."

NOTE XXII

GOVERNMENT, REVENUE, AND COMMERCE OF INDIA.

PREVIOUSLY to the period when the fourth edition of the Wealth of Nations was published, in 1764, the affairs of the East India company had fallen into a state of great disorder, and ministers were loudly called upon to bring forward some plan of reform. In compliance with this call, Mr. Fox brought forward his famous India bill. The chief objects of this bill were to abolish the courts of directors and proprietors, as totally unfit for any useful purpose, and to vest the whole power of government in the hands of seven commissioners appointed by parliament. The introduction of the bill excited an extraordinary ferment. The coalition between Lord North and Mr. Fox had rendered the ministry exceedingly unpopular, and advantage was taken of this circumstance to occasion the most violent opposition to the measure. The East India company called upon the public to protect their chartered rights, though it is obvious that from their acknowledged inability to give effect to the stipulations on which their charter had been renewed in 1781, it was open to parliament to legislate upon the subject. The Opposition represented the proposal for vesting the nomination of the commissioners in the legislature, as a daring invasion of the prerogative of the crown, and as an insidious attempt of the minister to render himself all-powerful, by adding the patronage of India to that already in his possession. The bill was, however, carried through the House of Commons; but in consequence of the ferment it had excited, and the avowed opposition of his Majesty, it was thrown out in

the House of Lords. This event proved fatal to the coalition ministry. A new one was formed with Mr. Pitt at its head; and parliament being soon after dissolved, the new minister acquired a decisive majority in both houses. When thus secure of parliamentary support, Mr. Pitt brought forward his India bill, which was successfully carried through all its stages. By this bill a Board of Control was erected, consisting of six members of the privy council; who were "to check, superintend, and control all acts, operations, and concerns, which in any wise relate to the civil or military government, or revenues of the territories and possessions of the East India company." All communications to or from India, touching any of the above matters, were to be submitted to this board; the directors being ordered to yield obedience to its commands, and to alter or amend all instructions sent to India as directed by it. A secret committee of three directors was formed, with which the board of control might transact any business which it did not choose to submit to the court of directors. Persons returning from India were to be obliged, under very severe penalties, to declare the amount of their fortunes; and a tribunal was appointed for the trial of all individuals accused of misconduct in India, consisting of a judge from each of the courts of King's Bench, Common Pleas, and Exchequer; five members of the House of Lords, and seven members of the House of Commons; the last being chosen by lot at the commencement of each session. The superintendence of all commercial matters continued as formerly in the hands of the directors.

Since the institution of the board of control, its functions have been principally discharged by the president, who is really, as Mr. Mill has observed, a secretary of state for India. Much, it is obvious, of the success of this system of government must depend on the character and acquirements of the president. For, though he is

really invested with the whole power of government; it is obvious that by establishing a sort of apparently divided responsibility between the board of control and the directors, neither of these bodies has the same motives to exert itself to repress abuses and to improve the system of administration that it would have had, had the other not been in existence.*

The financial difficulties of the East India company led to the revolution which took place in its government in 1784. But notwithstanding the superintendence of the board of control, its finances have continued nearly in the same unprosperous state as before. We have been favoured, from time to time, with the most dazzling accounts of revenue that *was to be* immediately derived from India; and numberless acts of parliament have been passed for the appropriation of surpluses that never had any existence except in the imagination of their framers. The proceedings that took place at the renewal of the charter in 1793, afford a striking example of this. Lord Cornwallis had then concluded the war with Tippoo Saib, which had stripped him of half his dominions; the perpetual settlement, from which so many benefits were expected to arise, had been adopted in Bengal; and the company's receipts had been increased, in consequence of accessions to their territory, and subsidies from native princes, &c. to upwards of *eight millions* a year, which it was calculated would afford a future annual surplus, after every description of charges had been deducted, of L.1,240,000. Mr. Dundas, (afterwards Lord Melville;) then president of the board of control, availed himself of these favourable appearances, to give the most flattering representation of the company's affairs. There could be no question, he affirmed, of the permanence and regular increase of the surplus revenue; and

* The remainder of this note is principally abstracted from an article on India, in the 90th number of the Edinburgh Review.

he entered into a minute specification of the mode in which it was to be appropriated.* He assured the house and the country that the estimates had all been framed with the greatest care; that the company's possessions were in a state of prosperity till then unknown in India; that the abuses that had formerly insinuated themselves into some departments of the government were now effectually repressed; and that the period was at length arrived when India was to pour her golden treasures into the lap of England!

Unluckily Mr. Dundas's magnificent promises had the same fate as those of his predecessors. Instead of being diminished, the company's debts began immediately to increase. In 1795 they were authorized to add to the amount of their floating debt. In 1796 a new device to obtain money was fallen upon. Mr. Dundas represented, that, as all competition was destroyed in consequence of the war, the company's commerce had been greatly increased, and that their capital had become insufficient for the extent of their transactions. In consequence of this representation, leave was given to the company to add *two millions* to their capital stock by creating twenty thousand new shares; but as these shares sold at the rate of £.173 each, they produced a sum of £.3,460,000. In 1797 the company issued additional bonds to the extent of £.1,417,000; and, notwithstanding all this, on the 13th March 1799, Mr. Dundas stated

* In the *first* place, £.500,000 a year were set aside for reducing the debt in India to £.2,000,000. *2d*, £.500,000 a year were to be paid into the exchequer, to be appropriated for the benefit of the public, as parliament should think fit to order. *3d*, When the India debt was reduced to £.2,000,000, and the bonded debt to £.1,500,000, *one-sixth* part of the surplus was to be applied to augment the dividends; and the other *five-sixths* were to be paid into the bank, in the name of the commissioners of the national debt, to be accumulated as a *guarantee fund* until it amounted to *twelve millions*; and when it reached that sum, the dividends upon it were to be applied to make up the dividends on the capital stock of the company to ten per cent., &c. &c.

in the House of Commons, that there had been a deficit in the previous year of L.1,319,000.

During the belligerent administration of Marquis Wellesley, which began in 1797-8, and terminated in 1805-6, the British empire in India was vastly augmented; and the revenue which had amounted to L.8,059,000 in 1797, was increased to L.15,408,000 in 1805. But the expenses of government and the interest of the debt increased in a still greater proportion than the revenue; having amounted in 1805 to L.17,672,000; leaving a deficit of L.2,269,000. In the following year the revenue fell off nearly a million, but the expenses continued nearly the same. And there was, upon an average, a continued excess of expenditure, including commercial charges; and a contraction of fresh debt up to 1811-12.

The company having obtained a renewal of their charter in 1813, under the modifications with respect to commerce, which will be afterwards specified, the subjoined abstract is drawn up from an account intended to exhibit a statement of their affairs on the 1st of January 1813.

Stock of the East India Company, 1st January, 1813.

Merchandise, stores, &c. and debts due to the company in India	1,25,821,587	}	L.36,691,719
Immovable stock, consisting of buildings, fortifications, &c. in India	10,970,132		
Merchandise, debts, and other movable stock in England	11,164,955	}	12,372,975
Buildings, ships, &c.	1,208,020		
Total stock			L.49,064,694

Debts owing by the East India Company, 1st January 1813.

Debt in India		}	L.32,213,759
Debt in England bearing interest	L.6,595,900		
Bonds at the Bank	800,000	}	13,916,431
Bills not due, arrears of duties, &c. &c.	6,520,531		
Total debts due by the Company			L.46,130,190

From this account it would appear, that the assets then in possession of the company exceeded the claims upon

it by nearly three millions. But very little reliance can, however, be placed on this or any similar statement. For, in the *first* place, debts due to the company, and arrears of tribute; a large proportion of which can never be realized, form a very important item in the credit side of this account: And, *secondly*, the forts, houses, warehouses, &c. belonging to the company in India and England, may be estimated at any sum; but if an attempt were made to sell them, where could a purchaser be found to buy them, even at a third part of the price, at which they are here set down? All, therefore, that this account proves is, that the claims upon the company, in 1813, amounted to forty-six millions; but it leaves it exceedingly doubtful whether they had really twenty-five millions worth of available property to set against them.*

Mr. Moreau, who published, in 1825, a set of tables, the fruit of great labour and research, with respect to the revenue, expenditure, debts, &c. of the East India company, gives the following statement of the total revenue of the company's possessions in India, and of the total charges to be deducted from it, in the ten years ending with 1821.

Years.	Total Revenue.	Total Charges.	Excess of Revenue over Charges.	Excess of Charges over Revenue.
	£	£	£	£
1812	16,488,984	16,935,470		446,486
1813	17,267,901	16,801,016	466,885	
1814	17,297,279	17,393,324		96,045
1815	17,232,818	18,433,960		1,201,132
1816	18,077,577	18,605,513		527,936
1817	18,375,826	19,213,360		837,534
1818	19,459,017	20,914,556		1,455,539
1819	19,237,090	20,762,593		1,525,503
1820	21,352,242	21,036,256	315,986	
1821	21,803,207	21,060,811†	742,396	

* The committee of the House of Commons, appointed in 1810, deducted about a *half* from the account which the company exhibited of the assets in 1810.

† The commercial charges incurred by the company are included in the expenditure. Had they been excluded, the deficit would have been less considerable.

According to the official accounts rendered by the East India company to parliament on the 6th of May 1826, it is stated that there was a surplus revenue of L.2,294,600 realized in India in 1822; that the surplus realized in 1823 was only L.86,974; and it is *estimated*, in the same official account, that in 1824 there would be an excess of expenditure over revenue of L.749,891.* But it must be observed, that Mr. Moreau has very properly included in his statement the *political charges* incurred in England on account of India, consisting of military stores sent to India, of payments and allowances to officers on furlough, &c., and a variety of other items not included in the parliamentary accounts; all of which, amounting, according to the estimate of 1822,† to L.1,434,327, must obviously be set down against India. And when allowance has been made for them, it will be seen that the net surplus revenue of India, in 1822, really amounted to L.1,507,971; that in 1823 there was a *deficit* of L.1,347,353; and that the company's accountants estimate the *deficit* in 1824, the latest period to which the accounts extend, at L.2,184,218.

The company's debts in India at the end of 1823, are estimated in the official accounts at L.34,579,498, and their assets of all sorts in India are estimated at L.22,140,319; leaving a balance of L.12,139,179 of debt, according to this statement, but which must, for the reasons previously stated, be in reality a great deal more. The company's debt in India, in 1813, amounted to L.32,213,000.

But, however much this account of the financial concerns of our eastern empire may be at variance with the exaggerated ideas that were long entertained respecting it, it will excite no surprise in the mind of any one who has ever reflected on the subject. It is due indeed to the East India company to state, that though they

* East India Rev. Accounts, p. 19.

† Tucker on the Finances, &c. of India, p. 17.

have occasionally acted on erroneous principles, they have always exerted themselves to enforce economy in every branch of their expenditure; and to impose and collect their revenues in the best and cheapest manner. But though the company have certainly succeeded in repressing many abuses, it would be the extreme of simplicity to suppose that they should ever entirely succeed. How can it be imagined that strangers sent to India, conscious that they are armed with all the strength of government, placed under no real responsibility, exempted from the salutary influence of public opinion, fearing no exposure, through the medium of the press, and anxious only to accumulate a fortune, should not occasionally abuse their authority? or, that they should manage the complicated and difficult affairs of a vast empire, inhabited by a race of people of whose language, manners and habits, they are almost wholly ignorant, with that prudence, economy and vigilance, without which it is idle to expect that any great surplus revenue can ever be realized?

The collection of a greater surplus revenue in India than is sufficient to defray the necessary expense of governing the country, and the remittal of that surplus to England, have been stigmatized by Mr. Burke and others as unjust, oppressive, and tyrannical proceedings. But even if these censures were at bottom well-founded, they are totally inapplicable to the case of the East India company. Whatever other charges may be justly made against that association, they certainly have not drained India of her wealth, in order to remit it to England. If the accounts between the two countries were fairly balanced, it would, I apprehend, be found that India is quite as much indebted to England as England is to India. But the principle on which the objection is founded, is fallacious. The revenue of India is derived from a portion of the produce of the land, which the sovereign has uniformly been in the habit of collecting. If, therefore, it were not collected by the agents of the East India com-

pany, it would be collected by others; and, provided the sums taken from the cultivators be equal, it is perfectly immaterial to them to whom they are paid. Nothing, therefore, can be more entirely destitute of foundation than the invectives of those who denounce what they are pleased to call *tribute*: For, in the *first* place, no such tribute has ever been exacted; and, in the *second* place, though it were exacted, it would be no injury to the natives. What is it to them whether the government, by whose authority taxes are imposed and collected, be resident in Delhi or in London? The merit of the company's government in India must be determined by the condition of the people subject to their authority, and by the nature and extent of the burdens imposed on them, and not by visionary notions about absentee expenditure.

To enter at any considerable length on the much disputed subject of Indian taxation, would far exceed the very narrow limits within which I must at present confine myself. It is sufficient to observe, that from the remotest era to the present time, the principal part of the public revenue of eastern countries has always been derived from the soil. The land has been held by its immediate cultivators generally in small portions, with a perpetual and transferable title; but they have been under the obligation of making an annual payment to government of a certain portion of the produce of their farms, which might be increased or diminished at the pleasure of the sovereign, the real proprietor of the land, and which has, in almost all cases, been so large as seldom to leave the cultivators more than a bare subsistence.

The far greater part of the revenue of our Indian dominions is derived from this source. In Bengal, and generally throughout the Mogul empire, the *gross* produce of the soil was divided into equal, or nearly equal shares, between the ryots, or cultivators, and the government. The agents employed by government to collect

this revenue were denominated *zemindars*; and their office seems gradually to have become hereditary. That the zemindars were not proprietors of the ground, at least in the sense attached to this phrase in Europe, seems clear from the circumstance, that they could not legally demand more from the ryot than a half of the produce he had raised; and that, so long as he paid this portion, he could not be dispossessed of his farm, but might dispose of it as he pleased. The zemindars were obliged to pay *nine-tenths* of the rents they collected from the ryots to government; the other *tenth* being their compensation for the trouble and expense of collection. When the English obtained possession of Bengal, the vitally important question came to be considered, how they were to deal with the cultivators, and how the revenue was in future to be collected. As was to be expected, a great variety of plans were proposed for the regulation of the company's conduct in this difficult and delicate undertaking; but of these, only two attracted any considerable degree of attention; and their principal features may be stated with sufficient distinctness as follows. The *first* plan was to supersede, or abolish the class of middlemen or zemindars, on paying them a fair equivalent for the loss of the rights they enjoyed, and to appoint agents, removable at pleasure, to collect the rents payable by the cultivators for the behoof of government, to whom the land really belonged, and by whom the rents might be increased, in the event of the country becoming more prosperous. The *second* plan was to make the assessment *perpetual* at the former rate; and to continue the zemindars in their former situation, making them directly responsible to government for the rents or assessment payable by the cultivators in their districts, and leaving them, as before, 10 per cent. of the gross amount of the assessment, to indemnify them for the trouble and expense of collection. After a great deal of discussion, the latter plan was carried into effect under Lord Cornwallis. The

zemindars were authorized to make new settlements with the ryots; without, however, being expressly bound, as they ought in justice to have been, to confine their demands upon them to what they had previously paid. In dealing with them they were merely recommended, to conform to the custom of the place; but after the rent was once fixed, the zemindar was to give the ryot a *pottah*, or lease; and, so long as he fulfilled the conditions of that lease, neither he nor his disponees could be deprived of their possession.* Lord Cornwallis supposed, that, by thus fixing the assessment, and rendering both it and the rents payable by the cultivators unsusceptible of future increase, a powerful stimulus would be given to the progress of improvement. But it may be doubted whether the plans adopted by his Lordship were such, as could realize his benevolent intentions. The rights and interests of the ryot and zemindar, under the perpetual settlement, seem altogether irreconcilable; the former being entitled to the continued possession of his farm, according to the terms of his lease, it is clear that the zemindar has no interest whatever in the improvement of the land which he occupies; while it is equally clear that he has a very powerful motive to rack his rent in the first instance, and to adopt indirect methods to make him pay a larger rent than he has stipulated for. And there are good reasons for thinking that this sort of oppression is now practised to a very great extent, and that the terms

* Mill's India, vol. v. p. 411, 8vo edit. "He is to levy his rents," says the author of Observations on the Law and Constitution of India, "according to the custom of the Pergunnah rates; which custom, being different in every different place, was necessarily left for the owner to dictate. The *dictum*, therefore, of the zemindar is the *custom*." The contrary cannot be established against him, were the poor man, as I have before noticed, with barely enough to exist upon, able to carry his opulent oppressor into court, to attempt so hopeless a cause." Page 206.

of the pottah, on lease, under which the ryots hold, are seldom respected by the zemindars.* I shall not stop to discuss the abstract merits of one of the principal parts of the plan of Lord Cornwallis; but assuming that it might, under other circumstances, have been advisable to create at once a class of large land-holders, and to give them the greatest possible interest in the improvement of their estates; the peculiar situation of India presented an insuperable obstacle to this being done.† The ryots, or immediate occupiers of the soil, had in reality become perpetual holders upon a quit-rent, and were to be continued upon that footing; and it is evident that the improvement of an estate, from the larger and better portion of which the superior landlord gets only a quit-rent, must always be a matter of indifference to him. Since, therefore, the rights of the ryots did not permit that the zemindars should be invested with the full control of the estates of which they were made superiors, the better course would appear to have been to have adopted the *first* of the plans previously mentioned; to have superseded the class of middlemen or zemindars altogether; and to have declared, either that the ryots were the absolute proprietors of the soil, on condition of their paying a certain share of the produce to collectors appointed by government; or that the ryots were to continue as tenants only, government reserving to itself the right to revise the assessment payable by them once every twenty or thirty years. Either of these plans seems preferable to that which was actually adopted; and it

* Mr. White states that this is in fact the case in *almost every instance*, Considerations on India, p. 289.

† A considerable portion of waste land or jungle was attached to each zemindary. And it cannot be doubted, that had the assessment been so low, as to enable the zemindars to amass capital, the rendering of it perpetual must have been a powerful stimulus to the cultivation of these waste lands.

would not, perhaps, be very difficult to show, that the best is, all things considered, the best of the two. The facility with which the revenue is collected from the zemindars has been urged as a powerful argument in favour of their establishment. It is said that, under the present system, one individual is generally accountable to government for the revenues of a large district. And a sum is thus obtained from him without difficulty, which could not have been levied from the cultivators without employing a host of collectors, and consequently opening a door to every species of fraud and abuse.

But admitting the force of this statement, still it does not follow that the rights granted to the zemindars ought to have been made hereditary. According to the theory of the perpetual settlement, they do not seem to be really landlords, but hereditary collectors of the revenue derived from particular districts, enjoying only the contingent advantages to be derived from the extension of cultivation over the waste lands attached to these districts. Now, it is not easy to see why the revenue might not have been collected with equal facility and advantage to all parties, had the districts been merely let in farm to the zemindars for a given number of years. Had this been done, government might have participated in the future improvement of the country; and it would have been in its power to interfere with infinitely more facility and effect than at present, to protect the ryots from the illegal exactions of the zemindars. Most of the recent writers on India seem to be of opinion, that the regulations intended to secure the rights of the ryots are

* It is stated in some late works on India, that the zemindar is now authorized to demand an increased share of the produce from the ryot, in the event of the latter making any improvement. This, however, is a complete subversion of the principles of the perpetual system. That it will improve the condition of the zemindar, cannot be doubted; but it will proportionally depress that of the cultivators, or of the great mass of the population.

trampled upon with impunity. And if this be really the case, and there does not seem the least ground for calling it in question, it will follow that the effect of the perpetual settlement is merely to protect the farmers of the revenue from any farther demands upon them by government, and to leave the whole population of the country a prey to their depredations.

But, although the system adopted by Lord Cornwallis had been in other respects unobjectionable, the amount of the assessment, or of the payment to be made to government, was so exorbitant, as to render it productive, in the first instance, of ruin to all parties. The claim upon the ryot, for a *half* of the *gross* produce of his farm, is so excessive, that it seems quite unnecessary to seek elsewhere for a satisfactory explanation of the extreme poverty and wretchedness in which the cultivators of land in India are involved. They are commonly obliged to borrow money to buy their seed and carry on their operations, at a high interest, on a species of mortgage over the ensuing crop. Their only object is to get subsistence—to be able to exist in the same obscure poverty as their forefathers. If they succeed in this, they are satisfied. Mr. Colebrooke, whose authority on all that relates to India is so deservedly high, mentions, that the quantity of land occupied by each ryot or cultivator, in Bengal, is commonly about six acres, and rarely amounts to twenty-four; and it is obvious that the abstraction of half the produce raised on such patches must leave their occupiers nothing more than the barest subsistence for themselves and families. Indeed, Mr. Colebrooke states distinctly, that the condition of ryots subject to this tax is generally inferior to that of a hired labourer, who receives the miserable pittance of two annas, or about threepence a day of wages!

* Observations on the Law and Constitution of India, p. 166.

It might have been easily foreseen, how such a system would operate upon the zemindars, who were responsible to government for the *gross* amount of the assessment charged upon their districts or estates. Had every imaginable facility been given to the zemindar to recover payment from the ryots, it is plain that he must, notwithstanding, in the vast majority of cases, have encountered the greatest difficulty in squeezing out of them so enormous a demand as that of half their produce. But, instead of having facilities allowed him, the zemindar was obliged to prosecute the ryots who fell in arrear, in courts where the proceedings were necessarily slow, and which were speedily choked up by an overwhelming mass of cases. He however was not permitted to fight the government with the same sort of weapons that the ryots were authorized to employ against himself. The process followed by the tax-collectors was comparatively brief and compendious. If the zemindar could not pay the full amount of the assessment charged on his estate, summary proceedings were instituted against him. In vain did he represent that, to enable him to discharge his engagements, he must have as summary powers granted him to enforce payment from the ryots, as those that were used by government to enforce payment from himself. A deaf ear was turned to every remonstrance; and, in consequence, the estates of the zemindars were everywhere exposed to sale; the oldest and most opulent families in the country were reduced to a state of beggary and destitution; and so general was the destruction, that the whole landed property of Bengal is said to have changed hands since the establishment of the *perpetual* system!

After the ruin of the old zemindars had thus been completed, the system was so far modified, that power was given to the new zemindars to recover, by a summary process, the arrears of rent due by the ryots. But it is stated by Mr. Rickards, who has seen and ably pointed out the destructive operation of this system, that the present ze-

mindars and mostly anointed men of Calcutta, who employ agents or stewards to manage their estates, from whom the ryots are not very likely to experience as much lenity as they did, from the old zemindars, who had an interest in securing the attachment of their dependents. * It is also, says Mr. Rickards, as far as the regulation admits, a recurrence to the former system of arbitrary punishment and imprisonment, which Lord Cornwallis so anxiously endeavoured to avert from the ryots; and the only advantage of the regulation, in a public point of view, is, that it may cause the taxes to be paid with greater regularity. *

If any doubt can remain in the mind of any one with respect to what must be the state of a country subject to such an oppressive system of taxation, let him read Mr. Mill's profound and instructive review of Lord Cornwallis's financial and judicial reforms, and he will be satisfied. The fault, however, must not be wholly ascribed to his Lordship. That he acted with undue precipitation, is certain. But had he supposed that it was in his power to reduce the burden imposed on the cultivators, or to obtain any better security for their rights, he would have done so. Lord Cornwallis was, beyond all doubt, a sincere friend to the people of India; and, however much he may have been mistaken in some points of his policy, his moderation, love of justice, and desire to promote the welfare of the natives, are unquestionable; and nothing but the want of sufficient information, as to the effects of the system he was projecting, and the wish to provide a revenue to meet the increasing demands upon the company's treasury, could have led him to propose giving perpetuity to a tax which strips every occupier of a few acres of half their produce. It is hardly possible to conceive that any considerable improvement

* Speeches of Robert Rickards, Esq., in the House of Commons, on the Affairs of India, p. 18.

can take place, while such a system is maintained. Unless we mean to render the poverty and misery of the ryots coeval with our ascendancy in Bengal, we must revise the settlement made by Lord Cornwallis, and consent to a temporary sacrifice, which will be amply compensated by the future increase of revenue of which it will be productive.

It was represented to the company, at the time when Lord Cornwallis was arranging the perpetual settlement, that the assessment was far too low; and that, in consenting to it, they were making an unnecessary sacrifice of income! The company replied, "That an assessment below what the country could bear was no detriment, in the long run, to the government itself; because, *the riches of the people were the riches of the state.*" This sentiment does honour to the company. But should they, acting upon this sound principle, be inclined to revise the perpetual settlement, and to restrict the present oppressive demands upon the soil, it would be necessary for them to proceed with very great caution, and to adopt such measures as might prevent the boon which should be granted chiefly to the ryots, from being intercepted by the zemindars. According to the existing regulations, when a zemindary is sold by government for arrears of revenue, *all the leases under which the ryots hold are set aside*, and it is affirmed that arrears have been allowed to accumulate on many *improved and improvable estates*, in order that, by being sold, the leases might be voided; and that these estates have invariably been repurchased by their former owners.* This is evidently a gross abuse. If the rent or assessment is to be perpetual to the class of zemindars, justice requires that it should also be perpetual to the other and infinitely more numerous class of ryots.† But when an estate falls into arrears, why should I

* Observations on the Law and Constitution of India, p. 167.

† That such was the opinion entertained by Lord Cornwallis, is evident from his minute of the 3d February 1790. "Every abwab

it be sold in perpetuity? The rights, enjoyed by the zemindars have then lapsed to government, who may, if it is thought fit, let it under any conditions, at a given rent, for a definite number of years. Were government to proceed in this way, they might gradually, and without either encroaching on the rights, or shocking the prejudices of any class, regain the superiority of the land, and might dispose of it as they judged best, for the interest of the cultivators and the revenue.

It seems, however, as if there were some strange fatality attending the government of India; and that the greatest talents and best intentions should, when applied to legislate for that country, produce only the most pernicious projects. The perpetual settlement carried into effect by Lord Cornwallis, in Bengal, had been keenly opposed by Lord Teignmouth, Colonel Wilkes, Mr Thackeray, Sir Thomas Monro, and others, whose opinions on such subjects are certainly entitled to very great respect; and it would seem that the court of directors and the board of control at length became favourable to their views. In consequence of this change of opinion, it was resolved to introduce a different system, under the superintendence of its zealous and intelligent advocate, Sir Thomas Monro, into the presidency of Madras, or Fort St. George. This new system has received the name of the *ryotwar* settlement. It proceeds on the

or tax, his Lordship observes, imposed by the zemindar, over and above that sum, (the rent fixed upon originally either by an expressed or implied agreement with the ryot,) is not only a breach of that agreement, but a direct violation of the established laws of the country. I do not hesitate to give it as my opinion, that the zemindars, neither now, nor ever, could possess a right to impose new taxes, or abwabs, on the ryots; and that government has an undoubted right to abolish every such tax, and to establish such regulations as may prevent the practice of the like abuses in future." It is clear, therefore, that the principles of the perpetual settlement do not really prevent, but warrant our interfering to prevent the ryots from being illegally assessed by the zemindars.

assumption that government possess the entire property of the soil, and may dispose of it at pleasure; no middlemen are interposed between the sovereign and the cultivators; the ryots being brought into immediate contact with the collectors appointed by government to receive their rents. Thus far the ryotwar settlement has some analogy to the plan we previously recommended; but it is, notwithstanding, essentially and completely different. It is impossible, however, to enter fully into the details of this system. They are in the last degree complicated—which is of itself a strong presumption of their inexpediency. But the radical vice of the system is, that the lands are not let at a moderate rent to the ryots, for a certain number of years. On the contrary, there is a constant tampering and interference with their concerns. “At the end of each year every ryot shall be at liberty either to throw up a part of his land, or to occupy more according to his circumstances.” When, owing to bad crops, or other unforeseen accidents, a ryot becomes unable to pay up his rent or assessment, which is fixed at a third of the gross produce, it is declared that “the village to which he belongs shall be liable for him to the extent of ten per cent. additional on the rent of the remaining ryots, but no more.” And to crown the whole, the tehsildars, or native officers employed in collecting the land-rents or revenue, have been invested with powers to act as officers of police, to impose fines, and even to inflict corporal punishment at their discretion!

It is really astonishing how acute and able men could have dreamed of establishing a system in an extensive country, that every one must see would be destructive of the industry of the tenants, and would lead to the grossest abuses, were an attempt made to introduce it into the management even of a single estate in Great Britain. Mr. Tucker, a gentleman who resided long in India, and who now occupies a place in the Direction, has animadverted on this plan as follows:—

“My wish,” says he, “is not to exaggerate; but when I find a system requiring a multiplicity of instruments, surveyors, and inspectors; assessors, ordinary and extraordinary; potails, curnums, tehsildars, and cutcherry servants; and when I read the description given of these officers by the most zealous advocates of the system, their periodical visitations are pictured in my imagination as the passage of a flight of locusts, devouring in their course the fruits of the earth. For such complicated details, the most select agency would be required; whereas the agency which we can command, is represented to be of the most questionable character. We do not merely require experience and honesty to execute *one great undertaking*; the work is ever beginning and never ending, and calls for a *perennial stream of intelligence and integrity*. And can it be doubted, that the people are oppressed and plundered by these multiform agents? The principle of the settlement is to take one-third of the gross produce on account of government; and, in order to render the assessment moderate, Sir T. Monro proposed to grant a considerable deduction from the rates deducible from the survey reports. But if it be moderate, how does it happen that the people continue in the same uniform condition of labouring peasants? Why do not the same changes take place here as in other communities? One man is industrious, economical, prudent, or fortunate; another is idle, wasteful, improvident, or unlucky. In the ordinary course of things, one should rise and the other fall: the former should, by degrees, absorb the possessions of the latter; should become rich while his neighbour remained poor; gradations in society should take place; and, in the course of time, we might naturally expect to see the landlord, the yeoman, and the labourer. And what prevents this natural progression? I should answer, the *officers of government*. The fruits of industry are nipt in the bud. If one man

produce more than his fellows, there is a public servant at hand, always ready to snatch the superfluity. And wherefore, then, should the husbandman toil that a stranger may reap the produce?

“There are two other circumstances which tend to perpetuate this uniform condition. The ryots have no fixed possession; they are liable to be moved from field to field: this they sometimes do of their own accord, for the purpose of obtaining land, supposed to be more lightly assessed; at other times, the land is assigned by lot, with a view to a more equal and impartial distribution of the good and the bad, among the different cultivators. But these revolutions tend to destroy all local attachments, and are evidently calculated to take away one great incentive to exertion.

“The other levelling principle is to be found in the rule, which requires that the ryot shall make good the deficiencies of his neighbour to the extent of ten per cent.; that is, to the extent, probably, of his *whole surplus earnings*. Of what avail is it that the husbandman be diligent, skilful, and successful, if he is to be mulcted for *his neighbour's* negligence or misfortune? A must pay the debt of B. If a village be prosperous, it matters little, for the next village may have been exposed to some calamity; and, from the abundance of the one, we exact wherewithal to supply the deficiency of the other. Is it possible to fancy a system better calculated to baffle the efforts of the individual, to repress industry, to extinguish hope, and to reduce all to one common state of universal pauperism?”*

“It is almost unnecessary to add any thing to these unanswerable remarks; but, as this is a subject which involves the interests of millions, I shall subjoin the following statement respecting it, taken from a memoir drawn up in 1823 by Mr. Fullerton, one of the company's servants

* Financial Situation of the East India Company, pp. 134, 135.

at Fort St. George, who was personally familiar with the details and working of the system. To convey, says Mr. Fullerton, to the mind of an English reader even a slight impression of the nature, operation, and results of the *ryotwar* system of revenues connected with the judicial arrangements of 1816, must be a matter of some difficulty. Let him, in the first place, imagine the whole landed interest, that is, all the landlords of Great Britain, and even the capital farmers, at once swept away from off the face of the earth. Let him imagine a cess or rent fixed on every field in the kingdom, *seldom under, generally above, its means of payment*; let him imagine the land so assessed, allotted to the villagers, according to the number of their cattle and ploughs, to the extent of forty or fifty acres each. Let him imagine the revenue, rated as above, leviable through the agency of a *hundred thousand revenue officers, collected or remitted at their discretion, according to their idea of the occupant's means of paying, whether from the produce of his land or his separate property.* And in order to encourage every man to act as a spy on his neighbour, and report his means of paying, that he may eventually save himself from extra-demand, let him imagine all the cultivators of a village liable at all times to a separate demand, in order to make up for the failure of one or more individuals of their parish. Let him imagine collectors to every county acting under the orders of a board, on the avowed principle, of destroying all competition for labour by a general equalization of assessment; seizing and sending back runaways to each other. And lastly, *let him imagine the collector the sole magistrate or justice of the peace of the county, through the medium and instrumentality of whom alone any criminal complaint of personal grievance, suffered by the subject, can reach the superior courts.* Let him imagine at the same time every subordinate officer, employed in the collection of the land revenue, to be a police officer, vested with power to fine,

confine, put in the stocks, and *flog* any inhabitant within his range, on any charge, without oath of the accuser, or sworn recorded evidence on the case. If the reader can bring his mind to contemplate such a course, he may then form some judgment of the civil administration in progress of re-introduction into the territories under the presidency of Madras, containing 125,000 square miles, and a population of twelve millions.*

It is hardly necessary to add, that the land revenues of Madras have fallen off considerably under the operation of this miserable system; and that the condition of the people has been greatly deteriorated.*

Under these circumstances, no certain conclusions can be drawn with respect to the probable future revenue to be derived from India. Mr. Tucker says it may be relied upon generally as a firm and legitimate resource: and I should be inclined to concur in this opinion, provided the reforms, which are so obviously necessary, were adopted. But whatever modifications may be made in the assessment imposed on Bengal, it is indispensable that the ryotwar system, as at present established in Madras, should be altogether changed. We must either make the ryots the proprietors of the soil, under payment of a moderate quit-rent to government, or we must let the land to them for a period of years certain, *at such a reduced rent as they may be able to pay without difficulty.* Under either of these systems industry would revive, and the peasantry would become attached to government. But so long as we compel the ryots to cultivate land that is over-assessed—so long, in short, as we compel them to raise crops, not for their own advantage, but for the exclusive advantage of government and the host of harpies it is obliged to employ, so long will the scourge of uni-

* For a singular opinion of Sir Thomas Monro, with respect to the effect of heavy taxation on the industry of the ryots, see Mr. Tucker's work, p. 167, or the Edinburgh Review, No. 90, p. 357.

versal poverty continue to afflict the country; so long will the benevolent intentions of the company be frustrated; and their government be looked upon as the prolific source of Indian degradation and misery.

But notwithstanding the company's government has been thus unsuccessful in providing for the prosperity of the natives, there is no reason to suppose that their condition would have been in any degree improved, had the company been annihilated in 1784, and the administration of Indian affairs placed entirely in the hands of ministers. The company's measures have all been sanctioned by government; and how different soever they may have proved in their effects, they were honestly intended to promote the welfare of the natives. Mr. Mill has observed, "that there is no government which has on all occasions shown so much of a disposition to make sacrifices of its own interests to the interests of the people whom it governed, and which has in fact made so many and important sacrifices as the East India company." Whether, therefore, India would gain any thing by the abolition of the company's territorial rights and jurisdiction, is a point respecting which there is room for doubt. But it may be very easily shown, that India and Great Britain would each gain a great deal, and the company lose very little, by the abolition of her commercial monopoly.

It would be difficult indeed to exaggerate the loss that this monopoly has occasioned to the commerce of the empire. I take for granted that the company has conducted its affairs as well as any similar association, placed under the same circumstances, could have done. But whatever may be the company's merits, its affairs must, of necessity, be conducted, like those of all other great companies, according to a system of routine, and with an abundant alloy of carelessness and abuse. It is indeed quite visionary to suppose that the servants of such bodies can have the same powerful motives to exert all their energies, or to conduct the business intrusted

to their charge, in the same frugal and parsimonious manner as private individuals, trading on their own account, and reaping all the advantages of superior industry, economy, and enterprise. Branches of commerce, productive only of loss when managed by the former, have, in innumerable instances, become extremely lucrative the moment they were placed in the hands of the latter. Monopoly has always been, and must ever continue to be, the parent of indolence and profusion. "By the establishment," says Dr. Smith, "of the monopoly of the East India company, the other subjects of the state are taxed very absurdly in two different ways; first, by the high price of goods, which, in the case of a free trade, they could buy much cheaper;* and, secondly, by their total exclusion from a branch of business which it might both be convenient and profitable for many of them to carry on. It is for the most worthless of all purposes, too, that they are taxed in this manner. It is merely to enable the company to support the negligence, profusion, and malversation of their own servants, whose disorderly conduct seldom allows the dividend to exceed the ordinary rate of profit in trades which are altogether free, and frequently makes it fall even a good deal short of that rate."†

In point of fact, however, it seems to be exceedingly doubtful whether the East India company have, during the last thirty or forty years, actually realized any profit by their traffic with India, exclusive of China. Mr. Rick-

* The effect that the partial opening of the trade in 1815 had on the prices of mace and nutmegs, may be referred to in proof of this statement. The average price of mace during the three years ending with 1815, was 14s. 4½d. per lib.; and its price during the three years ending with 1823, was 5s. 1d. Nutmegs, during the three years ending with 1814, sold at 11s. 3¾d. per lib.; and during the three years ending with 1823, they sold at 2s. 11d. ! Were the tea trade thrown open, there can be no doubt the fall of price would be equally considerable.

† Vol. iii. p. 259.

ards, who has had the very best opportunities of forming a correct opinion upon such subjects, and to whose authority upon all that respects India the greatest deference is due, made an elaborate and careful analysis of the vast mass of accounts laid by the East India company before parliament in 1813; and the results deduced by him from this investigation are as follow, viz. "First, that including the payment of the dividends, the company *had sustained a loss on the whole of their commercial concerns during the period reviewed.*" (From 1793 to 1815.) "Second, that owing to this loss, the dividends could not have been paid in any one year without the aid of taxes. And, third, that the revenues of India, during this period, were fully equal to the payment of all the expenses chargeable thereon, or what are commonly termed political charges; consequently, that *the increase of debt at home and abroad is to be ascribed wholly TO THE LOSSES OCCASIONED BY THE COMPANY'S COMMERCE!*"*

The statements and admissions of the directors go far to confirm the accuracy of the view which Mr. Rickards has taken of the result of the company's commercial transactions. They talk "of being enabled to show with precision the *extent of the pecuniary sacrifices to which they submit, in order to extend the consumption of British staples.*"† And Mr. Tucker admits that "the exports to India and China never *produced a profit generally, or for a continuance.* The trade was resorted to, and persevered in, upon a variety of mixed considerations, partly to supply a remittance to the East, where, until lately, we required funds for the purchase of return cargoes; partly to supply the Chinese and our Indian subjects with articles which they could not obtain through other channels, while the exclusive trade was vested in the company; partly to *occupy tonnage, which would otherwise have been*

* Speeches of Robert Rickards, Esq. Append. p. 158.

† Fourth Report, Append.

unproductive; but chiefly to benefit the manufacturing and other interests of this country, by introducing and circulating our fabrics, and the products of our mines, throughout the wide regions of Asia which were accessible to our enterprise.”*

But the trade *from* India, excluding the tea trade, does not seem to have been more productive than the trade *to* India. Mr. Tucker acknowledges that “*it has long been matter of doubt whether the company’s trade from India has been attended with a profit.*”† Mr. Rickards, however, shows that there is really no doubt whatever on the subject, and that it has always been attended with a heavy loss. “Much,” says he, “has been said and written on the extravagant waste and heedless management of joint stock companies. The accounts now examined show the total absence of that feeling of private interest, which serves to animate and support individuals in their undertakings. *A gross profit of 100 per cent. on the sale of the company’s imports is unable to cover the charges and losses sustained in bringing these goods to the London market.* What might not skill and economy in private merchants have realized, with only one half of that gross profit on the teas, nankeens, silk, and piece-goods which have chiefly entered into the company’s sales? That individuals might have prospered with only half that profit which leaves the company overwhelmed with debt, is not the only part of this question that ought to be considered. If the goods thus brought to market are so much dearer than they would otherwise be, the consumption, and, consequently, the trade of the country, must be proportionally restricted. Without a check on the present system, there is no hope that, under any modification of the company’s trade, which has yet been suggested, they will be able to pay their dividends, except by extraneous aid from the revenues of India, or by loans.”‡

* Page 191.

† Page 192.

‡ Mr. Rickards’s Speeches, p. 216.

It was not to be expected that a trade carried on, as Mr. Tucker states, partly to gratify the Chinese and Hindoos, partly to provide employment for ships that would otherwise have been lying idle, and partly for the patriotic purpose of forcing an additional market for the products of British industry, should be prosecuted to any considerable extent. And the truth is, however much it may be at variance with the popular ideas respecting the magnitude and importance of the trade with India, that, until 1815, it was hardly of as much importance as the trade with Guernsey and the Isle of Man. It appears from papers laid before the House of Commons, that the aggregate value of all sorts of merchandise exported from this country to India, exclusive of the exports to China, did not amount, previously to the renewal of the charter in 1813, to *one million* a year ! and the shipping employed, both in the out and home voyages, did not amount to 40,000 tons. Such was the pitiful extent of our commerce with a country filled with 100 millions of industrious inhabitants : and even this stunted and petty trade was not productive of advantage, but of loss, to those by whom it was carried on. Can any more convincing proof be required of the paralysing effects of monopoly, of its tendency to choke up what would otherwise be the most productive channels of commerce, and to fetter and restrict the mutually beneficial intercourse that would otherwise take place among nations ?

Such was the state of the traffic between India and England when the proposal for renewing the company's charter came to be discussed in 1813. It is difficult to form any clear idea of the grounds on which the company resisted the opening of the trade to Hindostan. That trade had never been productive of the smallest profit to them, but, on the contrary, it had occasioned them a loss of several millions. Under these circumstances it might have been supposed that they would gladly have availed themselves of the first opportunity of getting rid of so un-

prosperous a concern. But, instead of this, they struggled as hard for the monopoly as if it had really been a means of putting large sums into their pockets. And unfortunately for their own, as well as the public interest, though they had not influence enough to get private traders entirely excluded from India, they succeeded in getting them subjected to many oppressive and vexatious restrictions. It was enacted, for example, that no individual should be allowed to go out to India, either to reside permanently, or for the casual purpose of a commercial voyage, without the company's permission—a permission which is not always obtained when asked for, and which is uniformly given as a matter of *special favour*. This restriction seems the more inexpedient and useless, as foreigners are, in most instances, allowed to repair at pleasure, and without a single question being put to them, to any part of the British-Indian dominions. But this was not the only restriction of which the private traders had to complain. They were not allowed to fit out vessels of less than 350 tons burden; and they were only permitted to carry on a direct traffic with the presidencies of Madras, Bombay, and Calcutta, and the port of Penang; *being entirely excluded, unless by the express permission of the company or the board of control, from the internal or carrying trade of India, and from the China trade*. And yet, in despite of all these disadvantages and drawbacks, and in despite too of the sinister auguries of most of the company's servants, such is the superior force and energy of individual enterprise, as compared with dull, sluggish monopoly, that the private traders have nearly beat the East India company out of the field, and have more than *sextupled* our exports to India.

In the Report of the Committee of the House of Lords on the Foreign Trade of the country, printed in May 1821, it is stated, that “the *greatly increased consumption*

* This restriction has since been modified.

of British goods in the East, since the commencement of the free trade, cannot be accounted for by the demand of European residents, the number of whom does not materially vary; and it appears to have been much the greatest in articles calculated for the general use of the natives: That of the cotton manufactures of this country alone is stated, since the first opening of the trade, to have been augmented from four to five fold (it has now been augmented in a tenfold proportion.) The value of the merchandises exported from Great Britain to India, which amounted in 1814 to L.870,177, amounted in 1819 to L.3,052,741 and although the market appears then to have been so far overstocked as to occasion a diminution of nearly one half in the exports of the following year, that diminution appears to have taken place more in the articles intended for the consumption of the Europeans than of natives and the trade is now stated to the committee, by the best informed persons, to be reviving. When the amount of population, and the extent of the country over which the consumption of these articles is spread, are considered, it is obvious that any facility which can, consistently with the political interests and security of the company's dominions, be given to the private trader, for the distribution of his exports, by increasing the number of ports at which he may have the option of touching in pursuit of a market, cannot fail to promote a more ready and extensive demand."

The following tables, extracted from papers printed by order of the House of Commons, show how astonishingly the private trade to India has increased since 1815, and its magnitude, as compared with the company's trade.

No. I.—Official Value of the Exports from the United Kingdom to the East Indies, China, and the Mauritius, from 1814 to 1826, both inclusive.

Years.	East India Company's Trade.	Private Trade.	Total Exports.
	£	£	£
1814	1,117,515	578,889	1,696,404
1815	1,118,302	946,264	2,064,566
1816	952,674	1,232,968	2,185,642
1817	881,440	1,898,186	2,779,626
1818	820,566	2,365,185	3,185,751
1819	887,498	1,486,058	2,373,556
1820	1,129,917	2,142,894	3,272,811
1821	1,536,657	2,766,388	4,303,045
1822	989,070	2,886,864	3,875,934
1823	982,839	3,372,592	4,355,431
1824	1,050,700	3,344,100	4,394,800
1825	1,000,907	2,944,169	3,945,076
1826	1,292,833	3,584,300	4,877,133
Total	13,760,918	29,548,857	43,309,775
Average per annum	1,058,532	2,272,989	

No. II.—Official Value of the Imports into the United Kingdom from the East Indies, China, and the Mauritius, from 1814 to 1826, both inclusive.

Years.	East India Company's Trade.	Private Trade.	Total Imports.
	£	£	£
1814	3,986,523	2,311,863	6,298,386
1815	3,948,794	4,089,942	8,038,736
1816	4,591,172	3,719,526	8,310,697
1817	4,094,225	3,593,053	7,687,278
1818	2,944,626	4,393,063	7,337,689
1819	3,244,431	4,293,132	7,537,563
1820	3,907,789	3,654,858	7,562,647
1821	3,892,805	2,340,766	6,233,571
1822	3,160,742	1,945,658	5,106,400
1823	3,636,196	3,282,344	6,918,540
1824	3,618,425	3,693,930	7,312,355
1825	3,469,433	3,112,625	6,582,058
1826	3,696,960	4,305,878	8,002,838
Total	48,192,121	44,736,637	92,928,758
Average per annum	3,707,086	3,441,280	

<i>East India Company's Trade.</i>		
Exports	.	£13,760,918
Imports	.	48,192,121
	Total	£61,953,039
<i>Private Trade.</i>		
Exports	.	£29,548,857
Imports	.	44,736,637
	Total	£74,285,494
Excess of the private trade to India over the whole of the Company's trade to India and China during the last thirteen years		£12,332,455

It is to be regretted that no distinction has been made in these official accounts between the company's exports to India and those to China. But Mr. Tucker gives the following account of the produce of the sales of the company's goods in India, in the five years ending with 1821-2.

1817-18	-	-	£605,706
1818-19	-	-	727,945
1819-20	-	-	623,918
1820-21	-	-	513,404
1821-22	-	-	677,423

Now it is plain, unless the trade has been an extremely losing one, that these sales must greatly exceed the value of the exports. And it may, therefore, be fairly concluded, comparing the produce of the sales of the company's goods in India with the official value of the goods exported by the private traders, that the value of the latter must be at least from *six* to *eight* times greater than the value of those exported by the former. And when such consequences have already resulted from the narrow outlet that has been made to private adventure, notwithstanding the oppressive shackles laid upon it, and the various difficulties and drawbacks incident to the opening of new channels of commerce, we may easily conjecture the prodigious extent to which it would be carried were the hui-

sance of commercial monopoly completely put down, restraints and shackles of every sort abolished, and the innumerable markets of India opened to the unrestricted competition of the merchants of Great Britain.

Under these circumstances, it does appear that a negotiation might be advantageously entered into with the East India company, for the purpose of procuring the emancipation of the trade with India from the existing restrictions. It cannot be supposed that the company would evince any unreasonable tenaciousness of privileges which, while they are of no real advantage to them, are productive of great public injury. They would most certainly be very great gainers by leaving the commerce of India to be conducted wholly by private traders, and confining themselves exclusively to the government and administration of the country.

A separation between the sovereign power and the commercial monopoly of the East India company would not only promote their pecuniary interests, and the commerce of the empire, but it is indispensably necessary for the sake of what there can be no doubt the company have always had at heart, the good government of the people of India. A company which carries a sword in the one hand, and a ledger in the other—which maintains armies and retails tea, is a contradiction; and if it traded with success, would be a prodigy. The agents of such a body stand on a very different footing from private traders. A private adventurer is compelled to be courteous; he must accommodate himself to the habits and wishes of those with whom he deals, and must labour to conciliate their favour and esteem. Armed with no extrinsic powers, supported by no imposing squadrons, and appearing amongst them for purely commercial purposes, he excites neither jealousy nor apprehension; while the advantages derived from his intercourse secure him a kind and hospitable reception. Particular acts of violence and aggression have doubtless been sometimes

committed by private traders; but such acts have been and must necessarily continue to be, of very rare occurrence. Each private trader is a guarantee for the peaceable conduct of every other private trader. It is for the interest of all that their commercial pursuits should not be interrupted by the violence or misconduct of individuals; and they never fail to exert themselves to repress the latter. But it is obvious that the servants of a great joint stock association, like the East India company, must come into market under the influence of very different feelings and interests. Appearing in the double and irreconcilable character of soldiers and merchants, they feel themselves relieved from the necessity of treating the natives in a kind and conciliatory manner. Conscious of their power, they must be more than men if they do not occasionally place their confidence in force rather than in address. Instead of rising to wealth by slow degrees, and by the fair and honest exercise of their industry, the agents of monopolists have too commonly resorted to more compendious processes; and, what is worse, they never fail to identify their own arbitrary and unjustifiable proceedings with the honour and interest of the nation to which they belong, and pervert the power placed in their hands to insure the success of their schemes. Their mercantile is uniformly sunk in their military character; and, with various capacity and fluctuating fortune, they generally prosecute the grand object of enriching themselves by means of extortion, instead of fair legitimate profits.

In India, a commercial resident, with a large establishment of servants under him, some of them intended for coercive purposes, is stationed in all the considerable towns; and it has been stated, and by no less an authority than Marquis Wellesley, that *the intimation of a wish from the company's resident is always received as a command by the native manufacturers and producers.* How then is it possible for the private trader to come fairly

into competition with persons possessing such authority, and often instructed to make their purchases on any terms. Mr. Tucker admits that the company's investments in India, during the last ten years, may, in some instances, be said to have been forced; that is, the goods bought by them have sometimes been purchased at a higher price than they would have brought in a market frequented only by regular merchants.* But the truth is, that it is not in the nature of things that the company's purchases can ever be fairly made. The natives cannot deal with their agents as they would deal with private individuals; and it would be ridiculous to suppose that agents authorized to make purchases on account of government, and to draw on the public treasury for the means of payment, can ever act like individuals, whose fortunes are responsible for their transactions.

“From the influence,” says Mr. Rickards, “of the resident on the one hand, and the pecuniary wants of the manufacturers on the other, it is quite clear that they may be kept in perpetual bondage to the company's servants. And when we thus see the industry of the country subject to the entire direction of the ruling authority, supported, for the most part, and often irregularly, by advances from the public revenues, and all competition, the soul and essence of commerce, far removed from this feeble and delicate fabric, as if its very touch were ruin; who but the most prejudiced can possibly see or expect prosperity under such a system? It is completely subversive of every principle on which both experience and theory would teach us to found any rational hope of public good.”

It is almost unnecessary to allude to the hackneyed argument in favour of the East India company continuing to act in a mercantile capacity, that otherwise they

would not be able to realize the surplus revenues of India in England. Every one must see the fallacy of such a statement. Cannot the same means which served to remit the immense sums that Great Britain expended on the Continent, during the late war, suffice to remit a few hundred thousand pounds from India? When the Indian government get a surplus to remit to England, let them go into the exchange in Calcutta, and buy bills on London for the amount. This is what a merchant would do if he had a sum at Calcutta which he wished to make available in England. And if the company did this, and abstained from having any thing whatever to do with commercial transactions, it is certain that they would realize a revenue of a million in London, with infinitely less trouble and expense than they now incur to realize L. 100,000.

It is, therefore, to be hoped that, in so far at least as the trade of India, exclusive of the China trade,* is concerned, the company will see the policy of relinquishing it entirely; of dismissing their commercial residents; and throwing the markets of Hindostan open to the unfettered and unopposed competition of private traders. Doubts, as was previously stated, may be entertained, whether the public would gain any thing by the abolition of the company's territorial rights and privileges; but it has been proved beyond all controversy, that they would gain a great deal by the abolition of the company's commercial privileges; and as the company would lose nothing by giving them up, it is difficult to discover the grounds on which they could resist coming to a satisfactory arrangement with government on this subject. A well-timed concession may be of great use to them. Should they grasp at too much, they may lose all. If they will not be sovereigns, without also being

* For an account of the effect of the company's monopoly on the price of tea, see vol. i. p. 335, note, and the authorities there referred to.

hucksters, they may probably find, when too late, that they have sacrificed the substance to the shadow, and that the year 1833 is destined to be the term of their existence.

The extent to which the private trade to India has already been carried, and the statements of all the commercial men who are acquainted with the country, show that there is nothing either in the habits or institutions of the natives to prevent the indefinite increase of the consumption of British and other European produce. But, besides the company's exclusive privileges, the high *discriminating duties* laid on many species of East India produce form a serious obstacle to the extension of the trade with India. The extra-duties laid on East India coffee and sugar over those laid on coffee and sugar from the West Indies, are, in effect, bounties which force the consumption of the latter in preference to the former. But the permission recently granted to import India cotton goods on paying a duty of ten, and India silk goods on paying a duty of thirty per cent. *ad valorem*, may be hailed as the commencement of a better system; and, as an earnest that the time is not far distant, when the products of all the dependencies of the empire will be admitted to the British market on the same terms.

NOTE XXI.

SCOTCH SYSTEM OF PAROCHIAL EDUCATION.

So early as the reign of James IV. the legislature of Scotland began to evince a laudable anxiety about the education of youth. It was enacted in 1494, that all barons and substantial freeholders throughout the realm

should send their children to school from the age of six to nine years, and then to other seminaries, to be instructed in the laws, that the country might be possessed of persons properly qualified to discharge the duties of sheriffs, and to fill other civil offices. Those who neglected to comply with the provisions of this statute were subjected to a penalty of £20 Scotch and it has been remarked, that soon after the passing of this act, several individuals began to be distinguished for their classical acquirements, and that learning was much more generally diffused throughout the country.

In 1615, an act of the privy council of Scotland empowered the bishops, along with the majority of the landlords or heritors, to establish a school in every parish, in their respective dioceses, and to assess the lands for that purpose. This act of the privy council was confirmed by an act of the Scotch parliament, in 1633; and under its authority schools were established in the lower and more cultivated districts of the country. But the system was still far from being complete; and the means of obtaining elementary instruction continued so very deficient, that it became necessary to make a more complete and certain provision for the establishment of schools. This was done in 1696, when an act was passed, ordering a school to be established in every parish, and providing that the landlords should be obliged to build a school-house, and a dwelling-house for the use of the master; and that they should be obliged to pay him a salary which should not fall short of £5, 11s. 1d. a year, nor exceed £11, 2s. 2d. The power of nominating and appointing the schoolmaster was vested in the majority of the landlords and the minister of the parish; and they were also invested with the power of fixing the fees to be paid him by the scholars. The general supervision of the school was vested in the presbytery, in which the parish is situated; who have also the power of censuring, suspending, and depriving the master,

without their sentence being subject to the review of any other tribunal.

It has been usually expected that a Scotch parish schoolmaster, besides being a person of unexceptionable character, should be able to instruct his pupils in the reading of English, in the arts of writing and arithmetic, the more useful branches of practical mathematics, and that he should be possessed of such classical attainments as might qualify him for teaching Latin, and the rudiments of Greek. The General Assembly of the Church of Scotland recommended, in 1706, "to such as have the power of settling schoolmasters in parishes, to prefer those who have passed their course at colleges or universities, and taken their degrees, before others who have not, *ceteris paribus*." And every one knows that this recommendation has been attended to; and that many of the parochial schoolmasters of Scotland have had the advantage of a university education.

It may, perhaps, excite surprise that any tolerably well educated person should ever have thought of becoming a candidate for a situation, the emoluments of which were so trifling as those of a parish schoolmaster have always been. But for a long period after the passing of the act of 1696, a salary of £11 a year, exclusive of a house and garden, was, in Scotland, no inconsiderable object; and, added to the school fees, served to place the master nearly on a level with the bulk of the respectable inhabitants of country parishes. Subsequently, however, to the introduction of manufactures and commerce into the country, and to the improved and vastly more expensive mode of living that was in consequence universally introduced, the relative situation of the schoolmasters was changed very much for the worse, and their character, as a body, was a good deal deteriorated. Their depressed condition at length attracted the attention of government; and in 1802 an act was passed, raising the maximum statutory salary payable to the masters to £22, 4s. 5d.,

the minimum to L. 16, 18s. 4d., both exclusive of school fees. And supposing the number of established schoolmasters to be nine hundred, and their statutory salaries to amount to L. 20 a year on an average—both of which suppositions are believed to be very near the truth—it will be seen that the whole cost of this most excellent establishment, exclusive of houses, gardens, and fees, does not exceed L. 18,000 a year.

It is exceedingly doubtful, however, whether the country can continue to reap the full benefit it has hitherto derived from this establishment, by commanding the services of a sufficient supply of properly qualified teachers, without a considerable increase of the fixed salaries. But this, it must be acknowledged, is a subject surrounded with difficulties, and which deserves the maturest consideration. It should always be borne in mind that the object of the fixed salary, payable by the landlords, is not to render the master independent on the fees of his scholars, or to furnish him with the greater part of his subsistence, but to serve as a species of retaining fee or premium, to secure the constant attendance of a person who shall be able to instruct the young, and who shall have the strongest interest to perfect himself in his business, and to attract the greatest number of scholars to his school. If the master derived any thing like a tolerably comfortable income from his fixed salary, it is clear he would not have the same interest to exert himself that he has at present; and like all other functionaries, placed in similar situations, he would soon learn to neglect his business, and to consider it as a drudgery only to be avoided.

The great object, therefore, in increasing the emoluments of the schoolmasters, ought to be, to devise some plan which might make the increase of salary dependent on, and proportioned to the exertions and skill of the teacher. And it has been ingeniously suggested, in order to strengthen the motives to exertion, and at the same

time to improve the condition of the schoolmasters, that their fixed salaries should remain as at present, but that the landlords should be obliged to pay them a higher salary (which should not, however, in any case exceed £60 or £70) according to the *proportion* of the children, or of the persons under fourteen years of age, belonging to the parish, or living within a circle of three or four miles round the school, which regularly attended it; it being enacted that if the proportion of the children attending the school, within the specified boundaries, fell below a certain assigned limit, the master should not be entitled to any additional salary; and that his allowance should increase according to the increase in the proportion of the children, above that limit, attending the school. The principle here laid down seems to be quite unexceptionable. An increase of salary, if it were made in the way now suggested, would form an additional motive to exertion; and it would be very easy, by making a census of the parish once every five or seven years, to carry the plan into effect.

In order to secure an adequate degree of knowledge on the part of the schoolmasters, and to defeat those local partialities and influences that are so apt to bias the judgment of the best-intentioned persons, it might be enacted, that no individual should be eligible to, or entitled to appear as a candidate for any parochial school, unless he had previously obtained a certificate of his ability properly to discharge the duties of a master from the professors of Latin and Mathematics, in one or other of the universities of Glasgow, Edinburgh, or Aberdeen; and instructions might be given to these functionaries respecting the subjects on which they should examine the candidates, and a salary paid them for their trouble. The adoption of this, or of some similar plan, would put an end to that system of local favouritism which has done great injury to the establishment; and

would contribute greatly to improve the character of the masters.

But in so far as respects the qualifications of teachers, their principal deficiency consists not so much in a want of knowledge, as in a want of acquaintance with the most approved methods of teaching. The reign of terror is still upheld in most of the Scotch country schools. The master seldom attempts to smooth the difficulties in the way of the learner, to interest him in the business of the school, or to make him understand what he is about. The energies of the youths are not excited; rewards are not held out to stimulate them to excel each other; the fear of punishment is the only engine that is brought into the field. The masters adopt this system, not because it is more agreeable to themselves, for it is decidedly the reverse, but because it is the one that is most level to all capacities, and because it is the only one with which they are familiar. No public provision has hitherto been made, in this country at least, for the most important, and perhaps the most difficult of all arts—that of instructing the young. This is committed without scruple or hesitation to persons without the least experience; so that the money of the parents, and, what is of incomparably more importance, the time, and not unfrequently the talents of the children, are lost or injured from the inexperience and ignorance of those to whose care they are intrusted. Any one who has compared the mode of teaching in the High School, and in some of the other Edinburgh schools, with that which is generally adopted in country parishes, must be satisfied of the truth of what is now stated; and will be disposed to admit, that it is not only necessary that measures should be adopted to make sure that a schoolmaster shall be possessed of adequate knowledge, but also that he shall be acquainted with the best and most approved methods of communicating that knowledge to others.

This desirable object might be accomplished, by establishing pattern schools at Edinburgh, Glasgow, and Aberdeen, to which such persons as intended to become candidates for, or had been appointed to a parish school, might either resort of their own accord, or be sent by others to receive instructions in the best methods of teaching. A very small sum would suffice for the establishment of such schools. And it is difficult to discover how the public money could be laid out to greater advantage than in improving and perfecting a system of national education, to which notwithstanding its defects, Scotland has been mainly, perhaps, indebted for the superior intelligence, and the prudent, orderly habits of her people.

NOTE XXII.

TAXES ON THE RENT OF LAND.

THE incomplete and inaccurate view that Dr. Smith has given of the incidence and operation of taxes on the rent of land results chiefly from his having made no distinction between their operation on the *net*, or real rent of land, or the sum received by the landlords for the use of its natural and inherent powers, and their operation on the *gross* rent of land, or the sum received by the landlords as well for the use of the capital laid out on building, draining, and other improvements, as for the use of the soil. Dr. Smith held that all taxes laid on the rent of land, taking the term in its popular and broadest sense, fell wholly on the landlords. But this is true only of taxes proportioned to the *net*, and not to the *gross* rent. The sum paid to the landlord for the use of the natural powers of the soil may be entirely swept away by

a tax, without this, having not in his power, to throw any portion of the burden on any one else; but in so far as the rent of a farm consists of the interest of capital expended, on improvements on buildings, it would not be taken from the landlord, by a tax on rents.

With respect, in the first place, to the incidence of a tax laid on the *net* rent of lands. Rent, considered in this point of view, consists, as has been already seen, of a surplus which is over and above the cost of producing that portion of the raw produce of a country which determines the price of all the rest. It might, therefore, it is clear, be entirely carried off by a tax, without in the slightest degree affecting the interests of any other class, except that of landlords. The heaviest tax on this portion of rent would neither raise the price of raw produce, nor operate as any discouragement to that species of cultivation and those improvements that are carried on by farmers. That it could not raise the price of raw produce, is obvious; for nothing can affect its price which does not affect the cost of its production. But rent, as has now been stated, is a surplus which is extrinsic to and independent on that cost; nor can it, indeed, have any existence until the farmer has been fully indemnified for the expense he has been put to in bringing his produce to market, and has obtained the common and ordinary rate of profit on the capital he employs. The prices of all sorts of farm produce would, consequently, continue unaffected, though a tax were imposed absorbing all the *net* rent of a farm. Government would then occupy the place which the landlords now hold; and if its agents were as indulgent in the treatment of tenants, it would make little difference to the latter whether they paid their rents to a receiver appointed by government or to a landlord.

II. It would not, however, be possible for a government, even if it were disposed to make the attempt, to abstract by means of direct taxes the total *gross* rent of

the landlords, or the sum that is paid them under the name of rent, not only for the use of the natural and inherent powers of the soil, but also for the use of buildings and other improvements. For whatever extent the rent paid for a farm may be made up of the interest of the capital laid out upon it, the same extent would a tax upon that rent operate to raise the price of raw produce, and would, in consequence, fall ultimately on the consumer. In so far as the gross rental of a land lord consists of the sum paid him for the mere use of land, it results not from his being a producer, but from his having obtained the ownership of the land; but he is otherwise with the portion of the gross rental paid him for the use of the capital laid out on improvements. This results from his being a producer, from his having capital invested in agricultural meliorations; and it is plain that a tax affecting the profits of this capital must necessarily affect the cost of producing raw produce. Suppose, for example, that the gross rental of a farm is L.500 a year, and that the half of this sum, or L.250, is really paid as interest of capital laid out on its improvements. If, under such circumstances, a tax of ten per cent. were laid on rent, only L.25 of such tax would be permanently paid by the landlord. In the first instance, no doubt, the whole L.50 would have to be paid by him; but L.25 of this payment would, plainly, be a deduction; not from rent properly so called, or from the sum paid to the landlord for the use of the soil, but from the profits of the capital laid out on improvements: And the landlords, being thus placed in a comparatively unfavourable situation, would begin to withdraw their capital from the soil, and no more would be expended upon it, until the price of corn, and other raw produce, had been raised, by means of the gradual diminution of its quantity, so as to place the landlords in the same situation as other producers; that is, until they obtained the common and ordinary

rate of profit from the capital laid out on improvements. It appears, therefore, that although it is possible to draw into the coffers of the treasury, by an exclusive tax, all that portion of the rent of land which is paid for the use of the natural and inherent powers of the soil, the other portion, which is paid on account of the improvements made on it, could not be affected by an exclusive tax; and could, speaking generally, only be taxed to the same extent that the profits of capital employed in other departments are taxed.

NOTE XXIII.

TAXES ON PROFITS.

DR. SMITH'S opinions with respect to the incidence and effect of taxes on the profit of the capital employed in different businesses seem to be still more erroneous than his opinions with respect to the incidence and effect of taxes on rent. He supposes that whether the tax be made to affect the profits of the capital invested in every different employment, or be confined to a few employments, it will in no case be permanently paid by those on whom it falls in the first instance; that the producers and dealers will, in all cases, raise the price of their goods proportionally to the tax; so that, speaking generally, its payment will never fall upon them, but always on the consumer. A brief discussion only will be required to show the fallacy of this statement.

In order to give additional clearness to what I have to say on the subject, I shall divide my remarks upon it

into two parts: in the first place, I shall suppose that the tax is laid equally on all sorts of profits, or, which is the same thing, on the profits derived from the capital employed in every sort of business: and, in the second place, I shall suppose that the tax is not universal, but that it is made only to apply to the profits derived from the capital invested in one or a few branches of industry.

Supposing then, in the *first* place, that the tax is universal, it is obvious it must fall wholly on profits, and that it can neither affect the prices of commodities nor the distribution of capital. I showed, in the note on the effects of variations in the rates of wages and profits on the value of commodities, that whatever affected different classes of producers to the same extent, could neither change their relative condition nor the exchangeable value of the commodities produced by them. Now this, it is evident, must be the case with the tax in question. A linen or cotton manufacturer charged with a tax of five or ten per cent. on his profits would not be, in any respect, in a worse situation than any of his neighbours who are all assumed to be taxed to the same extent. It is, therefore, quite plain that no individual could, under these circumstances, expect to evade the burden of such a tax by changing his business; and it could not, consequently, occasion any transference of capital from one employment to another. As the tax does not increase the quantity of labour required for the production of commodities, it could not increase their *real* value; neither could it occasion any variation in the supply of commodities, or in the demand for them; for, as the tax does not fall on capital but on profits, the means of producing would not be impaired by its imposition. It is true, indeed, that the means of purchasing possessed by those who live on profits would be diminished by the imposition of the tax; but, as the means of purchasing possessed by the government, or its agents who receive the tax,

would be augmented in the exact proportion that those of the contributors were reduced, the aggregate demand of the society would continue the same; and hence, as the tax could neither lessen the quantity of capital in the country, nor affect its distribution, nor lessen the power of purchasing its produce, it is obvious it could not, supposing the value of money to continue constant, occasion any variation in the prices of commodities.

The immediate effect of an equal and universal tax on profits would, therefore, be to sink them in the same proportion. And as the power to accumulate capital, and consequently to feed and employ an additional number of people, must always be in direct proportion to the rate of profit, it follows that the tendency, and, when they are carried to such a height as to prevent them from being balanced by increased exertion and economy, the ultimate and necessary effect of all such taxes is, to check the accumulation of capital and the progress of population.

But supposing, in the *second* place, that the tax is not universal, and that it is laid only on the profits of the capital employed in one or a few businesses, it would have a different effect. In this case it would raise prices, and would not, therefore, fall on the capitalists, except in so far as they were themselves consumers of their own produce. Suppose, for example, that a tax of ten per cent. is laid exclusively on the profits of the hatters: The least consideration will serve to convince every one that such a tax must make an equivalent addition to the price of hats; for, if it did not, the hatters would gain less profit than is gained by those engaged in other businesses, and they would, in consequence, have an immediate inducement to withdraw from their employment; nor can it be doubted that they would continue so to withdraw, until by diminishing the supply of hats they had raised their price to such a height as would afford them the common and ordinary rate of profit

over and above the tax. For the same reason, an exclusive tax on the profits of the clothier, the farmer, the shoemaker, &c. would make a proportional addition to the price of their products. In these cases the producers have the power to raise prices, and, consequently, to throw the burden of the tax on the consumer; because they have the power to withdraw from those employments in which profits are taxed, and to engage in those in which they are not taxed. But when the profits derived from the capital employed in every different business are equally taxed, the capitalists are deprived of this resource, and have no means either of raising prices or of evading the tax.

NOTE XXIV.

TAXES ON WAGES.

DR. SMITH lays it down, in his article on taxes on the wages of labour, that "while the demand for labour and the price of provisions remain the same, a direct tax upon the wages of labour can have no other effect than to raise them somewhat higher than the tax."* And he further supposes that to whatever extent the wages of manufacturing and commercial labour may be increased by a tax, the burden will ultimately fall, not on the manufacturers and merchants, but on the consumers, by an increase in the price of commodities; and that to whatever extent the tax may raise the wages of agricultural labour, it will really fall, not on the farmer or the consumer, but on the landlord.

None of these conclusions is correct. The imme-

* Vol. iii. p. 435.

mediate effect of a tax, on wages on their rate, does not depend on the circumstance of the demand for labour continuing stationary, but on the mode in which the produce of the tax is expended. And the principles established in the previous notes show that when wages are raised either in consequence of their being taxed, or by any other cause, that rise does not go to raise the price of commodities or to lower rent, but really forms a deduction from the profits of the capitalists and other employers of labour.

- Suppose, in order to illustrate the operation of such taxes, that a tax of 10 per cent. is imposed on the wages of labour, or that every labourer in Great Britain is made to hand over 10 per cent. of his earnings to collectors appointed by government to receive it. Now, it is obvious that as no part of this tax has been taken from the capitalists, it cannot in any degree or way diminish their means of employing labour. The effect then of such a tax must plainly depend on the mode in which it is expended by government. If government expend the produce of the tax in paying additional troops or sailors, it is easy to see that it can be productive of no immediate injury to the labourer; for the agents of government would, in such a case, enter the market for labour with means of purchasing which had not been derived from the capitalists, but from the labourers themselves, and in consequence of this greater competition, wages would be raised in exact proportion to the additional means in the hands of government, or, in other words, to the amount of the tax. An example will render this apparent. Suppose there are 10,000 labourers in a country, and that the wages paid them amount to L.200,000 a year; and suppose further that government wish to increase the military force, and that to get the means of doing so, a tax of 10 per cent. or of L.20,000 is laid on wages. The obvious and unavoidable consequences of this proceeding will be, that next year the capitalists will

come into the market for labour with the L.200,000 they had previously employed in the payment of wages, while the agents of government will come into the same market with the L.20,000 they have derived from the tax on wages; so that, between the two, wages will be raised in exact proportion to the tax.

But if the tax were laid out, not as has been now supposed, in paying the wages of additional troops, but in increasing the pay of the troops already embodied, or of the other functionaries employed by government, it would not have the same effect. In this case there would be no additional demand for labour. The individuals who had received the tax would, indeed, have a greater demand for the produce of labour; but their greater demand being no more than equivalent to the diminished demand of the labourers from whom the tax had been derived, it could make no real addition to the total aggregate demand of the country. And thus it appears that when the produce of a tax on wages is employed to pay the wages of fresh individuals to be taken into the service of government, it has, *by taking so much labour out of the market*, the effect to raise the price of the remainder in proportion to its amount. But when the produce of a tax on wages is employed to increase the wages of public functionaries, or troops already embodied, it does not lessen the quantity of labour in the market, and must in consequence fall, in the first instance, wholly on the labourers.

But, even in this last case, a tax on wages might not, and it is most probable would not, continue to be paid entirely out of wages. When such a tax was first imposed it could hardly fail, by lessening the comforts, and perhaps also the necessaries of the labourer, to give a serious check to the progress of population, as well by retarding the period of marriage as by increasing the rate of mortality; and in consequence of the diminution of labourers arising from these causes, wages might

be raised so as to throw the tax either wholly or partially on the capitalists.

But it must at the same time be observed, that there are very considerable obstacles to a rise of wages in the way now pointed out. In whatever mode the rise may be brought about, whether it be by a diminution in the number of marriages, or by an increase in the rate of mortality, or both, it is never the work of an instant. A considerable time is always required before it can be effected; and there is, in consequence, an obvious risk, lest the habits of the labouring classes should be degraded in the interim. When wages are considerably reduced, whether by a tax or otherwise, the poor are obliged to economize; and should the coarse and scanty fare that is thus, in the first instance, forced upon them by necessity, become congenial from habit, no check would be given to population; the rate of wages would be permanently reduced, and the condition of the great mass of society changed in so far for the worse!

But, as whatever has any tendency to degrade the habits of the bulk of the people, or to reconcile them to a lower standard of comfort, ought to be most carefully guarded against, I should be disposed to consider every tax on wages, or on the indispensable necessaries consumed by the labourer, as decidedly objectionable, unless the produce of the tax were expended in employing additional troops, or in removing labour from the market. And even in the cases in which taxes on wages are so expended, it seems very questionable whether they ought to be resorted to. It would be exceedingly difficult to convince any considerable number of labourers that the produce of a tax on wages, however it might be laid out, ever reverted to them. They would see the immediate sacrifice they were called upon to make, but they would see no more. The rise of wages would be ascribed to causes which the tax would not be considered as promoting, but

as counteracting. Such taxes would, therefore, be in no ordinary degree unpopular. And, besides, it is clear that if they are expended so as to raise wages, and under any other circumstances they ought on no account to be imposed; they may as well be laid *directly* on the capitalists. If the capitalists do not pay such taxes at first, they must pay them at second hand. And though their effects were in other respects somewhat different, a prudent administration would rather choose to lay a direct tax on the employers of labour than to tax them indirectly, by laying it in the first instance on their labourers. It is true that this direct mode of taxing capitalists is productive of no real advantage to the labourer; but neither is it productive of any real injury to his employer; and the circumstance of its tending to lessen popular irritation, and to facilitate the imposition of the tax, is sufficient to cause it to be preferred.

It is obvious, from what has just been stated, that the real injury which a tax on wages, expended in the way I have supposed, inflicts on the labourers, does not consist in its immediate but in its remote effects. By falling on profits its direct tendency is to diminish the power to accumulate capital; and when carried so far as to have that effect, it cannot fail, unless the stimulus previously given to population be at the same time diminished by the more powerful operation of the principle of moral restraint, to depress the condition of the labourers, and lower the natural rate of wages.

NOTE XXV.

TAXES ON RAW PRODUCE—TITHES.

THE question respecting the ultimate incidence of taxes laid on the raw produce of the soil is one of considerable nicety and difficulty. If land yielded no surplus to its possessors above the common and ordinary profit of the capital employed in its cultivation, it is plain that the imposition of a tax on its produce, such, for example, as a tithe, would occasion an equivalent increase of price. The level of profit may be temporarily, but it cannot be permanently elevated or depressed in any particular branch of industry. And as there is no reason why the agriculturists should content themselves with a reduced rate of profit, when all other employments are yielding a higher rate, as soon as a tithe was imposed they would set about transferring a portion of their stock to some more lucrative business; and this transference would be continued until the diminution of supply had raised prices to their proper level, and restored the equilibrium of profit. In such a state of things, a tithe would indisputably operate precisely as an equivalent addition to the price of raw produce. But after various qualities of soil have been brought under cultivation, and *rents* have, in consequence, been pretty generally introduced, it is not so easy to trace their ultimate incidence and effect. They then appear to occasion rather a diminution of the rent of the landlord, than a rise of prices. Farms which are tithe-free always bring a proportionally higher rent than such as are subject to that charge; and it is naturally concluded that, were tithes abolished, the depressed rents would be raised to the same level as the others. For this reason, in an advanced stage of society, tithes have not been considered as increasing the *price* of raw produce to the consumer, but as falling on rent, and as di-

verting a portion of it into the pockets of its rightful owners, the clergymen and lay impropriators. "Taxes upon the produce of land," says Dr. Smith, "are in reality taxes upon rent, and, though they may be originally advanced by the farmer, are finally paid by the landlord. When a certain portion of the produce is to be paid away for a tax, the farmer computes, as well as he can, what the value of this portion is, one year with another, likely to amount to, and he makes a proportional abatement in the rent which he agrees to pay to the landlord. There is no farmer who does not compute, beforehand, what the church tithe, which is a land-tax of this kind, is, one year with another, likely to amount to."*

Clear, however, and conclusive as this statement appears on a first view, it is only under certain conditions and limitations that it holds good. It has been repeatedly shown that a very large proportion of the raw produce, raised in every extensive country, is produced by means of capital expended on the land in the view of obtaining the common and ordinary rate of profit at the time, and without its yielding any rent. It must also be observed, that it is by the cost of producing this portion of the required supply of raw produce, that the price of all the rest is determined: for, it is this portion which is produced under the most unfavourable circumstances; and if its producers were not repaid their expenses and profits, the required supply of food would no longer be obtained, and a scarcity would ensue. But when a tithe is imposed, it affects, of course, the producers of this portion of the required supply, in common with all others. Inasmuch, however, as they pay no rent, it is clear they cannot throw the burden of tithe on a landlord; and as they would not continue in their business unless they obtained the same rate of profit as their neighbours, it appears unavoidably to follow, that

* Vol. iii. p. 386.

either the price of corn must rise proportionally to the tithe, or that the former supply will no longer be brought to market. This last is the view that Mr. Ricardo took of the nature and operation of tithe. But though exceedingly ingenious, the same remark is applicable to this theory as to Dr. Smith's, that it is only under certain conditions and restrictions that it is correct. It is clear, for example, that the effect ascribed by Mr. Ricardo to the imposition of a tithe depends (1st) on the circumstance of the demand for corn, or its consumption, remaining about the same after the imposition of the tithe as before; and (2d) on the circumstance of the tithe being made to affect all, or nearly all, the land of a country, and on its being rigorously exacted from such foreign corn as may be imported. If either of these conditions is wanting, Mr. Ricardo's conclusions will be more or less vitiated; the tithe will not then occasion an equivalent increase of prices, nor fall wholly on the consumers.

I. Suppose, for the sake of illustration, that the mean price of corn in a country which has not been affected by the burden of tithe, and which imports no foreign corn, is 50s. a quarter; and suppose that a tithe is imposed on every species of raw produce raised in that country. If the demand for corn were to continue the same after the imposition of the tithe as before, it is clear, on the principle already laid down, that its price would rise to 55s. But unless the consumption of the country had previously been reduced to a *minimum*, it is not reasonable to suppose that the demand would continue the same; it might not, indeed, and it is most probable, would not be reduced in proportion to the amount of the tithe, but in some less proportion, as, perhaps, a twentieth part. Instead, therefore, of prices rising in exact proportion to the tithe, or 5s. a quarter, they would most likely only rise to half that amount, or 2s. 6d. But, as this rise would not sufficiently indemnify the cultivators, they

would relinquish the cultivation of some inferior lands; and as rent is determined by the extent of land under cultivation, the result, on the whole, would be, that one half of the tithe would fall on the consumers; by a rise of prices; and the other half on the landlords, by a reduction of rents.

III. But suppose that the tithe, instead of being equally imposed on all the lands of a country, is only imposed on the half of them, and let us endeavour to trace the effects it would then have. In this case, it is plain, inasmuch as only half the cultivators are affected by the tithe, that though they should, in order to escape its operation, restrict their cultivation one-tenth, the supply of corn would only be reduced one-twentieth part; and prices, supposing the demand to continue stationary, could only rise in that proportion. But, in point of fact, they would not rise in that proportion; for every rise of price, however slight, must always have some effect in lessening consumption. But, to whatever extent prices might rise under the circumstances supposed, whether to a fourth or a third of the tithe, for they could not rise to a half of its amount, it is contended that this rise would, by extending cultivation over the untithed lands to the same extent that it is contracted over those that are tithed, raise the rents of the former proportionally to the diminution of those of the latter, so that the burden of the tithe would still principally fall on the public. But the truth is, that it would, in a case of this sort, be next to impossible to trace and determine the practical operation and real effect of the tithe with any degree of precision. If the various qualities of land were of limited extent, and differed by a well-defined outline from the immediately contiguous qualities, the previous conclusion would hold good. Such, however, is not really the case. Lands of different qualities differ from each other by imperceptible degrees. Whatever may be the limit to which tillage is carried at any given

moment in an extensive country, the least rise of price would be sufficient to cause lands of *almost the same* degree of fertility to be brought under tillage, or additional capital to be laid out on the old land, or both; so that it is extremely doubtful whether so very trifling a rise of prices as would be caused by the imposition of a tithe, under the circumstances supposed, would have any sensible effect on the rent of the untithed land.

It is needless to waste the reader's time by endeavouring to prove, that if a country in which tithes are imposed were in the habit of importing a considerable quantity of foreign corn duty-free, the effect of such importation would be to throw the burden of tithe wholly on the landlords. Every one must see that in such a case the cultivators would be altogether unable to limit the quantity of produce brought to market, and that the tithe could have no influence on prices.

According to the returns obtained under the income tax act, the total annual value of all the land of England and Wales, in 1815, is estimated at L.29,476,840; of which lands of the annual value of L.7,904,378 were wholly tithe-free, while lands of the annual value of L.856,183 were tithe-free in part, and other lands of the annual value of L.498,843 paid only a low modus. So far, therefore, is it from being true that all, or nearly all, the lands of England and Wales pay tithe, that it appears that about a third part of them is exempted from that burden; and if to the tithe-free land of England and Wales we add the whole of Scotland, it may be safely affirmed that upwards of a half of the cultivated land of Great Britain is altogether unaffected by tithe. It is obvious, therefore, for the reasons already stated, that tithe in England, supposing it had no effect on consumption, could only raise prices *one-twentieth* part, or 5 per cent. But, inasmuch as it would somewhat lessen consumption, it would most probably fall, in about

equal portions, on the landlords and the public; and were it not for the mode in which it is imposed, it would not be very sensibly felt by either.

The truth is that tithe is decidedly more injurious from its indirect operation, and more unpopular from the mode in which it is assessed, than from the extent of the burden which it really lays on the public. It is imposed and collected in the most vexatious and irritating manner; and has, in consequence, an incomparably greater effect in discouraging industry and exciting discontent than many heavier, but more judiciously assessed, taxes. Its payment is said, by its apologists, to have the same effect, in as far as the interests of the farmers are concerned, as the payment of any equivalent portion of rent. But this is a most fallacious statement. Rent, when once fixed, must continue the same during the currency of the lease. Though an industrious and enterprising farmer should raise ten or twenty times the quantity of produce raised by a sluggard, his rent would not therefore be increased; and he would reap, as he ought, all the advantage of his greater industry and intelligence. Such, however, is not the case with tithes. To the sluggard they are invariable, and to the industrious man they become more and more oppressive, and increase with every fresh outlay of capital and labour. It is indisputable, therefore, that so far as tithes extend they operate practically as a premium on idleness, and as a heavy and constantly increasing tax on industry. By preventing the cultivator from reaping the full and entire advantage of superior skill and increased exertion, they discourage his efforts, and powerfully contribute to render him indolent and indifferent. A farmer pays his rent willingly to the landlord; but he considers the clergyman as an interloper, who, without having contributed in any way to raise the crop, claims a *tenth* part of its *gross* amount. The occupier of a farm, subject to this galling and vexatious charge, can never be brought

to consider himself as realizing the same rate of profit from the capital he employs, as his neighbours in tithe-free farms; and so strong is this feeling, that we are told by Mr. Stevenson, the well-informed author of the Survey of Surrey, that it is the common opinion that a farm tithe-free is better worth 20s. an acre, than a tithed farm, equally favoured in soil and situation, is worth 13s. In this way tithes contribute indirectly, as well as directly, to raise prices—indirectly, by generating an indisposition to apply fresh capital to the improvement of the soil—and directly, by the positive addition they make to the expense of cultivating bad land.

“Of all institutions,” says Dr. Paley, who cannot certainly be reckoned unfavourable to the real interests of the church, “adverse to cultivation and improvement, none is so noxious as that of tithes. A claimant here enters into the produce, who contributed no assistance whatever to the production. When years, perhaps, of care and toil have matured an improvement; when the husbandman sees new crops ripening to his skill and industry; the moment he is ready to put his sickle to the grain, he finds himself compelled to divide his harvest with a stranger. Tithes are a tax not only upon industry, but upon that industry which feeds mankind; upon that species of exertion which it is the aim of all wise laws to cherish and promote.”*

Various plans for a commutation of tithes have been proposed. Of these, the imposition of a duty on the rent of land, equivalent to the tithe, seems to be decidedly the least objectionable. It proceeds on plain and obvious principles; and if it really had the effect to impose a greater direct burden on the landlords than they at present bear, this would be fully compensated by the stimulus it would give to improvements, and by the many indirect advantages it would bring along with it.

* Moral and Political Philosophy, chap. xi. in fine.

It would, at the same time, secure an ample provision for the clergy; and one that would regularly increase with the increasing wealth of the country. It would be proper, should this plan of commutation be adopted, that the duty on account of tithes should always be paid directly to the incumbent, either by the landlord or his agent. Such a regulation would remove every ground of contention between the clergy and the peasantry and farmers; and would do more to consolidate the interests of the church establishment, and to make its functionaries be respected and beloved, than almost any other measure which it seems practicable to adopt.

NOTE XXVI.
INCIDENCE AND EFFECT OF TAXES, ON PARTICULAR
COMMODITIES—OF AN AD VALOREM DUTY ON ALL
COMMODITIES.

WITH respect to the effect of taxes on the price of commodities, it is clear that when a tax is laid on any particular commodity in the second stage of its progress, or when it is in the hands of the manufacturers, it must make an equivalent addition to its price. Suppose, for example, that a duty of 1s. a yard is laid on cloth: It is plain, inasmuch as the competition of the clothiers will have already reduced their profits to the level of other businesses, that they could not afford to pay the tax. Its first effect would, therefore, be to force them to contract their business; and, by lessening the supply of cloth brought to market, to raise its price to the proper level—that is, to such a sum as would yield the manufacturers the common and ordinary rate of profit, exclusive of the duty. The same principle holds in the case of all

separate duties laid on manufactured commodities, they invariably raise prices; and fall not on the producers, but on those who buy the commodities.

But it depends on the circumstance of the taxed commodity being of the class denominated *luxuries*, whether a tax on it will fall wholly on the consumers. In so far as *necessaries* are consumed by landlords or capitalists, taxes on them are also defrayed by the consumers; but, in so far as they are required for the consumption of the labourers, the effect of taxes on them is not materially different from the effect of an equal amount of taxes laid directly on wages: And it has been already seen that there are but few cases in which taxes affecting wages are really defrayed by the labourers; and that their common and ordinary effect is to cause, sooner or later, an equivalent rise in the rate of wages, and a proportional fall of profits. It appears, therefore, that taxes on necessaries, or on such articles as enter into the consumption of the labourer, do not fall wholly on the consumers, but that they are partly defrayed by them, and partly also by the proprietors of stock, in consequence of their raising wages and reducing profits. Such, however, is not the case with taxes on luxuries, or on commodities used only by the wealthier classes of the community. A duty on velvet, on claret, or on coaches, for example, falls wholly on the consumers, and cannot be shifted to any one else. Such articles not being used by the labourers, a duty on them can have no influence either on wages or profits.

It is obvious, therefore, that the question, with respect to the ultimate incidence and effect of a tax laid on any particular commodity or class of commodities, is one that is entirely free from all difficulty, and admits of the simplest and most satisfactory solution. It is very different, however, with respect to the answer that ought to be given to the question that has sometimes been mooted as to the effects of an equal *ad valorem* duty on

all commodities. It has been, I believe, universally supposed, that such a duty, by affecting all commodities to precisely the same extent, could not in any degree modify, or change the relation or proportion which they bore to each other previously to its imposition. But it must be observed, that though an equal *ad valorem* duty would affect all commodities to the same proportional extent, it would not affect the *profits of the producers of the commodities* in the same, but in a very different proportion; and it is, by the extent to which the latter are affected, that the relation of the commodities produced by them to each other must always be determined. If all classes of producers uniformly employed the same proportions of fixed and circulating capital, † an equal *ad valorem* duty would affect them all equally, and the exchangeable values of their commodities, as compared with each other, would not be affected by its imposition. But this is not the actual state of things; different sorts of commodities are produced by the agency of very different proportions of fixed and circulating capital; and hence, were an equal *ad valorem* duty laid on them all, it would not affect profits equally, and would, consequently, cause a transference of capital from one business to another, and a variation in the value of commodities, raising that of some and sinking that of others. To illustrate this by an example, let it be assumed that profits are at 10 per cent.; and, in the first place, let it be supposed that A advances L.1,000 in wages at the commencement of the year, and that he receives the produce, which must, by the supposition, be worth L.1,100 at the end of the year: in the second place, let it be supposed that B has a

‡ See Mr. Mill's *Elements of Political Economy*, 2d edit. p. 271. I have also advocated the same principle in the *Art. Taxation* in the *Supplement to the Encyclopædia Britannica*, vol. vi. p. 629.

† It is, of course, taken for granted that the fixed capitals are of the same degree of *durability*, and that the circulating capitals are *returnable* in the same periods.

capital of L.11,000 invested in a highly durable machine, which is capable of performing its work without the aid of any, or with but very little manual labour; the annual produce of this machine being, it is obvious, under the circumstances supposed, wholly made up of profits, and necessarily selling for L.1,100: and, lastly, let it be supposed that an equal *ad valorem* duty of 10 per cent. is laid on commodities. Now, it is plain that in this case A and B will each bring, at the end of the year, commodities of the value of L.1,100 to market, and will, therefore, be respectively taxed L.110. But L.100 only of the value of A's goods consists of profits, the rest consisting of the capital he had originally advanced in paying the wages of his labourers, whereas the whole value of B's goods consists of profits; so that it is clear that while the duty would swallow up the whole of A's profits, and L.10 of his capital, it would only take 10 per cent. of B's profits! I have purposely chosen a case that sets the unequal operation of the tax in question in a very striking point of view; but whenever there was any considerable difference in the proportions of fixed and circulating capital employed in producing different commodities, an equal *ad valorem* duty would operate in the way now pointed out. Such a duty would, therefore, be amongst the most injurious that could be imposed. It would cause an immediate derangement in all the channels of industry, and in the value of most descriptions of commodities. Capital would be drawn from those employments which are principally carried on by the hand to be invested in those principally carried on by machinery; and the value of the commodities produced by the former would rise, while the value of those produced by the latter would fall, until they had all been adjusted so as to yield the same rate of profit to the producers.

It has been contended by some distinguished economists, that supposing an *ad valorem* duty not to change the relation of commodities to each other, it would, not-

withstanding, occasion a universal rise of price proportioned to the duty.* Mr. Mill, who has treated this subject at the greatest length, contends that this result would be occasioned, not by any change in the production of commodities, but by an increased rapidity of circulation. But it may, I think, be shown that, supposing the hypothesis on which this question has been argued to be well founded, the imposition of an *ad valorem* duty could not really have the effect ascribed to it. Suppose that an *ad valorem* duty of 10 per cent. is laid on all commodities, and let us endeavour, by tracing its operation, to discover whether it would really have any effect on their price, assuming that it has no influence on their exchangeable value as compared with each other. The duty must either be levied from those who buy commodities or from those who sell them. Suppose now that A goes to buy a commodity, and that he has got twenty shillings in his pocket: If the government officers take 10 per cent., or 2s. of this sum from him, he will, of course, have only nine-tenths of the money to offer for the commodity he had on former occasions; but, as the government agents will now come into market with the money they have got from him, the obvious result will be, that A will get nine-tenths of the commodity for his 18s., and that the officers will get the other tenth for their 2s.; so that there is no room or ground whatever for any, even the smallest, change taking place in its price. Suppose now that the duty, instead of being laid on the buyer, is laid on the seller: In this case, the person who had received the 20s. from A would have to pay two of them to a tax-gatherer; and, therefore, it is plain that when he went to market, he would have only nine-tenths of the money in his pocket he would have

* Ricardo's Principles of Political Economy, 3d edit. p. 281; Mill's Elements, 2d edit. p. 272. I have maintained the same proposition on somewhat different, though, as I admit they now appear to me, not more solid grounds than Mr. Mill.—See the Art. Taxation, *loco sup. cit.*

had, had there been no duty; though, as the government agents would, as before, go to market with the other tenth, it is plain the same result would take place, and that prices would continue invariable. I acknowledge, therefore, notwithstanding the deference due to those who maintain the contrary opinion, that it appears to me to be quite fallacious to suppose that an equal *ad valorem* duty would, under the circumstances supposed, raise the price of commodities. This opinion seems also, as might naturally, indeed, have been expected, to be inconsistent with some of the leading doctrines laid down, by the distinguished economists referred to, with regard to taxation: For, if the payment of the duty in question were to raise prices by increasing the rapidity of circulation, the same thing would certainly happen in the case of an equal tax on profits; though Mr. Ricardo and Mr. Mill contend, and justly, that prices would not be disturbed by such a tax. But it was, perhaps, unnecessary to say so much with respect to a statement resting on an imaginary hypothesis; for the previous investigation has shown conclusively, that instead of an equal *ad valorem* duty leaving the relative values of commodities, as compared with each other, exactly where it found them, it would occasion the greatest fluctuations.

I may also observe, that though the determination of the question, with respect to the real incidence of an equal *ad valorem* duty on all commodities, is of considerable importance in regard to the theory of the science, it is one that can never be brought to any practical test. An equal *ad valorem* duty might perhaps be imposed with considerable fairness on most of the commodities imported from abroad; but it is quite out of the question to suppose that such a duty, even if it were as desirable as it is the reverse, could ever be imposed on the infinite variety of commodities produced within any extensive country. The greatest imaginable number of the most skilful and zealous officers would not suffice either to assess or collect such a duty.

NOTE XXVII. HIGHWAYS—TOLLS.

DR. SMITH, though he has not expressed himself explicitly on the subject, seems to have inclined to the opinion that the roads of a country would be better attended to, and more economically managed, were they placed under the control of government, than if they were left to be planned and superintended by private individuals. But I confess that this opinion seems to me to be altogether destitute of any good foundation. It is, perhaps, true that a few of the great roads between the principal towns of a country might be better laid out by government surveyors than by surveyors appointed by the gentlemen of the different counties through which they pass. But these great roads bear but a very small proportion to the total amount of the roads by which every extensive and populous country either is, or ought to be intersected. And, besides, it is abundantly certain that when the formation of the great roads is left to the care of those who, either by themselves or their tenants, have to defray the greater part of the expense of their construction and repair, they will be managed, if not with greater skill, at least with infinitely more economy than if they were intrusted to the agents of government. The Baron Dupin has set on this matter in the clearest point of view in the remarks he has made on the comparative administration of the roads in Great Britain and France. In the latter country they are entirely under the control of government; and the consequence is, that while there is a useless expenditure upon a few great roads, the cross roads are almost entirely neglected, and the facilities of internal

* Vol. iii. p. 215.

communication are thus incomparably inferior to ours. But it is unnecessary to go to France for proofs of this principle. The history of the Caledonian canal, and of the various canals that have been constructed in Ireland, under the supervision of the "Board of Inland Navigation," afford abundant evidence of the correctness of M. Dupin's views.

It appears, from a paper printed by order of the House of Commons in 1818, that the length of the different paved streets and turnpike roads in England and Wales amounted at that time to about 20,000, and the length of the other highways to about 95,000 miles. The value of the labour performed in kind upon the roads is estimated, in the same paper, at L.515,000 a year; the composition money, paid for contributions of labour, is estimated at L.271,000; and the average amount of the produce of the tolls at L.570,000; making the total yearly expenditure upon all the roads of England and Wales about L.1,356,000.

NOTE XXVIII.

ADVANTAGES AND DISADVANTAGES OF THE FUNDING SYSTEM, AS COMPARED WITH THE PLAN FOR RAISING THE SUPPLIES FOR A WAR, WITHIN THE YEAR, BY A CORRESPONDING INCREASE OF TAXATION.

THE expenses necessarily incurred in conducting the government of a civilized nation in time of peace, rarely exceed the amount of its ordinary revenue. In time of war, however, the case is extremely different. When the independence and honour of a nation are at stake, proportional sacrifices must be made to maintain them. Hostile aggression and insult must be opposed and

avenged. But to do this, extraordinary funds are necessary; and the inquiry, how they may be most advantageously provided, is plainly one of the highest importance.

It was the common practice of antiquity to make provision in times of peace for the necessities of war, and to hoard up treasures beforehand, as the instruments either of conquest, or defence; without trusting to extraordinary imposts, much less to borrowing, in periods of disorder and confusion. In modern times this practice has been followed by the Canton of Berne, by Frederick the Great of Prussia, and a few other princes; and its policy has been commended by Mr. Hume. But Mr. Hume has wholly overlooked the circumstance of its being necessary, in order to form such a treasure, to withdraw capital from productive employments;—a circumstance which shows that its effect must be to diminish the industry, and, consequently, the wealth and population of every country in which it is accumulated, and to render it less able to resist the attacks of an enemy. For these, and other reasons, this practice is now very generally admitted to have been founded on erroneous principles; and modern politicians and economists seem to be universally of opinion, that the increased expenditure occasioned by a war ought either to be entirely defrayed by a proportional increase of taxation, or partly by that means and partly by loans.

The question, which of these modes should be adopted, has been long and vehemently discussed; and has given rise to the most opposite and contradictory statements. But this has arisen more from the partisan spirit that has been so generally displayed by those who have carried on the discussion, than from any real difficulty inherent in the subject. Neither the one party nor the other seems to have taken any very comprehensive view of the different bearings and incidences of the question. Proceeding on some general principle, which was per-

haps doubtful in itself, and which, at all events, did not admit, in such a matter, of being carried to an extreme, they have established either that the one mode of providing for any extraordinary expenditure, or the other, ought to be exclusively adopted. But it will be found that this is a question of balanced difficulties, and in which much depends on circumstances;—that at one time an increase of taxation may be the preferable mode of raising the supplies, and that at another they ought to be raised by loan. On occasions when either plan might be adopted with tolerable facility and without danger, it would seem, for the reasons that will be immediately stated, that an increase of taxation should have a decided preference. But it must, at the same time, be acknowledged, that this is a mode that can be safely adopted only by a powerful and well-established government; and when the situation of a country is such as to fit it for bearing a sudden and considerable increase of taxation. If the government were unstable, or if the country were already very heavily burdened, as compared with its ability to bear taxes, a loan would seem to be the least hazardous way in which the exigencies of an emergency could be met. Every war must necessarily occasion the waste of capital and wealth; but it is always of the greatest importance to know how these unavoidable consequences may be rendered least injurious, and how they may be most speedily repaired; and such is the object of the present inquiry.

If the facility with which money may be obtained were the only circumstance to be attended to in comparing the borrowing system with the plan for raising the supplies within the year by a corresponding increase of taxation, there can be no question that the preference ought, in every case, to be given to the former. The regularity with which the interest stipulated for by government is paid, the facility with which that interest may be disposed of, and the hope which every one's confidence in his own

good fortune makes him entertain of profiting by fluctuations in the price of the funds, all conspire to tempt a large class of capitalists to accommodate governments with loans in preference to individuals, and enable them to obtain the largest supplies on the shortest notice, and with very little difficulty. The public, on their part, are equally well pleased with this system. Instead of being called upon to advance a large sum in taxes, they are only taxed to pay the interest of that sum. A burden of this limited extent, as it lays no individual under the necessity of making any considerable additional exertions, or any considerable reduction of expenditure, is generally submitted to without a murmur. Such a mode of providing for the expenses of a war, seems to divest it of half its privations and hardships; and we cease to feel surprised that governments should have so universally resorted to a system which, while it furnishes them with the largest supplies, is so very popular with their subjects.

But the merits of the funding system are not to be determined merely by the *facility* which it affords for raising supplies. This certainly is a consideration which should not be overlooked; but there are others which seem to be of infinitely greater importance. The real effects of any financial operation can never be ascertained by looking only to those of which it is immediately productive. We must extend our observations to those that are more remote, and endeavour, if possible, to trace its permanent and ultimate influence. Now, if we do this—if we attend, not to the transitory only, but also to the lasting effects of the funding system on the wealth and industry of every country in which it is adopted, we shall find that the facility which it gives of raising the supplies is only on certain occasions an advantage, and that it is frequently one of its greatest defects. It is visionary to suppose that any scheme for defraying war expenditure can ever be proposed, capable of pro-

tecting individuals from the losses and privations inseparable from national struggles and contests. How-
 ever just and necessary, a war is always in itself an evil of the first magnitude; and every nation which has the misfortune to be involved in it, must sooner or later experience the pernicious effects of the destruction of capital, and of the waste of the means of future production, which it never fails to occasion. Now, it is clear that no scheme of finance can be bottomed on sound principles, the effect of which is to disguise these necessary consequences of war, and to deceive the public with regard to their real situation. This, however, is notoriously the case with the funding system. It is said, and truly, to require no individual to make any extraordinary sacrifice at any particular period; and in this respect it bears a close resemblance to those most dangerous diseases which steal slowly and imperceptibly on the human constitution, and do not discover their malignant symptoms until they have fastened on the vitals; and vitiated the whole animal economy. There are no means whatever by which the profusion and waste occasioned by a war can be balanced; except by the greater industry and economy of individuals; and to cause this industry and economy to be practised, they ought to be made fully sensible of the influence of war expenditure on their own private fortunes. The radical defect of the borrowing system consists in its deceiving them on this point, and in its making no sudden encroachments on their comforts. Its approaches are gradual, and almost unperceived. It requires only small immediate sacrifices; but it never relinquishes what it has once gained; while the necessity for fresh sacrifices, arising as well from their own, as from the ambition, rapacity, injustice, and folly of their neighbours, continues as great as ever. Such a system is essentially delusive and treacherous. It strips the public of one enjoyment after another; and before they are awakened from their trance,

and made acquainted with their actual condition, their property and industry are probably encumbered with a much larger permanent payment, on account of the *interest* of the public debt, than what, had they submitted to it at once, might have been required to defray the whole expenses of the war.

It may perhaps be said that, supposing we are engaged in a war, which costs twenty millions a year, it is, really the same thing, provided the rate of interest be 5 per cent., whether we pay the twenty millions at once by a proportional increase of taxation, or borrow them, and pay the lenders an interminable annuity of one million a year; for, when interest is at 5 per cent., twenty millions in one payment, and an interminable annuity of one million, are of precisely the same value. But it is just because these two modes of defraying war expenditure have never been, and never will be, considered equally expensive by the public, that the funding system is injurious. Suppose, for example, that the supplies are raised within the year, and that the share falling to a particular individual is L.1000; The wish to maintain himself in his former station, and to preserve his fortune unimpaired—"a wish which," to use the words of Dr. Smith, "comes with us from the womb, and never leaves us till we go into the grave"—would most certainly stimulate him, on being called upon for this sum, to endeavour to discharge it, partly by an increase of exertion, and partly by a saving from expenditure, without suffering it to continue an encumbrance on his property. But, by the system of loans, he is called upon to pay only the interest of this L.1000, or L.50 a year; and instead of endeavouring to save the whole L.1000, he is satisfied if he save the interest. The whole nation, acting in the same way, save only the interest of the loan, or one million, and allow the principal sum of *twenty* millions, which they would have either wholly or partly saved had they been called upon to pay it immediately; to remain

as a mortgage on their property, or the produce of their industry. Men act thus, because they invariably reckon a war burdensome in proportion only to what they are at the moment called upon to pay for it in taxes, without reflecting on the probable duration of these taxes. It would be an exceedingly hopeless undertaking to attempt to convince any one that a perpetual payment of L.50 a year is as burdensome as a single payment of L.1000. We are apt to entertain an idea that some future accident or revolution may occur to relieve our properties from the burden of the perpetual payment; and, at all events, we consider it as certain that the greater portion of it will have to be defrayed by posterity. Indeed, this very circumstance of its throwing a portion of the expense of every contest on posterity, or, which is in effect the same thing, its distributing its expense equally over a lengthened period, is one of the arguments principally relied on by the advocates of the funding system. But it is easy to see that this argument is wholly fallacious; —and that the more the interests of posterity are protected, without injuring those of the present generation, so much the better. Now, this is what the plan for raising the supplies within the year would really do. Supposing, however, that it did not generate an additional spirit of industry and economy, still its adoption could do no possible harm either to the present or the future generation, but would have the very same effect with respect to them both as the system of loans; for it must obviously be a matter of perfect indifference to an individual whose share of the expenses of a war amounts to L.1000, and also to his heir, whether he pay it at once, and leave him L.1000 less, or do not pay it, and leave him L.1000 more, subject to a constant charge of L.50 a year. But it is the peculiar advantage of the plan for raising the supplies within the year, that while it entails no greater burden on any individual than the system of borrowing, and while it gives full liberty to every one

who is so disposed, to remove a part of that burden from his own shoulders to those of his successors, it has a powerful tendency to render the public less inclined to avail themselves of this power, and more disposed to make immediate sacrifices, and to become more industrious, frugal, and parsimonious, than they would otherwise be. It is an error to suppose that it protects the interests of posterity, by laying any heavier burden on the existing generation; it protects them only by giving additional force to the accumulating principle, and by stimulating every individual to maintain himself in his station, and to preserve his capital undiminished.

Here, then, is the distinguishing criterion of the two systems. The funding system occasions only such a small additional degree of exertion and economy as may be required to produce and save the *interest* of the capital that has been spent in warlike operations; while the system of raising the supplies within the year gives infinitely greater force and activity to the spirit of exertion and economy, and stimulates the public to exert themselves to produce and save a sum equivalent, not to the interest only, but to the entire CAPITAL that has been spent. If, therefore, the question, with regard to the merits of the two systems, is to be decided by a comparison of their respective influence on national wealth—and this is admitted by M. Gentz, the ablest defender of the funding system, to be the first consideration, and that which ought always to have the ascendancy over every other—there can be no manner of doubt that the preference must be given to the plan for raising the supplies within the year.

Not only, however, would the plan of raising the supplies for a war within the year, by means of additional taxes, be a means of adding increased efficacy to the parsimonious principle, and of stimulating individuals to defray their share of the public expenditure, by increased exertion, and by making a proportional deduction from

their own expenditure; but it would also, by making them feel the whole pressure of it at once, render them less disposed to wantonly to engage in any expensive contest, and more disposed to embrace the earliest opportunity of making peace on fair and honourable terms. It would teach governments, as well as their subjects, to be more frugal and economical, and to conduct the public affairs in the least expensive way. To a nation who defrayed all her extraordinary expenses by a corresponding increase of taxation, peace might be emphatically said to bring "healing under her wings." As soon as the period of extraordinary exertion had ceased, the taxes that had been imposed to meet it would also cease. Prices would immediately fall back to their natural level; and industry, relieved from the burdens of the war, would spring forward with redoubled energy. Had we always acted on this system, our taxes could not at this moment have exceeded six or eight millions. And it is reasonable to suppose, that had such been the case we should have been decidedly more powerful; and would, in consequence, have been more able to resist whatever attacks may be made on our own freedom and independence, as well as to interpose with more decisive effect in defence of the liberties of others.

But, however conclusive these statements and reasonings may appear, it is still true that some very weighty objections may be made to the plan for raising the supplies within the year; and that its superiority to the funding system is not by any means so marked and decided as we might be at first disposed to conclude. Among other objections to this plan, it has been said that it would be extremely oppressive on landlords and manufacturers, who are not generally possessed of large sums of ready money, to force them to make an immediate contribution of their entire share of the expenses of a war. Suppose, for example, that a manufacturer's share of the expenses of a war amounts to L.1000, and

suppose further, that he can neither save this sum from his expenditure, nor withdraw it without great loss from his business, — the advantage of the funding system consists, we are told, in relieving him from the necessity of making this payment, and in enabling him to carry on his business as before, subject only to a deduction of £50 a year, which he can easily spare from his profits. But a little consideration will serve to show that the advantage, derived from this circumstance, though certainly considerable, is a good deal overrated. If it is asked, how does the practice of funding relieve the manufacturer from the necessity of making an immediate payment of £1000? the answer must be, by government or its agents going into the money market, and borrowing £1000 on his account, with the interest of which he is charged. And it may, therefore, be concluded that, had this practice been abolished, the manufacturer would have done that directly which he has done by deputy — that he would have gone into the market himself and borrowed the same sum. “That there are persons disposed to lend to individuals,” says Mr. Ricardo, who has laid great stress on this argument, “is evident from the facility with which government raises its loans. Withdraw this great borrower from the market, and private borrowers would be readily accommodated. By wise regulations, and good laws, the greatest facilities and security might be afforded to individuals in such transactions. In the case of a loan, A advances the money, and B pays the interest, and every thing else remains as before. In the case of war taxes, A would still advance the money, and B pay the interest, only with this difference, he would pay it directly to A; now he pays it to government, and government pays it to A.”*

* I cannot, however, help thinking that Mr. Ricardo

* Art. Funding System, Supplement to the Encyclopædia Britannica, vol. iv. p. 422.

has in this instance pushed an argument, that is true within certain limits, to an extent that will not hold. When government goes into the money market, and contracts for a loan, it is true that it borrows for all those who would otherwise have had to borrow for themselves; but it does not negotiate a separate loan on account of each individual; it borrows for them in a mass; and pledges the national credit in security for the entire loan. By this means it is obvious that the loans negotiated on account of those whose security is comparatively indifferent, are negotiated on the same terms as those who are in the highest credit; and the total sum paid as interest, on account of such loans, is thus very considerably less than it would have been had they been contracted for by private individuals. In this respect, therefore, the system of funding has an advantage over the plan for raising the supplies within the year.

Undoubtedly, however, the principal argument against the plan for raising the supplies within the year, and in favour of the funding system, is to be found in its obviating the necessity of making any sudden and oppressive addition to the weight of taxation. It is impossible to say how much the taxes imposed on any country might be augmented without operating injuriously on industry; but there can be no doubt that a great and immediate increase of taxation might produce a dangerous revulsion, and might give such a shock to industry as could not easily be repaired. To fit a country for bearing a heavy load of taxes, they ought to be gradually, and, if possible, slowly increased. A moderate increase of taxation operates to infuse a greater spirit of economy into the people, and becomes a spur to industry and invention. But an immediate and very great increase of taxation might have an opposite effect, and instead of producing an increase of exertion and economy, might occasion the decline of both. It is obvious, therefore, that the policy of raising the supplies for a war by means of a loan, or

of an equivalent increase of taxation, in any given case that may arise, cannot be decided on general principles, but must always be determined by reference to the particular circumstances of the country at the time. Whenever there is no risk of giving an injurious shock to industry, by making an equivalent increase of taxation, that plan ought to be preferred, for the reasons already stated, to the system of loans: And even though a loan should be required, in order to avoid too great and sudden an increase of taxation, still the inconveniences attending the accumulation of debt are so very numerous and considerable, that every practicable effort should be made to raise taxation to the highest limit to which it can be carried with safety; and to make it defray a part at least, if not the whole, of the extraordinary expenditure. All wars must occasion the destruction of capital; and the question that has in every case to be determined is, taking all the circumstances into account, whether this loss of capital will be sooner balanced by a corresponding increase of taxation, or by resorting to loans. Now, it is obvious that if the situation of the country were such as would permit taxation to be increased so as to defray the additional expenditure, without causing an injurious reaction on industry, the expenses of the war would become a debt affecting individuals; and it is quite clear that the wish to relieve themselves of this debt would be a much more powerful motive to increased exertion and economy than the wish to relieve themselves of the interest. The real effect of increased public expenditure, on the wealth of individuals, would then become palpable and obvious; the deception caused by loans would be avoided; and every one would have a plain and distinct motive to exert himself to preserve his fortune unimpaired, and to relieve himself of his share of the public expense; whereas, by resorting to the funding system, the property and industry of all classes are mortgaged and encumbered, at the same time that

each individual, looking only to the debt *en masse*, and ignorant of the extent of the burden affecting himself, never once dreams of its payment, or of saving a capital for the extinction of his own share.

Many of those who have argued against the practice of funding, have particularly deprecated borrowing from foreigners. Raynal contends that bargaining for loans from foreigners is, in effect, selling to them one or more of the provinces of the empire; and he doubts whether it would not be a more rational practice to deliver up the soil, than to cultivate it for their use.* Blackstone,† Hume,‡ and Montesquieu,§ though they do not carry their objections to this ridiculous extreme, join, notwithstanding, in condemning the practice. But a more unprejudiced inquiry has shown the fallacy of these objections. If a loan is decided upon, and if that loan can be negotiated with foreigners, on more profitable terms than at home, it is certainly most advantageous to transact with them. It is to no purpose to contend that, as the money borrowed is spent in warlike operations, it will yield no revenue, while the national income will be burdened with the payment of the interest. Had the loan not been obtained from abroad, it must have been raised at home: and, therefore, it is obvious that if a transaction of this sort with a foreign country forces an annual payment to be made to it, it has, at the same time, the effect, by saving an equivalent portion of our own capital, to give us the means of making that payment. This objection is therefore quite untenable. And it is perfectly clear that, in the event of government having resolved to raise a loan, sound policy would always dictate that it should be negotiated wherever it can be had on the lowest terms, whether at home or abroad.

* Histoire Philosophique, tome iv. p. 663, edit. 1780.

† Commentaries, vol. i. p. 329. ‡ Essay on Public Credit.

§ Esprit des Lois, liv. xxii. chap. 17.

These observations will perhaps be sufficient to enable us to form an accurate estimate of the advantages and defects of the plans we have been considering. The radical defect of the funding system consists in its making the loss occasioned by war expenditure seem less than it really is, and in its not giving a sufficient stimulus to industry and economy. The plan for raising the supplies within the year, by a corresponding increase of taxation, is free from this defect; it makes every one immediately furnish his share of the public outgoings; and thus, by making what would otherwise be a national burden, which no one would feel any particular interest in discharging, a debt affecting individuals, its tendency is to infuse a more powerful spirit of industry, invention, and economy, into all classes. On the other hand, however, the system of funding gives no sudden shock to industry. It habituates the public to bear their burdens; and by not calling on them to do too much at once, it perhaps enables them to do more in the end. Here, therefore, the advantage is on the side of the funding system. But when the government is powerful, and firmly established, and the country wealthy, this advantage is not very material. One would not wish to speak with undue confidence on such a point, but there does not seem to be much doubt that an income tax of 10 or 12 per cent. might have been levied during the American war. And had an income tax of the same amount been imposed in 1793, it would have occasioned infinitely less injury to the manufactures and commerce of the country than was occasioned by the great additions that were then made to the duties of customs and excise; while, by providing a large additional revenue, it would have obviated the necessity of funding largely, and on very disadvantageous terms, at the commencement of the war.

NOTE XXIX.

ADDITIONAL NOTE ON RENT.

IN the Introductory Discourse, and in the note on Rent in this volume, it is stated that the true theory of rent had first been given to the world in two pamphlets of uncommon merit, published in 1815, and nearly at the same moment, by Sir Edward West and Mr. Malthus. I have since, however, had my attention called* to a paper that has satisfied me that this statement is incorrect, and that the honour of being the first to point out the real origin of rent, and to show that it is not a cause but a consequence of price, is not justly due to either of the distinguished individuals alluded to, but to Dr. James Anderson. In one of the works edited by this gentleman, entitled *Recreations in Agriculture, Natural History, Arts, &c.* published in 1801, there is a paper on the effects of rent and tithe on the price of corn,† in which the true theory of rent is most distinctly pointed out, and traced at considerable length. Perhaps it is unnecessary to add, that I have not adverted to this circumstance in the view of detracting from the merits of Sir Edward West and Mr. Malthus, of the originality of whose speculations no doubt can be entertained; but from a wish to clear up an important point in the history of the science, and to do justice to every individual who has contributed to its advancement. I subjoin a few extracts from Dr. Anderson's paper.‡

* By Mr. Moorsom, junior, of Whitby.

† Vol. v. pp. 401—405.

‡ Dr. Anderson was born at Hermandston, in the county of Mid-Lothian, in 1730. He was long extensively engaged in the business of agriculture; and perhaps it may tend to moderate the rather intemperate opposition made by some agriculturists to the modern theory of rent, when they learn that it was originally proposed by one of themselves. After having been constantly employed in

“ In the discussions that now so frequently occur respecting the high price of grain, we often hear rent and tithe mentioned as causes of the very great enhancement of that article; and, in general, they seem to be viewed as operating precisely after the same manner in raising the price of bread-corn in this island. As it appears to me that they operate after a very different manner, and as it would lead, I think, to very erroneous conclusions were their effects considered of a similar tendency, I think it expedient to appropriate a few pages of this miscellany to the careful investigation of this question.

“ That there is a necessary connexion between the rent of corn land and the price of grain, and that the amount of the one influences the other in certain respects, will not be denied by any thinking person; though it is not every one that knows whether it be that the price of grain influences the amount of the rent of land, or the amount of rent that influences the price of grain; but, till this point be ascertained, it is impossible to form adequate notions on the subject. With a view to do this, the following circumstances must be adverted to.

“ Grain, it is very evident, can in no case be raised without a certain degree of labour and expense, the price of which must be paid to the grower, otherwise he cannot afford to produce it. This may be said, in the strictest sense, to constitute *its intrinsic price*.

“ The intrinsic price of grain, however, all other circumstances being alike, must vary with the fertility of the soil on which it is produced. On a rich soil, less labour and

agricultural operations for about twenty years, Dr. Anderson settled in the vicinity of Edinburgh, where he projected and edited a weekly publication called the Bee. In 1797 he removed to the vicinity of London, where he edited the publication referred to in the text. Besides his periodical publications, Dr. Anderson was the author of several useful separate works.—See his Life in the Supplement to the Encyclopædia Britannica.

less seed will produce a given quantity of grain than they will do on a soil that is less productive; so that, strictly speaking, the intrinsic price of corn, when considered only in this point of view, will be different on almost every different field. How then, it may be asked, can its intrinsic value be apportioned over a vast tract of country, possessing a diversity of soils of various degrees of fertility; and how shall matters be so managed, as that all the rearers of it shall draw nearly the same price for their grain, and have nearly the same profits?

“All this is effected in the easiest and most natural manner by means of rent. Rent is, in fact, nothing else than a simple and ingenious contrivance, for equalising the profits to be drawn from fields of different degrees of fertility, and of local circumstances, which tend to augment or diminish the expense of culture. To make this plain, a few elucidations will be necessary.

“In every country where men exist, there will be an effective demand for a certain quantity of grain: by *effective* demand, I mean a demand which must be supplied, that the inhabitants may all be properly subsisted. It is this demand which in all cases regulates the price of grain; for the quantity of grain required in this case must be had, and the price that is necessary for producing that quantity of corn must be paid, whatever that may be. These calls are of such a pressing nature as not to be dispensed with.

“For the sake of illustration we shall, in the present case, assume, that the whole of the different soils of the country are arranged into classes according to their degrees of fertility; which classes we shall at present denote by the letters A, B, C, D, E, F, G, &c. Let those fields comprehended in the class A be the richest; those in the class B the second; and so on, decreasing one degree in fertility for each class as you advance towards G. Now, as the expense of cultivating the least fertile soil is as

great or greater than that of cultivating the most fertile field, it must happen, that if an equal quantity of grain, the produce of each class of fields, can be sold at the same price, the profit on cultivating the most fertile field will be greater, if no precautions were taken to guard against it, than could be obtained by cultivating those which are less fertile. And as this profit will continue to decrease, as sterility increases, it must at last happen, whatever be the price of corn, that the expense of cultivating some of the inferior classes of soils must equal, or exceed, the value of the whole produce.

“This being admitted, let us suppose that the effective demand was such as to raise the price of grain, say to ten shillings per bushel; and that the fields included in the class F could just admit of defraying all expenses, and no more, when corn was at that price; that those in the class E could admit of being cultivated when the price was only nine shillings per bushel; and that, in like manner, the classes D, C, B, and A, consisted of fields which could have barely paid the expenses of cultivation respectively, when the prices were at eight, seven, six, and five shillings per bushel.

“In these circumstances it would happen, that those persons who possessed the fields in the class F would be able to afford no rent at all; nor could any rent be afforded in this case for those of G, or other more sterile fields, for the purpose of rearing corn: but it is also evident, that those who possessed fields in the class E could not only pay the expense of cultivating them, but could also afford a rent to the proprietor equal to one shilling for every bushel of free produce; and in like manner those who possessed the fields D, C, B, and A, would be able to afford a rent equal to two, three, four, and five shillings per bushel of their free produce respectively. Nor would the proprietors of these rich fields find any difficulty in obtaining these rents; because farmers finding they could live equally well after paying such rents upon these soils, as

they could afford to do upon the fields in the class F, without any rent at all, they would be equally willing to take these fields as the others. Thus it is that rent equalises the profit on different soils in the most natural and easy manner, without tending in any degree to affect the price of grain.

“ Let us, however, once more suppose, that the whole produce of all the fields in the classes A, B, C, D, E, and F, were not sufficient to maintain the whole of the inhabitants of that district. In that case one of two things must happen; either the price of grain must rise to eleven shillings, so as to induce the owners of the fields in the class G to bring them into culture; or a supply must be brought from some other place to answer that demand. In the first case, the fields G being brought into culture, those in the class F would now be able to afford a rent equal to one shilling per bushel of free produce; and all the other classes could admit a similar rise. Here then we clearly perceive, that it is the price of grain that affects the rent, and not the rent that affects the price of the grain, as has been very often mistakenly alleged.”

* * The tables which follow are copied from the parliamentary paper, No. 404, session 1827.

AN ACCOUNT of the NET PUBLIC INCOME of the United Kingdom of Great Britain and Ireland, in the Years ended 31st January 1824, 1825, 1826, and 1827.

NET INCOME.	Net Income paid into the Exchequer, in Years ended									
	5 January 1824.		5 January 1825.		5 January 1826.		5 January 1827.		TOTAL.	
	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.
Customs.....	11,498,702	12 104	11,327,741	6 22	16,541,554	0 1	17,280,711	19 34	56,648,739	18 54
Excise.....	25,312,828	1 104	26,768,039	19 111	21,004,487	6 104	19,172,019	13 0	92,387,375	1 9
Stamps.....	6,801,950	0 45	7,244,042	7 0	7,447,923	18 11	6,702,350	11 104	28,196,266	18 23
Taxes.....	6,206,927	8 94	4,922,070	3 104	4,990,961	2 43	4,702,743	12 64	20,822,702	7 74
Post Office.....	1,462,092	6 12	1,520,615	7 84	1,595,461	10 9	1,570,000	0 0	6,148,769	4 74
Is. 6d. and 4s. on Pen- sions, &c.....	61,358	7 34	61,374	12 10	56,730	5 114	48,427	10 64	227,800	16 74
Hackney Coach.....	53,880	0 0	57,134	10 0	39,857	0 0	64,151	10 0	235,023	0 0
Small Branches.....	5,240	18 3	6,156	9 7	5,442	9 7	6,325	8 7	22,163	6 0
Surplus Fees.....	39,718	17 4	39,888	18 4	56,091	14 7	63,100	11 11	204,839	15 2
Poundage Fees.....	10,208	13 04	9,748	11 04	11,520	6 114	9,594	10 84	41,072	1 94
TOTAL ORDINARY REVENUE.....	51,483,567	5 114	51,956,811	16 74	51,769,999	16 2	49,625,485	11 76	201,834,861	10 24
Trustees Naval and Military Pensions.....	4,685,719	0 0	4,660,000	0 0	4,507,500	0 0	4,380,000	0 0	18,233,219	0 0
East India Company, Savings, 3d. Class, Civil List.....	99,000	0 0	60,000	0 0	60,000	0 0	60,000	0 0	270,000	0 0
Clerk of Hanaper from Civil List.....	11,018	10 24	7,837	5 2	-	-	-	-	18,846	4 43
Money from King of Netherlands.....	7,218	2 74	1,100	0 0	2,000	0 0	100,000	0 0	10,318	2 74
Repayment Austrian Loan.....	766,666	13 4	1,783,333	6 8	-	-	-	-	2,500,000	0 0
Repayment Silver Coin, Ireland.....	-	-	-	-	-	-	206,365	14 10	206,365	14 10
Unclaimed Dividends Surplus Lottery.....	24,809	3 0	245,206	9 3	295,330	0 0	64,581	12 2	64,581	12 2
Imprest Monies.....	379,047	6 104	411,949	19 104	230,283	11 04	184,974	15 74	565,405	12 3
TOTAL PUBLIC INCOME ex- clusive of Repay- ments on Advances.....	57,418,046	11 04	59,076,228	17 64	56,855,173	7 24	54,621,407	14 11	228,000,856	9 11
Repayment of Advances for Public Works, &c.....										
On Account of Public Works, Ireland.....	108,219	1 114	160,901	9 54	210,388	14 104	156,581	8 114	636,090	15 34
Do. do. England.....	116,733	15 5	125,273	9 0	208,307	0 0	117,000	7 2	567,314	11 7
TOTAL REPAY- MENTS.....	224,952	17 44	286,174	18 54	418,695	14 104	273,581	16 14	1,203,405	6 104
NET INCOME, exclu- sive of Repayments.....	57,418,046	11 04	59,076,228	17 64	56,855,173	7 24	54,621,407	14 11	228,000,856	9 11
TOTAL INCOME.....	57,672,999	8 44	59,362,403	16 04	57,273,869	2 14	54,894,989	10 3	229,204,261	16 94

AN ACCOUNT of the NET EXPENDITURE of Great Britain and Ireland in Years ended 5th January 1824, 1825, 1826, and 1827, exclusive of the sums applied to the reduction of the Funded or Unfunded Debt; showing the Surplus of Income over the Expenditure in each year.

NET EXPENDITURE.	Net Expenditure, in Years ended								TOTAL.
	5 January 1824.		5 January 1825.		5 January 1826.		5 January 1827.		
	£.	s. d.	£.	s. d.	£.	s. d.	£.	s. d.	£.
Dividends, &c. (exclusive of Sinking Fund).....	29,081,784	12 10	27,979,068	7 11	27,230,789	19 6½	27,215,750	14 0	110,510,393
Interest on Exchequer Bills.....	1,131,191	19 7	1,087,283	13 2	829,492	2 5	831,207	6 3	3,879,111
Naval and Military Pension Money.....	2,800,000	0 0	2,800,000	0 0	2,800,000	0 0	2,800,000	0 0	11,200,000
Civil List.....	1,057,000	0 0	1,057,000	0 0	1,057,000	0 0	1,057,000	0 0	4,228,000
Pensions.....	377,776	2 4	371,614	1 10½	366,028	8 2½	364,268	6 3¼	1,479,716
Salaries and Allowances.....	70,873	18 6	70,212	10 6	87,641	5 0½	69,115	13 5	297,843
Officers Courts of Justice.....	97,459	6 6	96,265	4 11	108,612	0 4	160,300	15 11¼	442,667
Mint.....	14,746	10 8	14,744	7 0	11,718	15 10	14,750	0 0	58,998
Bounties.....	2,956	13 8	2,956	13 8	2,956	13 8	2,956	13 8	11,826
Miscellaneous.....	211,735	11 9	198,238	12 4	261,845	18 0	184,061	7 9	858,914
Do. Ireland.....	305,257	17 8	300,102	10 8½	301,084	2 9	301,427	10 6½	1,207,872
TOTAL for INTEREST of DEBT and Permanent CHARGES.....	34,156,712	18 6	33,977,550	2 1½	33,050,235	5 9½	33,021,131	7 10½	134,205,622
Army.....	7,351,991	16 1½	7,573,026	2 7½	7,579,631	4 4½	8,297,360	15 8½	30,802,009
Navy.....	5,613,151	2 2	6,161,813	3 10	5,349,119	4 3	6,540,611	9 2	24,164,720
Ordnance.....	1,364,328	5 7½	1,407,308	2 10½	1,567,087	7 7½	1,869,006	9 8½	6,208,330
Miscellaneous.....	1,953,366	2 10	2,449,148	19 4½	2,206,081	15 4½	2,586,783	11 5½	9,255,360
Discount on Austrian Loan.....	-	-	310,714	2 10	-	-	-	-	310,714
Purchase of Silver Coin, Ireland.....	-	-	-	-	500,000	0 0	-	-	500,000
Unclaimed Dividends.....	52,720	6 11	48,424	4 2	49,464	11 6	-	-	197,609
Deficiency Lottery.....	-	-	-	-	-	-	49,802	5 10	69,802
TOTAL EXPENDITURE, exclusive of Payments on Advances.....	50,492,270	7 2½	51,927,963	17 10	50,861,619	8 11	52,385,318	19 8½	305,667,198
[SURPLUS INCOME, if no advance or purchase had been made....]	6,955,776	3 11½	6,148,538	19 8½	5,093,553	18 3½	2,236,088	14 4½	22,333,657
Advances for Public Works, &c. or Purchases (to be repaid):	57,448,046	11 1½	58,076,228	17 6½	56,855,173	7 2½	54,621,407	14 1½	228,000,856
For the expenses of the New Street.....	-	-	200,000	0 0	100,000	0 0	-	-	400,000
For the Docks at Leith.....	-	-	-	-	-	-	240,000	0 0	240,000
For D. of Athol's share of Revenues of the Lake of Man.....	-	-	-	-	-	-	15,000	0 0	150,000
Towards building London Bridge.....	-	-	-	-	-	-	120,000	0 0	120,000
Advances for Public Works, Ireland.....	304,544	10 0	327,411	0 10½	533,258	7 2½	546,922	2 6½	1,712,136
Do. do. for England.....	165,200	0 0	219,300	0 0	125,150	0 0	413,300	0 0	952,550
TOTAL ADVANCES, &c.....	469,744	10 9	846,611	0 10½	758,408	7 2½	1,500,222	2 6½	3,574,056
EXPENDITURE, exclusive of Advances.....	50,492,270	7 2½	51,927,963	17 10	50,861,619	8 11	52,385,318	19 8½	305,667,198
TOTAL EXPENDITURE.....	50,962,011	17 11½	52,774,600	18 5½	51,620,027	16 1½	53,885,541	2 2½	3,224,154
II.—SURPLUS of INCOME after providing for Advances, &c.....	6,710,964	10 5½	6,537,862	17 3½	5,653,811	6 0½	1,009,448	8 0½	19,962,077
	57,672,990	8 4½	59,362,408	16 0½	57,273,869	2 1½	54,894,989	10 3	220,204,981

INDEX.

* * The references, D. for INTRODUCTORY DISCOURSE, n. for FOOT NOTES, and d. for SUPPLEMENTAL NOTES AND DISSERTATIONS, indicate the additions of the Editor.

A.

Abstract of population in Britain quoted, iv. 144, d. 145.

Act of navigation, ii. 292. Its purpose, iv. 378, d. Unduly eulogized, 380, 381, 384. Was injurious to commerce, and inadequate to its professed object, 396. (See NAVIGATION LAWS.)

Actions at law in England respecting settlement and removal of the poor, annual cost of, i. 234, n.

Addison, his beautiful paper on commerce how possibly suggested, D. xlv. n.

Africa, why Europe has not established such thriving colonies in, as in America, iii. 75. Trade to the western coast of, needs military protection, iii. 223. Royal Company of, 240;—its history and fall, 241.

African Company of Merchants of England,—its establishment, iii. 233. Its institutions, 234. Its jurisdiction limited by 5 Geo. III. c. 44, 235.

Agamemnon, sole advantage included in his offer to Achilles of the sovereignty of seven Greek cities, iii. 201.

Age, superiority of, cause of distinction of rank, iii. 192.

Agrarian states of Greece, proportion of military in them compared with modern Europe, iii. 169.

Agriculture, carried on under the Roman emperors almost entirely by slaves, D. vi. Not nearly so susceptible of profiting by division of labour as manufactures or commerce, i. 18;—but this not the reason why price of corn is as high in rich and advanced, as in poor and barbarous countries, 20, n. Capable of absorbing a much greater capital than hitherto, ii. 169. Discouragement of, in Europe, after the fall of the Roman empire, 179. Importance of, in the system of the French economists, iii. 124. Favoured more than all other employments in China, 148;—also in ancient Egypt, 150. Its effects on the

warlike habits of the people, 166. Improvements in, how not beneficial, for a time, to the landlord, iv. 120, d.;—are ultimately so by protracting the limit of cultivation, 121;—are feeble, when measured with the principle of population, 133, 134. Powerfully stimulated by the restriction on cash payments, 323. Discoveries in, only for a while prevent recourse to poor soils, 334. How affected by the bounty, 335, 336, 337. Has been depressed, not by the introduction, but by the exclusion of foreign corn, 342, 343, 344. Argument for corn laws founded on protection to, untenable, 361, 362. Disastrous effect of equal succession on its arrangements, 462, 464.

Agricultural system, examination of, iii. 119. Is that of the school of philosophers called *Economistes*, 121, 122. Acts, like the mercantile, contrary to the very end which it proposes, 159.

Alavala, a duty levied in Spain, what it was, iii. 493. To this tax Ustariz imputes the ruin of her manufactures, 494.

Algarotti, Count, his *Essay on Commerce*, 1763, D. lii.

Ambassadors seem to form part of those institutions which facilitate particular branches of commerce, iii. 224.

Ameilhon, M. his *Histoire du Commerce des Ftolémées* quoted, iv. 433, d.

America, colonies of, discussions about their formation, elicited facts and reasons which advanced the science of Political Economy, D. xxiv. North compared with England in her capacity to pay wages, i. 116. Mines of South, affected but little the prices of things in England, till after 1570, 315;—extension of markets for the produce of these mines, 330. Paper money issued in North, so low as for a shilling, ii. 81. Gold and silver banished from the circulation there, 82. Money of, before the Revolution, consisted in a gu-

- vornment paper, 87. Principal cause of their rapid progress, 155. Why manufactures for distant sale not established in, 176. Much assisted by foreign capital, 177. Population of, doubles itself in twenty or twenty-five years, 229. Small sum sufficient to begin a plantation in, 230. Circumstances of, such, that their progress, and that of Europe, under the system established during the middle ages, cannot be examined under the same parallel, 231, *n.* Rapid progress of, its causes, 472. Expenses of their civil government, 475. Limitations of their trade imposed by England, 481;—injustice of these limitations, 488. Civil constitutions of, 492. Founded by sectaries flying from persecution, 498. Their enjoyments and industry were kept down by the exclusive trade of the mother country, as well as those of perhaps all the nations of Europe, *iii.* 4. Monopoly trade with, not advantageous to Britain, 20. Danger of a rupture with them, 27. Five events which saved Britain from feeling sensibly the consequences of this rupture when it did occur, 29. Effects of the trade with, and those of its monopoly, to be carefully distinguished, 31. Expenses of their ordinary peace-establishments before the disturbances, 43. Sources of loss to Britain, 45. Good effects which an amicable relinquishment of her authority might have produced, 46. Taxation of, 48. Assemblies of, 49. Relation of the British parliament to them, 50, 52, 53. Proposal for representation of, in parliament, 55; facilities for this, 57; fears of, unfounded, 58, 59. Rapid progress of, might in time have transferred the seat of empire to them, 59. Reckoned more able to pay a land-tax than Britain, *iv.* 48. Project for taxing sugar, rum, and tobacco in, 52. Revenue of, before the revolutionary war, 51. Alleged difficulty of remitting taxes from, 57;—this obviated, 62, 63. Justice of their contributing to pay the national debt, 61. Costly and embarrassing to Britain, 69, 70.
- America, Insular and Continental, *M.* de Humboldt's account of the distribution of races in, *iv.* 411, *d.*
- America, United States of, evidence which they afford in proof of the principle of population, *iv.* 128, *d.* Probable amount of its inhabitants a hundred years hence, 128. Their situation, as regards the power and means of increase, compared with that of the old countries of Europe, 130. Marriage early there, and celibacy unfrequent, 131. Must at no very distant period sensibly feel the necessity of controlling the principle of population, 132. Emigration to, did not diminish the population of England, 137. Little superior to Ireland in the rate of increasing her population since 1790, 147. Legislature copied in 1787 the policy of the English navigation law, 386. Meant thereby to aim a blow at Great Britain, 390. Wages of seamen in, are generally at the same level as in England, or lower, 403. Their rising power and relative situation to Britain, will cause the abolition of impressment, 405.
- Amsterdam, Bank of, its agio, erroneous notion entertained concerning, *ii.* 91. Explanation of this agio as connected with exchanges, 317. Account of its rise, 320. Prices at which (in 1775) it received bullion and coin of different kinds, 324. Owners of bank credits and holders of receipts from, 325. Was the great warehouse of Europe for bullion, 327. Professed to lend out no part of what was deposited with it, 330. Subsequent events show that the Directors had abused the confidence placed in them, 333, *n.*
- Amsterdam, City of, derived a considerable revenue from its bank, *d.* 332. Mercantile manners of, compared with those of Cadiz and Lisbon, *iii.* 41.
- Anderson, Dr. James, points out the true theory of rent, in his *Recreations in Agriculture, Natural History, Arts, &c.* 1801, *iv.* 571, *d.*
- Anderson, Mr. his *Historical and Chronological Deduction of Commerce* quoted, *iii.* 213.
- Anticipation of revenue in Britain, *iv.* 12. Led to the system of funding, 15.
- Antilles, or West India Islands, *M.* de Humboldt's account of their population, *iv.* 410, *d.*
- Asiatica* compared with *Colonia*, *ii.* 419.
- Apothecaries, the greater part of their profits is wages, *i.* 185.
- Apprentices, regulations respecting in Sheffield, Norfolk, Norwich, and London, *i.* 198. No Greek or Latin word for, 203.
- Apprenticeship, statute of, (5th Elizabeth) repealed in 1814 by 54 Geo. III. cap. 96, *i.* 199, *n.* Partial and incomplete operation of this law, while it was in force, pointed out, 200, *ii.* 305.
- Apprenticeships, long, their inutility, *i.*

202. Roman law perfectly silent with regard to, 203.

Arab, militia excellent, iii. 177.

Arabian chief, hospitality of, as remarked by Pococke, ii. 219.

Aristotle speaks contemptuously of artisans and merchants, D. v. Munificently rewarded by Alexander as his tutor, i. 223. His opinion of the inferior productiveness of slave labour, ii. 187.

Armies, composition and character of some of the ancient, iii. 178, 180, 182, 183.

Artificers subject to infirmity caused by excessive application, i. 136. Held by the Economists to be a class of men altogether barren and unproductive, iii. 125. Observations on this representation, 140.

Artisans, dependent condition of, in China, i. 119. Punishments inflicted on, for emigration, iii. 114, 115. All restrictions on their emigration repealed in 1824, 116, *n.*

Artists, premiums to them are not objectionable like bounties, ii. 391.

Asquith, Mr. in his treatise, *Several assertions proved, in order to create another species of Money than gold*, 1698, anticipates the primary doctrines of the Economists, D. lxii. *n.*

Asia, governments of, by their rapacity force their subjects to bury and conceal their stock, ii. 10.

Assize of bread, laws relative to, in London and its environs, repealed by local act, (1815) 55 Geo. III. cap. 19, i. 237, *n.*

Athens, armies of, after the second Persian war, composed of mercenary troops, iii. 169. Her ordinary courts of justice consisted of numerous and disorderly bodies of people, 291.

Augustus Cæsar, his prompt punishment of Vedius Pollio, for cruelty to a slave, ii. 497.

B.

Balance of annual produce and consumption, ii. 35f.

Balance of trade, how suggested, D. xv. Erroneous popular opinions on, corrected by Mr. Barbon, xl.

Bandini, Signor, his *Discorso Economico*, 1737, D. lii.

Bankers, what they can with propriety advance to merchants, ii. 49. Do not augment the capital of a country, 77. Ought to be compelled to give security for the payment of their notes, 84, *n.* 92, *n.* Multiplication of, not disadvantageous to the public, 92.

Banking companies in Scotland, effects of their establishment, ii. 36. Issue eight or ten times more notes in discounting bills than in advances on cash accounts, 42. Prudent management of, 52. In London, partly banks of deposit and partly trading concerns, iv. 222, d. Rarely allow interest on deposits, 226. Charge no commission, *id.*

(See BANK OF ENGLAND, COUNTRY BANKS, MONEY, and PAPER MONEY.)

Banking, trade of, why it may be carried on by a joint stock company, iii. 261. Principal ones in Europe are joint stock, *id.*

Bank-money, its connexion with the calculations of exchange, ii. 317. Its advantages under the system of Amsterdam, 321.

Bank notes, small ones, disadvantages of, ii. 81. Might be restricted to the sum of L.5 as the minimum, 82. Progressive issues of, by the Bank of England, *id. n.* *Optional clause* inserted into those issued in Scotland in 1762, 1763, 1764, 86.

Bank of England, restriction on cash payments by; discussions on this question, as connected with depreciation of the currency, have perfected the theory of money, D. xli. Drains for gold on, previously to 1772; causes of, ii. 40, *n.* Sketch of its history, 73. Amount of its actual advances to government, 75, *n.* Statement of dividends on its stock from 1707 to the present time, 76, *n.* Sum received by, for management of the public debt, *id.* Progressive issues of small notes by, 82, *n.* What its divided capital was, *ibid.* 239. Its only exclusive privilege restricted the number of partners in other establishments, 262; this privilege modified in 1826, *id. n.* A revenue to be had from its management, suggested to government, iii. 355. Allows no interest on deposits, iv. 227, d. Recommended by Mr. Gilbart to receive, and allow interest on, small deposits, 227. Paper of, bore a small premium over gold for three years after the restriction on cash payments, 229;—consequences of renewing this restriction were it thought of now, 234. Her paper being in great part issued in payment of the interest of the national debt, the common argument against the fact of its having been depreciated could not apply, 236, 237. Her issues were, for more than a century, limited on the principle of their being liable to conversion into a given quantity of gold and sil-

ver, 237. Demand of her notes, at pleasure, for those of country banks, the first step in Mr. Ricardo's admirable plan for an economical and secure currency, 238. Committees of parliament in 1819, on the expediency of her resuming cash payments, their recommendations, 240;—should these, and Mr. Ricardo's plan, be again adopted, she ought not to be called on for a less quantity of bullion than 500 ounces, 241. Had she been paying in bullion in 1797, the crisis of that year might have been averted, 242. Her culpable inattention to the execution of her notes, with a view to prevent forgery, 242, 243. May defeat the forger with the means which exist, 244, 245. Might manage her affairs without exposure to danger, though her coffers contained a comparatively inconsiderable stock of gold bars, 247. Her actual situation, under the present system, one of very considerable difficulty, *id.*;—under that proposed, would be relieved, 248, 249;—could not thereby be tempted to starye the circulation, 250;—to effect this, her notes should be made the legal currency of the country, 251. Her existing monopoly also should be preserved, 251, 252. Duty of the directors would, under the new arrangement, be much simplified, 252. Directors of, likely to do their duty to the public with perfect efficiency under it, 253, 254;—often misled by not attending to the fact that the *absolute amount* of currency affords no criterion of its excess, 256;—exceedingly hampered in contracting their issues by the present system of country banking, 257, 258, 259;—this exemplified in the catastrophe of 1793, 260; which seems not to have been occasioned by the war, but simply by over-issues, 261. Had, previously to 1793, no notes of less than L.10 in circulation, 262. Events under which the crisis of her affairs in 1797 occurred, 263. Suspension of cash payments by, defended, 264, 265. First fall of the value of her paper, compared with gold, began in 1800, 265. History of her affairs down to 1825, 266, 267, 269, 271. Directors of, by no means free from blame in the more recent catastrophes of 1825, 272. Legislative suppression, in 1826, of her low notes, considered, 278, 279. Large security which she gives to government and to the public, for her issues, noticed by Mr. Ricardo, 286. If she furnish the country bankers with paper to be issued by them, must realize a share of the profit on its

circulation, 288. Is placed in peculiar hazard by every shock to credit driving the country bankers to make demands upon her stock of bullion, 291. Circulation of her notes, in Liverpool, how materially affected by bills of exchange, 294;—average of this influence in all Lancashire, 296. Recapitulation of measures proposed with regard to, 299, 300. Reasons why she should publish weekly a statement of the price of bullion, of the quantity issued the week previous, and remaining in her coffers, and of the rate of exchange, 301, 302. Reasons for the continuance of her exclusive privilege as now settled, 303;—these not meant to defend the conduct of the directors, especially in 1824, 1825, 306; consequences of this conduct, opposed as it was to every sound principle, would not have been lessened by the existence of another bank issuing notes in London, 307;—inexpediency of permitting such an establishment, 308. Advantages of, as compared with a national bank, 309. Safer to renew her charter than to appoint commissioners for the issue of government paper, 310. (See NATIONAL BANK.) Account of her notes in circulation the last week of four months in each year from 1791 to 1819, 315, 316, 317;—similar account from 1819 to 1825 inclusive, 317.

Bankruptcy, perhaps the most humiliating calamity which can befall an innocent man, *ii.* 213.

Banks of Deposit, *ii.* 318. Those of Venice, Genoa, Amsterdam, Hamburg, and Nuremberg, originally of this description, 319. *Public*, are devices for economizing the use of money, *iv.* 218, *d.* Two classes of, 219. That of Hamburg, 220, 221. What they should be, 221, 222. *Private*, security of, uncertain, 222, 223;—in what respect they have an advantage over public ones, 223.

Baptisms, to a marriage, number of, in England and Wales, from 1760 to 1820 inclusive, *iv.* 144, *d.* Register of, how defective, 144.

Barbon, Mr. in his *Discourse concerning coining the new money lighter*, 1696, detects several of the errors of Locke, *D.* xl.

Baretti, Mr. his estimate of the gold sent weekly from Lisbon to England, *ii.* 430;—inferences from this, 431.

Baring, Mr. Alexander, his *Inquiry into the Causes and Consequences of the Orders in Council*, 1808, quoted, *iv.* 425, *d.*

Barron, Professor, his *History of the Co-*

lonization of the Free States of Antiquity, 1777, referred to, ii. 449, n.

Barrow, Mr. his able account of the British Fisheries, in the Supplement to the Encyclopædia Britannica, referred to, iv. 431, n.

Basle, principal revenue of the state there arose from a custom on goods exported, iii. 411.

Bazinghen, M. his *Dictionnaire des Monnoies* cited, ii. 438.

Beaver Wool, duty on exportation of settled, at the instance of the manufacturers, in 1764, iii. 113. Present duty on importation of, id: n.

Becket, Thomas, singular style of magnificence noted in, ii. 218.

Beckmann, his *History of Inventions* quoted, iii. 430, n.

Belloni, Sig. his *Essay on Commerce*, 1750, D. iii.

Bell's Travels referred to for the *Journal of M. de Lange*, iii. 149.

Bengal, low rate of wages in, iv. 179, d.

Bentham, Mr. his *Defence of Usury* referred to, ii. 139, n.

Berne, flourishing situation of the farmers of, ii. 198. Short theory of its republican institutions, 207. Derived a revenue from lending its treasures to foreign states, iii. 358.

Bills of exchange, extraordinary privileges of, ii. 58. Their origin and use in commercial countries, iv. 217, d. Effects of their employment have not excited among writers on currency that attention which might have been expected, 293. May be employed nearly in the same way as bank notes, 294. Illustration of their use as currency given by Mr. Thornton, 294. Immense extent to which they are now employed, 295, 296. In some respects they greatly vary from bank notes, 297, 298. Use of, with a well-regulated system of country circulation, would be prodigiously narrowed, 299. Expediency of prohibiting the circulation of, for less than L.50, except by bankers who give security, 299, 300.

Bindon, Mr. his translation, 1739, of the *Essai Politique* of M. Melon, D. lvi. n.

Birkbeck, Mr. his *Tour in France* quoted, iv. 466, d.

Birth, superiority of, cause of distinction of rank, iii. 194.

Births, their number to a marriage almost the same in England and France, iv. 163, n.

Bishops anciently chosen by the joint votes of clergy and people, iii. 325.

Blackstone, Mr. Justice, his opinion of the nature and effects of the national debt, iv. 35, n. His remarks on the effect of the statute *de Donis*, in giving operation to latent entails, 454.

Blake, Mr. his *Observations on Exchange*, 1810, referred to, ii. 318.

Bohemia, survey and valuation of, said to have been the work of more than a century, iii. 383. Heavy tax on artificers in, 438.

Bordeaux, trade of, the effect of its situation, ii. 103.

Borrowing, how governments are brought into the necessity of, iv. 6. Security of property lends facilities to, 7. Methods of, in Britain, 9, 12, 14, 17. How effected in France and England, 20, 21, 22.

Bosc, M. his *Dictionnaire d'Agriculture* quoted, iv. 468, d.

Bouchaud, M. his work, *De l'Impôt du Vingtième sur les Successions*, 1766, referred to, iii. 425.

Bougainville, his *Dissertation on the Colonies of the Ancients*, 1743, referred to, ii. 449, n.

Boulter, Primate, law passed during his administration in Ireland to compel cultivation, iv. 149, d.

Bounty on the exportation of corn, 1688, its effect on the price thereof, i. 318, 323. Amount of, from 1741 to 1750, 326. Of bounties in general, ii. 361. Trade carried on by, a losing one to the nation, 362. On corn, its effects, 364. Does not raise average prices perhaps to more than half its amount, 366. On production, might be more operative than on exportation, 381;—instanced in the cases of the herring and whale fisheries, 383. Relation of, to drawbacks, 391. On exportation of British and Irish linen, iii. 89;—will decrease gradually till 1834, and then cease, 90, n. On the importation of materials of manufactures, first instance of, about 1700, on naval stores from America, 91;—the second, on the importation of indigo from the Plantations, 92;—others in succession, id. 93, 94. On exportation of corn, a nuisance, 452;—has the same effect in forcing the cultivation of poor soils as an increase of population, iv. 334, d. 335;—why the most impolitic of any, 336;—tends to diminish the profits of stock, 337;—compared to the

restrictions on the bullion trade in Spain and Portugal, 375;—tended to lower profits, 376, *n.*;—long established in Britain, had a uniform and steady operation, 377, *n.* On the *exportation of manufactured goods*, cannot long enhance their price, 378, *n.*;—of *corn*, produces real and lasting advantage to landlords, by forcing the cultivation of inferior lands, 381, *n.* System of, deserves none of the praises bestowed on it, 422.

Brady's *Historical Treatise of Cities and Boroughs* cited, ii. 201.

Brass unmanufactured prohibited from exportation, iii. 109. Now exportable, *id.* *n.*

Bread, laws relative to assize of, in London and its environs, repealed by a local act, (1816) 55 Geo. III. cap. 19, i. 237, *n.* A tax on, proposed by *le Réformateur*, an anonymous writer, iii. 453.

Breda, treaty of, slighted by Cha. II. in regard to the navigation laws, iv. 382, *d.*

Britain, increase of population in, greatly accelerated since 1776, i. 117, *n.* Grain higher priced since 1765 than formerly, 126, *n.* Public debts of, sum paid yearly to the Bank of England for the management of, ii. 76, *n.* Heavy taxation borne by, during the last fifty years, how far it has tended to impoverish, 119, *n.* Value, *exclusive of the raw material*, of manufactured goods annually produced in, 283, *n.* Employs, according to the census of 1821, nearly a third of her people in agriculture, iii. 152, *n.* Abuses in the management of the roads of, 214. Revenue of, in 1784, 362; and in 1827, *id.* *n.* Landlords of, how they gained by the land-tax, 373. Rent of houses and of land in, supposed to be equally taxed, 401. Rise of rents of houses in, 405. Stamp duties of, in 1784, 428; and in 1827, *id.* *n.* Beer and ale in, reckoned luxuries, 445. Taxes on necessaries in, 450. Leather and soap how taxed in, 451. Manufactures guided in, by the vicinity of fuel, *id.* Was the policy of, to discourage spirituous liquors, 479. Consequence of the turnpike tolls becoming a resource of government, 484. Expense of collecting the revenue in, more moderate than in most countries, 488. Her uniform system of taxation leaves the inland and coasting trade almost free, 494. Trade of, with Ireland, now almost on the footing of a coasting trade, 495, *n.* How her unfunded debt is contracted, iv. 9. Mortgage of

taxes in, 10, 11, 12. Debts contracted in, on annuities, 17, 18, 19. Growth of her debt, 25, 26, 27, 28, 29;—this debt not to be discharged by savings from ordinary revenue, 30. Her peace revenue in 1775, 33. The same, exclusive of Ireland, January 1827, 34, *n.* Her debt seems a fallacious kind of wealth, 35, *n.* Her capacity to bear prospective burthens questioned, 40. Plan for extending her system of taxation to Ireland and all her colonies, 47, 50, 52. Revenue which she might have thus raised, and the means of realizing it, 53, 54, 64. Might derive a revenue from possessions of the East India company, 67. Prospects of, in regard to her colonies, 68, 69. Had not enjoyed the empire of these colonies, "but the project of an empire," 70. Different quantities of produce obtained in, from the best and worst lands in cultivation, iv. 129, *d.* Situation of, as regards the means of increasing her people, compared with that of the United States, 130. Population of, in 1801, 1811, 1821, 145. Threatened with misery by immigration from Ireland, 153, 154;—remedy proposed to meet this evil, 155. Labourers of, supposed to expend nearly three-fifths of their earnings, on food, 178. Great expense of her metallic currency, 215. Banking system of, 217, 218, 222, 226, 227. Account of foreign vessels entered inwards to her ports, from 1814 to 1826, both inclusive, as compared with those built at home, 306. Number of seamen necessary for, on the breaking out of a war, 398. Navy of, might be as formidable as at present though she did not possess a single merchant ship, 399. Should not follow but avoid the blind policy of France in prohibiting her commodities; and why, 417. Late reduction of duties in, on French wines, highly politic, 418.—See ENGLAND.

British Linen Company's Bank, stock of, below par in 1784, iii. 265.

British Merchant, authors of this work, who were merchants themselves, furnish the fullest exposition of the peculiar doctrines of the mercantile sect, D. xxiii. xlv. *n.*

British Shipping, how affected by the changes in the navigation laws, iv. 387, *d.* 388, 389, 392, 394, 395. Account of, entered in the ports of Britain, from all parts of the world, from 1814 to 1826, inclusive, 396.

Brougham, Mr. his *Inquiry into the Co-*

lonial Policy of the different European Powers, 1803, referred to, ii. 449, n.

Browne, Dr. James, his *note on the Navigation of the Egyptians*, iv. 431, d.

Brutus' lent money at 48 per cent., i. 157.

Buchanan, Mr. his striking observations on the means by which subsistence is duly measured out in proportion to the supply of the year, 395, n.

Buenos Ayres, price of an ox at, as stated by Ulloa, i. 306.

Bullion, considerable quantities of, lately imported from the East Indies, i. 338, n.

Deposits of, ii. 323. Value added to a piece of, by coining, iv. 211, d. Its value in London, Amsterdam, or Hamburgh, cannot, in time of peace, differ, in either, more than $\frac{1}{2}$ per cent. without causing its immediate transit, 231. Relation of, to paper, as indicated, in a currency of that material, if properly attended to, sufficient to maintain its level, 233. Convertibility of bank notes, as *legal tender*, into, proposed in 1817, by Mr. Ricardo, 238, 239, 240, 241. Quantity of, which could be demanded for Bank of England paper under his plan, should not be less than 500 ounces, 241. Drains on the Bank for, on the system proposed, under the circumstances stated by Mr. Tooke, would be wholly obviated by an increase of exports, 247. Present mint price of, for notes paid to the Bank, proposed to be raised to L.3, 19s. 4d., and, for notes obtained from the Bank, limited to L.3, 16s. 6d., as a means of confining the range of fluctuations in currency, 250, 251. Any drain for, on the plan proposed, would wholly depend on the state of the exchanges, 252. Payments in, would afford the public precisely the same security against mismanagement of the Bank directors, as convertibility into specie now does, 253. Price of, the only safe test of the level of currency, 256, 257. In the coffers of the Bank of England, how reduced in February 1797, 263. Exported to a considerable extent, in 1800, 1801, 265. High price of, (in bank notes,) in 1809, 1810, caused the appointment of a committee of the House of Commons, specially to inquire into its cause, 266. Bank notes made in 1819, convertible into bars of gold, 269. Efflux of, to South America, in 1824, 272. Causes of the occasional excessive drains for, on the Bank, 291, 292. Weekly statements of the price of, ought

to be published by the Bank of England, 300;—reasons for the proposal, of this measure, 301, 302. Standard of, cannot be in two metals indifferently, 303. Drain for, however caused, a full proof of the redundancy of the currency, 306. Drain for, in 1825, would have been greater with two establishments issuing notes in London, 307. Probable stock of, necessary in the Bank of England, were the mint shut up and her notes made legal tender, 309. With payments in, the charter of the Bank might be continued, 314. Average yearly market price of, from 1800 to 1821, 318.

Burgess, Mr. Henry, his *Letter to Mr. Canning on Internal Bills of Exchange* cited, iv. 218, d. His evidence before the Lords Committee of 1826, on Scotch and Irish currency, quoted, 294. His *Letter to Mr. Canning*, 296, 297. His suggestion of an act prohibiting drawing or accepting bills exceeding three months date, 427, n.

Burials in England and Wales at various periods, iv. 142, d. and n.

Burman, his *Essay de Vectigalibus* cited, iii. 425.

Burn, Dr. his *History of the Poor Laws* cited with approbation, i. 228, 231, 232, 234.

Butcher's Meat, prices of, in England, in the reign of James I. i. 250; in 1763 and 1764, id.

C.

Cadiz, exorbitant profits of the merchants of, iii. 40; correction as to this, id., n. Mercantile manners of, compared with those of Amsterdam, 41.

Calvin, line taken by his followers on the subject of church government, iii. 339.

Cameron of Lochiel, with a rental of L.500, went out, in 1745, at the head of 800 men of his own people, ii. 222.

Canals, instruments of commerce, iii. 211. If maintained by tolls, or lock duties, will only be made where commerce requires them, 213.

Candles, duty on, iii. 451, and n.

Canning, Mr. his resolutions respecting the trade in corn, 1st March 1827, iv. 331, d.; involved a decided improvement in the laws of 1815 and 1822, 332, 333. Principal objection to his graduated scale of duties, 369. This duty an element of uncertainty, even though the range of fluctuation in his plan had been narrowed, 371. Little wheat could have been

imported under it, when the home price was below 65s. 372.

Cambries, French, English duties on, ii. 309, n.

Campbell, Dr. his *Political Survey of Britain* cited, iv. 171, d. n.

Capital not necessary in the rude state of society, ii. 1. Accumulation of, increases the quantity of industry, 3. Definition of, 5, n. Two different ways in which it may be employed to yield a revenue, 6. *Fixed*, how it exists, and what it is, 11, 20. *Circulating*, of what it is composed, 12. Security of, great inducement to employ it, 16. *Fixed*, and that part of the *circulating* which consists in money, very like each other, 23. Of a country, not augmented by banking operations, 77. Of the accumulation of, 93. Proportion of to revenue, regulates that of industry and idleness, 105. Increase of, immediately caused by parsimony, 106. Lent at interest, 127;—quantity of this not regulated by the money which serves as the instrument of exchange, but by the annual disposable stock, 129. Different employments of, 141. *Rate of profit*, sole criterion of their comparative advantageousness, 142, n. Question stated as to its comparative productiveness when employed in manufactures, or applied to the land, 150, n. Tax on, falls wholly on capitalists, iii. 416. Applied to the land, may increase raw produce, but not always in proportion to itself, iv. 103, d. 104;—at what time, in spite of this, it is attracted to force additional produce, 106;—how rewarded, under these circumstances, by the average rate of profit, 107. Least productive, of all which supply the same market, pays no rent, 109, 112, 113. Its relation to wages, 173, 174;—to profits, 186, 187.

Capitalist, the wages of one who superintends the employment of his stock, wholly separated from his profits on it, i. 83, n. Interest of, not so clearly connected with the general interest as that of landlords and labourers, 411.

Carneades, a Babylonian and a teacher, sent by the Athenians on a solemn embassy to Rome, i. 223.

Carriages, duties on, iii. 454, 455, n.

Carrying trade, investigation of its advantages, ii. 163, and n.

Cash credits with bankers in Scotland, system of, ii. 39. What their real advantage to traders, 42, n.

Cato, his maxims on feeding cattle, i. 248.

Cattle used as money in early ages, i. 44. Corroboration of Dr. Smith's statement on this point, 44, n. Trade in, might be rendered free with perfect impunity, ii. 286;—this effected as regards Ireland, 287, n. Of the European colonies in America, their rapid and extensive multiplication, 314. It is late in improvement ere it be profitable to cultivate land for the sake of feeding them, 366.

Census of Britain in 1821, cited, iv. 142, d. n. 144.

Chalmers's *Comparative Estimate of the Wealth of Britain* cited, iv. 261, d. 262.

Champollion, his *Précis du Système Hiéroglyphique* cited, iv. 436, n.

Chaptal, le Compté, his work, *De l'Industrie Française*, quoted, iv. 450, d. 1.

Charles V. Emperor, his remark on the comparative wealth of France and Spain, i. 331.

Chateaneuf, M. de, his account of the improvement in the health of France, and the retardation of marriage there since 1775, iv. 156, d.

Child, Sir Josiah, supports the mercantile system, D. xxiii. His *New Discourse of Trade*, 1668; greatly enlarged, 1690, xxv. Mistakes the real cause of a low rate of interest in Holland, xxvi. Forcibly states the true doctrine with respect to emigration, iv. 138, d. n. His evidence as to the early pernicious effects of the navigation laws, 384.

Chili, price of a good horse in, as mentioned by Mr. Byron, i. 306. Horned cattle killed in, for the sake of the hide and tallow, 376.

China, a rich, fertile, and populous, though stationary country, i. 119. One of the causes of its stationary state, its despising commerce and limiting its intercourse with foreigners, 158. Interest of money in, is said to be 12 per cent., 159. Rank and wages of country labourers in, superior to those of artificers, 212. *Cochin*, state of agriculture in, 259. Dr. Smith's erroneous opinion of the wealth of, 311, n. Police of its roads, iii. 220. Revenue of the Sovereign of, arises from a land-tax or rent, 221.

Chinese, their contempt of commerce, iii. 149.

Choiseul, Duc de, tried the English method of management on the parliament of Paris, and found it succeed, iii. 324.

Cicero, his mean opinion of commerce, D. vi. Mentions the prohibition of the exportation of the precious metals from Rome, xii. Cited regarding the rate of interest at which Brutus lent money, i. 157. His report of Cato's maxims on feeding cattle, 248.

Cities, importance of, under the early feudal governments, D. xviii. Their progress after the fall of the Roman empire, ii. 199. Inhabitants of, their servile state in Ancient Europe, 201. Government of, in the middle ages, 204. In the Italian republics, 207. Power of the inhabitants of, when near the sea or a navigable river, 209. Of Venice, Genoa, and Pisa, aggrandized by the Crusades, 210. How their commerce contributed to improve the country, 216.

Civil war in England raised the price of corn for a time, i. 317.

Clearing house in Lombard Street, London, adopted by bankers for economizing the use of money, iv. 218, d. id. n. Compared to a pure deposit bank as resorted to by merchants, 220. Amount of business done at, each day, as estimated by Mr. Burgess, 296.

Clergy, in all Christian countries, mostly educated from foundations, i. 216. Those of an established church frequently highly respectable, though not popular, iii. 307. Inferior of the church of Rome, their industry and zeal, 308. Progress of, to power and influence in factious times, 312. Zeal and exactions of, innocent where there are many sects, 314. Of every established church, a great corporation, 321. Their benefices necessarily held *ad vitam aut culpam*, 323. Must be managed by influence, not force, 325. Assumed to themselves the disposal of church preferments, 326. Growth of their power, 327, 329, 330. Their temporal power destroyed by the same causes which affected the great Barons, 331, 332. Of France rendered independent on Rome by the Pragmatic Sanction, 334. Lutheran, respectable, 338. Calvinistic, equality of, 339. Of Scotland, circumstances under which they fan the spirit of fanaticism, 341. Usefulness and respectability of those of Holland, Geneva, Switzerland, and Scotland, 342, 343, 348. Pay of, should be proportioned to the nature of the service, 348, n. 349.

Clock cases, exportation of, prohibited,

iii. 108. This prohibition is still in force, id. n.

Cloth, broad, prices of, in ancient and modern times, i. 400. Quality of, to be worn by labourers and servants, regulated by statute 3 Edward IV. 402.

Coals, wood, and mineral, relative expense of, i. 275. Duty on their exportation in 1783, iii. 118. Actual duties on them, 114, n.

Coal-heavers in London, their high wages, i. 172.

Coal mines, rent had from, i. 273. Least fertile measure this, 276, n.

Coin, origin and first denominations of, i. 48. Debasement of, by lowering the standard, 50. Arrangements of, in England, up to 1816, 68, n. Prohibition of exporting repealed in 1819, 75, n. Seignorage on, in France, 78, n.; in England at present, ii. 316, n. Debasement of, as estimated by Mr. Lowndes in 1695, 319. In what circumstances it is melted, 436. Advantages of a seignorage on, 439;—consequences of this to the Bank of England, 441. An institution for facilitating commerce, iii. 211. Of all nations, degraded by bankrupt and fraudulent expedients to pay the public debts, iv. 44. Reasons for a seignorage on, 211, d. Of any country, when out of it, only worth so much bullion, 212. No reason why paper money, as legal tender, should be convertible into it, 237. Quantity of gold in circulation in England and Wales in 1797, 238. How much will be required for circulation, and for reserves, under the system of suppressing small notes proposed in 1826, 238. Mr. Ricardo's proposal for a circulation of paper without a single piece of gold, 238, 239. Circulating with paper, may be depreciated, in relation to that of other countries, as well as the paper, 285.

Coke, Lord, advocates freedom of trade, D. xx.

Coke, Roger, his *Treatise on Trade* cited, iv. 384, d.

Colbert, M. espouses the interests of the manufacturers, D. xxi. His restraint on importation not politic ii. 299. Character of him, and of his system, iii. 120.

Colebrooke, Mr. his *Treatise on the Husbandry of Bengal* referred to, iv. 179, d.

Collection of the Revenue, expense of, iii. 488, and n.

Colonial policy, examination of, iv. 406, d. Present, of Britain, makes her colonies,

with respect to trade, integral parts of her territory, 410.

Colonies do not depopulate the mother country, argument beautifully stated by Child, D. xxvi. English North American, principal cause of their rapid progress, ii. 155. Comparison of the circumstances which directed those of Greece and Rome, with those which occasioned the first European settlements in America and the West Indies, 446. Of Spain, 462. Causes of the prosperity of new ones, 460. Those of the Greeks and Romans, their progress, 462. Of the Portuguese, 466. Of the Swedes, 468. Of the Danes, 469. Of the Dutch, id. Of the French, 470. Of the English in North America, and causes of their rapid progress, 472. Particular advantages which each colonizing country derives from them, iii. 5. Evil effects to Britain of the monopoly of the trade of 26; these effects, and those of the colony trade simply, to be carefully distinguished, 30, 31, 32. Good effects of the trade of, to England, 35. Dominion of, production of nothing but loss to Britain, 45. Question as to relinquishment of authority over them discussed, 46. Question as to their taxation, 48. Authority of the Parliament over them, 50, 52, 53, 54. Roman, revolt of, 54. *Show and splendour* of their commerce enjoyed by those countries which had settlements in America, and traded directly to the East Indies, 61. Extensive trade with, how imperfectly effected, 62. Progress of those of Greece, in Sicily, Italy, and Asia Minor, cited as a proof of the principle of population, iv. 127, d. Those of Spain and England have not in any way depopulated these countries, 138.

Colonists, English, in North America, their slovenly management of their farms, as noticed by Kalm in 1749, i. 365.

Columbus, his discoveries, ii. 452. His triumphal return to Spain, and resolution of the government in consequence, 455.

Columella, his directions for a cheap enclosure, i. 253. Recommends the planting of vineyards, 254. States that the feeding of Turdi was common, 367. Cited on the unprofitableness of the labour of slaves, 187, n.

Comber, Mr. his treatise on national subsistence quoted, iv. 322, d.

Combinations of masters,—combinations of workmen, i. 111. Laws against voluntary, among workmen, repealed by

stat. 5 Geo. IV. cap. 95, id. n. Not generally attended with violence, 113, n. More frequently occur in towns than in the country, 208, ii. 291c.

Commerce flourished in Greece under Pericles, D. iii.; Freedom of, powerfully urged by Sir Dudley North, in 1691, xxxii. Treaties of, ii. 426. Of works and institutions for facilitating, iii. 210;—such as facilitate particular branches of, 223. Facility which it derives from the use of bills of exchange, iv. 217, d. The true line of a government with respect to, most ably pointed out by Mr. Baring, 425.

Commerce, le, de la Hollande, quoted, iv. 382, d. n.

Commercial treaty with France in 1786. Preliminary reflections suggested by, iv. 412, d. 414. Principles of, as applicable now as then, 417.

Commodities, price of, in ancient times, writers regarding, frequently misled by, three different circumstances, i. 299;—varies, reciprocally, with the real value of the metallic money by which they are measured, iv. 206, d. Quantity of brought to market, its effect on the value of money when supply is limited, 207, 208. Taxes on, particular, 553. *Ad valorem*, on all, 555, 558.

Companies of merchants, origin of, iii. 226. Ruled by the corporation spirit, 227. Enumeration of those existing in Britain when Dr. Smith wrote, id. Regulated companies, remarks of Sir Josiah Child on them, 232. *Joint Stock*, how they differ from regulated, 238, 239.

Consumption of commodities, tax proposed by Sir Matthew Decker, by way of license for, iii. 455. By the inferior, greater than that of the superior ranks, 471. Taxes on, fall as light on the people of Britain as on those of any other country, 493.

Contrôle, the, a registration tax in France which was much complained of for its abuses, iii. 433.

Copartnerships, private, in what they differ from regulated and joint stock companies, iii. 238.

Copenhagen, one of three cities in Europe which may be considered as at once court residences and trading towns, ii. 104.

Copper coin, how far a legal tender in Britain, i. 68. Its price in Japan influences its price in Europe, 278.

Corn, bounty on the exportation of,

1688, its effects on prices, i. 318. Fall in the value of, in France, in proportion to silver, noticed by Dupré de St. Maur, Messance, &c. 324. Amount of bounty on, from 1741 to 1750, 326. Price of, may fall in certain circumstances, though it has a natural tendency to rise in the progress of improvement, 374, and *n.* Not a measure of real value, 380, *n.* Money price of, has risen in Poland though a country as beggarly as it was before the discovery of America, 391. Enhancement of its price in times of moderate plenty, perhaps affects the poor less than the artificial rise in other articles caused by taxation, 398. Trade, freedom of, could little affect the interest of the farmer, ii. 269. Never raised in price to the whole amount of a bounty on exportation, 366, *n.* Money price of, does not regulate that of other things, 368, *n.* Bounty on the exportation of, compared to the restrictions on exporting gold and silver in Spain and Portugal, 375. This bounty tended to lower profits, 376, *n.* Its branches, 392. Interest of the inland dealer in, and that of the consumers of, exactly the same, 393;—striking remark of Mr. Buchanan on the consolatory truth of this view, 395, *n.* Scarcities of, not caused by combinations among the dealers, 397. Popular odium in years of dearth, against the dealers in, tends to degrade their profession, 399;—ancient legislation of Europe seems to have encouraged this odium, 400. Importer of foreign for home consumption, what, 413. Exporter of, for foreign consumption, what, 416. Laws concerning, compared to those which regard religion, 420. Carrying trade in, what, 421. System of bounty laws, deserves none of the praises bestowed on it, 422. Bounty on the exportation of, a nuisance, iii. 452. Increased supply of, obtained by a gradually increasing application of capital with a gradually diminishing return, iv. 104, d. 105. Its exchangeable value rises by increased demand from increase of population, 105. Importations of foreign, from 1773 to 1791, caused by a rapid increase of manufacturing population, 321. Trade to Ireland made free in 1806, 324. From Canada to pay half duties by the law of 1814, 326. Admitted in 1826 on the responsibility of ministers, 330. Consequences of its artificial dearth, 339. The last thing with which a wise govern-

ment would choose to tamper, 346. Quantity of, annually consumed in the United Kingdom, 348. Additional value given to it, as seed and as food for horses, totally lost, 352. Additional labour now required to raise it, also absolutely wasted, 353. In many populous districts has become less important than potatoes in the subsistence of the labouring classes, 357. Varying quantity of, produced on lands under cultivation in England, 360. "Cheap best for farmers," *id.* Taxes affecting the producers of, 364. Tables of prices, imports, and exports of, 437.

Corn Laws, proceedings which have taken place regarding them during the last thirty years, would have probably induced Dr. Smith to modify his opinion of the disinclination of landlords and farmers to enter into combinations, i. 213, *n.* Historical sketch of them since 1773, iv. 319, d.;—idea that the act of this year was injurious to agriculture, illusory, 320;—clamour raised by the landholders against it, 223. That of 1791 produced by it, *id.* That of 1804 the result of an agricultural mania, *id.*;—produced the high prices of 1805, 324. Report of a Committee of the House of Commons appointed to inquire into the state of them, in 1813, not adopted, 325. That of 1814, imposing duties on importation, abandoned, 326. Of 55 Geo. III. cap. 26, its provisions, 327;—has produced more ruinous fluctuations than had ever been known, 328. The act of 3 Geo. IV. cap. 60, its provisions, 328, 329. Subsequent operations on, in 1825, 1826, 1827, 330, 331, 332. Their principles, 333; as offering bounties on exportation, 334; as restricting importation, 338. The monopoly which they create, not like any other, 350. Occasion an annual loss to the community of 14,000,000 of pounds, 353. Of no real or permanent advantage to the landlord, 354, 355. Stimulus which they give to the cultivation of potatoes, 357. Viewed relatively to the principle which should determine a duty on importation, 363. Should, henceforth, all resolve into an *ad valorem* duty of 7 or 8 per cent., 368.

Cornwallis, Marquis, his arrangement for the Zemindars or collectors of the territorial revenue in India, iv. 502, d. His plans examined, 504, 506, 508.

Corporation privileges, their effect over-

rated by Dr. Smith, i. 104, *n.* Laws, their effects on the workmen, 105. Principle of competition modifies even them, 197, *n.* Of towns, their origin, ii. 203.

Cotters, a set of people in Scotland, i. 192.

Cotton manufacture, not alluded to by Dr. Smith, i. 403, *n.*

Cotton, Sir Robert, his *speech at the council table*, 1641, admirably exposes the injustice of debasing the standards of coin, D. li. *n.*

Country, the inhabitants of, cannot easily combine together, i. 209. Their intelligence, 210.

Country Banks, many of them partly banks of deposit, and partly trading concerns, iv. 222, *d.* Their mode of doing business, and the security they afford, 222, 223, 225, 226, 233. Mr. Ricardo proposed that they should lodge securities equivalent to their issues, 233;—the adoption of this plan conducive to the prevention of panics, 241, 242. Value of the paper of, under the system now proposed, could not be made identical with that of the Bank of England, but by a continuance of her exclusive privilege as regards London and the contiguous country, 251, 252. Their present vicious and defective system aggravates the inconvenience resulting from any contraction of the currency, 257, 258. First great reduction of the paper of, took place in 1793, 259. Rapid and extensive growth of, after the American war, 259, 260. Wide destruction of, in 1793, and its disastrous consequences, 260, 261;—previously to this crisis, had no notes of less than L.5 in circulation, 262;—this shock caused by the unsubstantial foundations on which many of them rested, 262. Issues of, rapidly increased subsequently to Mr. Vansittart's famous resolutions, 267. Number of which stopped payment in 1814, 15, and 16, 268;—causes of this destruction, 269. Conduct of, in 1825, 271. The many respectable persons connected with, not responsible for the system under which they act, 273. Recent measures of government with regard to, valuable as precedents for further interference, 274;—these measures stated and examined, 274, 277, 278. Indispensable that they should give security for their issues, or that they should be suppressed, 279, 280. Their security for issues should be either in government stock or land, 280;—objections to this plan an-

swered, *id.* 281, 282, 283, 284. The exaction of security from them strenuously and ably recommended by Mr. Ricardo, 285, 286, 287;—this plan of regulating them would give additional respectability and security to the business of banking, 287. Multiplication of, when well established, a prodigious advantage, 288. Suppression of their notes, with security, unadvisable, and why, 288. Farther recommendations of the plan of securities, 289. In the present situation of things, embarrass and expose the Bank of England, on every shock to credit, 291. Their notes ought to be made payable only in Bank of England paper, even should the circulation of coin be continued, 292. How their circulation is narrowed by the use of internal bills of exchange, 293, 294, 295, 296. Their circulation, under the system suggested, would be considerably increased, 299. Recapitulation of measures proposed regarding them, 300, 301, 302, 304, 305, 308. Account of the number of notes of, stamped from 1805 to 1825 inclusive, with an estimate of the total amount in circulation for the same period, 318.

Croix, M. de St. his anonymous work, *De l'Etat et du Sort des Anciennes Colonies*, 1779, referred to, ii. 419, *n.*

Crops of wheat and potatoes, comparative oscillations of, iv. 108, *d.* 109.

Cuba, inhabitants of, their ignorance of the value of gold, when first visited by the Spaniards, i. 288.

Cultivation of land, what its limit is, iv. 121, *d.*

Curates, their situation in England in the 14th century, i. 217. Act 57 Geo. III. cap 99, (1817) fixes the minimum of their pay at L.80 per annum, 218, *n.*

Customs, consolidation of, acts relative to, in 1787, and, lastly, in 1825, ii. 353, *n.* Duties of, what they are, 458. In ancient times in England, 459. How they came to be laid on importation, 460. How modified by drawbacks and bounties, 461. High duties of, encouraged smuggling, 462. Gross and net produce of, in 1755, 463. Warehousing system pointed at, 467;—its advantages, 469, 470;—subsequent adoption of this system commended, 471, *n.* Net produce of, at January 1827, 488, *n.* Laws, if extended to the colonies, ought to be accompanied with an extension of the freedom of trade, iv. 49.

Cyder, existing duty on, iii. 477, n.

D.

Dairy, the business of, when and how prosecuted as profitable, i. 371.

Davenant, Dr., a partisan of the mercantile system, D. xxiii. xlv.

Davies, Sir John, his *Discoverie of the Causes why Ireland was never entirely subdued by the English* quoted, iv. 476, d.

Deaths not caused by combination among dealers in corn, ii. 397.

Deaths, their proportion to births in various countries of Europe, as estimated by M. de Chateaufeuf, iv. 158, d.

Debts, public, how they originate, iv. 9. Temptations to contract them by which governments are actuated, 22, 23, 24. Have been absurdly represented as benefits, 30. Represent only capital spent, 35. Expedients for paying them—*by raising the denomination of the coin*, 40;—*by adulterating or lowering its standard*, 42;—*fraudulent and bankrupt nature of these operations*, 45.

Decker, Sir Matthew, his *Essay on the Causes of the Decline of Foreign Trade*, powerfully exposes *restrictions, monopolies, and prohibitions*, D. xlvi. Referred to respecting the effects of bounties on the exportation of corn, ii. 375. Decay of foreign trade, on which he reasoned, had no existence in fact, iii. 12, n. His observation, that certain taxes were repeated and accumulated four or five times in the price of goods, 419. His proposal of a tax, by licence, on consumption, 455, iv. 52. Condemns the principle of the navigation Act, 384, d. His forcible testimony against the custom of impressment, 404.

Defence, public, means and footing of, in industrious and wealthy nations, iii. 173, 185, 187.

Demand, *effectual*, i. 95.

Demand and supply, under what circumstances the value of money depends on them, iv. 209, d.

Democritus, one of the fathers of husbandry, his opinion on the enclosing of kitchen gardens, i. 233.

Dénisart *sur le Taux des Intérêts* cited, i. 150, n.

Denmark, her possessions in the new world, ii. 469. Would probably never have sent a ship to the East Indies, had not the trade been subjected to an exclusive company, iii. 70. King of, levies the most

important transit duty in the world at the Sound, 485.

Despotic governments drive their subjects to conceal their capitals, ii. 16.

Discounts at long dates pernicious, iv. 427, d. Suggestion of Mr. Burgess for putting them down, id. n.

Dissertation (a critical) on the Nature, Measures, and Causes of Value, 1825, referred to, iv. 87, d.

D'Ivernois, Sir Francis, his tract, *Sur le morcellement de la Propriété Foncière en France*, quoted, iv. 471, d. n. 480.

Diversions, public, afford a remedy to enthusiasm and superstition, iii. 319.

Dobbs, Mr. in his *Account of the Hudson's Bay Company*, overrated its profits, iii. 242.

Domingo, Island of St., discovery of, by Columbus, ii. 452. Natives of, stripped of all they had in gold and silver, in six or eight years, 453. French colony of, established by pirates and freebooters, 471. Exports of sugar from it, at present, comparatively trifling, id. n. Stock of, was raised from its gradual improvement, 497.

Douglas and Heron bank at Ayr, history of, ii. 65.

Doyle, Bishop, his striking evidence, as to the misery and moral depression of the labouring class in Ireland, quoted, iv. 152, d.

Drain of gold from the Bank of England previously to 1772, causes of, ii. 46, n.

Dramatic representations held in abhorrence by fanatics, iii. 320.

Drawbacks, as encouragements to trade, ii. 352. Perhaps originally granted to encourage the carrying trade, 358. How far they seem to be justifiable, 359. Their relation to bounties, 391. On exportation of foreign goods to the English colonies, 190.

Drawing and re-drawing bills of exchange, explanation of, ii. 59.

Drummond, Mr. his tract, *Cheap Corn best for Farmers*, quoted, iv. 210, d.

Du Cange, his Glossary cited, iv. 46.

Dundas, Mr. (Lord Melville) his fallacious representations of a large surplus revenue from India, iv. 496, d.

Dupin, the Baron, correctness of his views on the relative administration of the roads in France and Britain, iv. 539, d.

Dupré de St. Maur, his account of prices in France cited, i. 297. Agreement of his facts, and disagreement of his opinions, with those of Bishop Fleetwood, 305.

Duties, *prohibitory*, how modified, by enactments of Parliament since 1820, ii. 275, *n.* *Retaliatory*, when good policy, 300. At present levied on wine, 357, *n.* On sale of land, often oppressive, iii. 430. High on commodities, present many inducements to smuggling, 491. On importation, of corn, what rate of, advisable, iv. 368, d.;—should be fixed, 369;—should be accompanied by a drawback to the farmer on exportation, 373.

Dutot, M. his *Réflexions Politiques sur les Finances et le Commerce*, 1738, an acute work, in reply to M. Melon, D. lvi. *n.*

Duverney, M. his *Examen des Réflexions Politiques sur les Finances*, 1740, a curious work, occasioned by that of M. Dutot, D. lvi. *n.* Account of the Mississippi scheme contained in, ii. 72; cited, iv. 10.

Dwelling house, indirectly a source of revenue, ii. 9; *n.*

Dyed cloths, high price, in antiquity, of particular kinds of, iii. 156.

E.

East India Company, advocates of contending early in the 17th century, that bullion is *nothing but a commodity*, E. xxiv. Procures from Parliament, in 1663, liberty to export the precious metals in unlimited quantities, xxiv. Its trade defended by Child, xxvi. Profits of trade carried on by its servants in Bengal, i. 161. Old English, its establishment, iii. 247;—its distresses, 248;—continues to exist after the commencement of a new one, *id.*;—nearly ruined by competition, 249;—consolidated with its rival, in 1708, under the name of the *United Company of Merchants trading to the East Indies*, 250. *Present*, when formed, 248. History of, 249, 251. Embarrassed by the augmentation of its dividends, 252. State of its debts in 1773, 253. Submits to receive a governor-general, 254. Proprietors of its stock little fitted to give attention to the interests of its empire, 255, 257. Affairs of, till 1781, 254, 258. Not likely to exist as a mere corporation, exposed to the vigilance of private adventurers, 260. Territorial acquisitions of, probable sources of revenue to Britain, iv. 67. Financial difficulties of, led to the change in its government in 1784, 495, d. State of the affairs of, at the renewal of its charter in 1813, 497; and the revenue of, up to 1824 inclusive, 499. Doubtful whether it has derived, during thirty years, any

profit from the traffic with its Indian dominions, 517. Its trade from India examined, 519. Concessions made by, on the renewal of its charter in 1813, 521. Tables of its whole exports and imports from 1814 to 1826 inclusive, 523. Proposals, for its relinquishment of the yet existing monopoly, 525.

East India Trade, *Considerations on*, published in 1701, an anonymous tract, of great merit, D. xli.

East Indies, a market for the produce of the mines of America, i. 333. Drain of bullion to, ceased within six or seven years since, and subsequently returned to its old channel, 338, *n.* A project of commerce to, gave occasion to the discovery of the West, ii. 459.

Eastland Company of merchants of England,—fine of admission into, and limitation of its charter, iii. 228. Does not now exist, 229, *n.*

Economists,—M. Mercier de la Rivière ably expounds their system in his work entitled, *L'Ordre Naturel et Essentiel des Sociétés Politiques*, D. lxiii. Their ignorance of the nature of production, lxiv. List of their principal works, lxv. Account of their doctrines, iii. 122;—as to unproductive labourers, 125;—as to mercantile stock, 126;—as to the power and wealth of nations, 128, 129, 131. Friendly to perfect freedom of trade, 132. Capital, error of, 139. Observations on their doctrine as to unproductive labourers, 140. Merits and importance of their system, 146. All followers of M. Quesnay, 147. Recommend a tax on rent, 375.

Eden, Sir F. M., his work, *The State of the Poor*, 1797, cited, iv. 171, d. *n.*

Edinburgh, New Town of, perhaps no Scotch timber employed in its construction, i. 275.

Edinburgh Review, vols. xxxvi. and xxxix. referred to for an account of the *history and present state of the tea trade*, i. 335, *n.* Vol. xliii. for the *progress and present state of the silk manufacture*, ii. 285, *n.* No. 89, on *Emigration*, iv. 155, d. No. 72 and 88, for articles on the *Corn Laws*, 338, *n.* 348, 369. No. 88, for a discussion of *Colonial Policy*, 410. No. 87, for instances of the effects of *revulsions of trade* arising from miscalculation, 424. For articles on *Hieroglyphics*, and the *History of Roman Literature*, by Mr. Browne, 431, *n.* No. 90, for a discussion of the *Affairs of British India*, 495, *n.*;—for Sir Tho-

nias Munro's view of the effects of heavy taxation on the industry of the *Ryots* or farmers of India, 515, n.

Education of youth, institutions for, their expense, iii, 265. Endowments for, three questions as to their utility, 266. Those parts of, for which there are no public institutions, best taught, 273. How drawn to universities, 285. Institutions for, in Greece and Rome, 286, 288, 290, 292. Questions on what the public ought to do regarding, 295. Among the common people, perhaps requires more the attention of the public than among those of some rank and fortune, 299; and why, 300. How it might be improved among the poorer classes, 301. Brilliant reputation of those engaged in it in Greece and Rome, 346. Expense of institutions for, may without injustice be defrayed by a general contribution, 352. Should be made a means of explaining the constitution of society, iv, 175, d. 176.

Egypt, Ancient, favoured agriculture more than all other employments, iii, 151. Inhabitants of, had a superstitious aversion to the sea, id. Long the granary of the Roman empire, 153.

Egyptians, recent discoveries among their sculptures and writings have led to a critical investigation of the statements of the Greek and Roman writers regarding them, iv, 431, d. Aversion of, to the sea, such, according to Plutarch, that they symbolized it by *the evil demon*, 432. Their hatred of nautical strangers, as stated by Herodotus and by Strabo, 433, 434. Reason suggested for this, 434. Their aversion to the sea disproved by the very accounts given by Plutarch and Diodorus Siculus, of Osiris and Sesostris, accredited by the subsequent reference of Pliny, 435, 436, 437. Knowledge of, possessed by the Greeks before Psammeticus, imperfect, 437. Had a navy superior to that of the Phœnicians, 438. Transmitted to the Greeks themselves their notions of Isis, goddess of mariners, 439. Their energy and habits destroyed and perverted by the Persian invasion, 440. Physical surface and situation of their country induced nautical ideas and habits, 440, 441.

Elbeuf, manufactories at, work done in them stated, by M. Messance, to have been greater in cheap than in dear years, i, 140.

Elizabeth, Queen, abuse of patents under, D. xxi.

Emigration has not depopulated the

countries from which it has proceeded, (v, 193, d. True doctrine of, stated by Sir Josiah Child, 138, n. Reasons for promoting it in Ireland; 155. Committee of Parliament on, its reports referred to, 155.

Empire, to found a great one for raising a people of customers, looks like a project fit only for a nation of shopkeepers, iii, 41.

Employments, advantages and disadvantages of, always tending to equality, i, 164. Five circumstances which contribute to this tendency, 166.

Encyclopædia Britannica, its Supplement referred to on the subject of *Exchange*, ii, 318, n. For the article *Colony*, by Mr. Mill, 450, n. For a *Life of Dr. Quesnay*, iii, 136, n. For an account of *degradations of the standard of money* in Britain and other countries, iv, 314, d. n. For a view of the *British Fisheries*, 430, n. For a discussion of the principles of *Taxation*, 555, n. 557, n.

England had little gold coin till Edward III. and no copper till James I., i, 67. Arrangements successively adopted in, from 1257 till 1816, regarding gold and silver coins as legal tenders, 68, n. Overvaluation of gold with respect to silver in 1717, estimated by Lord Liverpool at $4\frac{1}{2}\%$ per cent., 71, n. Compared with North America, as to wages and population, 117, n. Rate of interest, how legally restrained in, by various sovereigns, 148. Property held by foreigners in the funds of, statements respecting, 153, n. Wages lower in, than in the colonies, id. Common people of, who are fed on wheat bread, stronger and more handsome than those of the same rank in Scotland, 265. Anciently exported wool to Flanders, 269. Prices in, little affected by supplies from the American mines till after 1570, 315. Civil war in, its effect on price of corn, 317. Exceeded by the lower districts of Scotland in husbandry, 364, n. Price of wool in, has fallen since Edward III., 378. Stockings first worn in, by Queen Elizabeth, 403. Wind and water mills unknown in, at the commencement of the sixteenth century; 404. Bank of, sketch of its history, ii, 28. Progressive issue of small notes in, 82, n. Increase of national wealth in, at different periods, in spite of many calamitous hindrances, 117. Perhaps the second richest country of Europe, 167. Common law of, abhors perpetuities, 183. Ancient tenants in, described by Gilbert and Blackstone, probably a species of *mesuagium*, 191. The country of Europe where the yeo-

manry has always been most respected, 192. Action of ejectment in, originated under Henry VII., *id.* Rich farmers of, great improvers, 198. Privileges of members of early corporations in, 203. King John, a munificent benefactor to the towns of, 206. Manufacture of fine cloths, when introduced into, 212;—early noted for the fabrication of these from Spanish wool, 215. Feudal law not common in, till after the Conquest, 221. Well fitted to be the seat of manufactures and of foreign commerce, 231. Ancient prohibitions in, against transporting the precious metals, 241. Forced to admit Flanders bone-lace, to procure the admission of her woollens into that country, 300. Facilities and importance of free commerce with France, as regards her, 347. Her North American colonies, causes of their rapid progress, 472;—expenses of the civil government of these colonies, 475. Limited the exportation of the surplus produce of her colonies by several acts, in which the commodities subject to limitation were enumerated, hence the term *enumerated commodities*, 480, 483;—injustice of these limitations, 483. Dealt more liberally with her colonies, in regard to importation from Europe, 489. Enriched her sugar colonies by stock sent from home, 497. Sectaries of, founded her North American colonies, 498. Supposed advantages which she derived from her exclusive trade in the enumerated commodities of her American colonies, *iii.* 7. Wealth of, had not increased since the act of navigation, in the same proportion as that of the colonies, 11. Her navy under Charles II. equal to the united fleets of France and Holland, 13. Good effects of her colony trade had in a great measure conquered the bad effects of the monopoly, 35. In founding her colonies, purchased for some of her subjects a great estate in a distant country, 12. Maintenance of monopoly was the sole end and purpose of that dominion which she assumed over her colonies, 43. Price paid by the inhabitants of, for the monopoly of the East India Company, 69. Valour of her soldiers in 1739, after a peace of twenty-eight years, 184. Administration of justice in, originally supported by fees of Court, 205. Present constitution of her courts, perhaps owing to emulation among the different judges, *id.* Dismemberment by, of Gibraltar and Minorca, from Spain, strengthened the family union of the House of Bourbon, 238. Public schools of, said to be more efficient than the universities, 274. Her custom of sending young men to travel immediately on leaving school, 285. Benefit of clergy in, state of things of which it was the result, 330. Power of the Pope, as to collation of benefices, restrained in, 333. Church reformation in, was incidental to the humour of Henry VIII., 337. Loyal principles of her churchmen, 338. Her church, next to that of Rome, the richest in Christendom, 345. Effect of this on her universities, *id.* Land-tax of, less equal than that levied in the Venetian territories, 376. Domesday-book, the result probably of an actual survey and valuation of the lands in, 383. Cultivation of madder introduced into, through a composition for tithe, 388. Several taxes on houses, how contrived in, 402, 403. Land-tax in, intended to be coequal with one on property, 409. Character of the property-tax in, 413. Land-tax of, like the *Vingtième* in France, 423. Miscellaneous stamp duties in, 434. History of the custom-duties in, 459. Merchants of, generally lend to the government, *iv.* 21. Fraudulent expedients tried to pay her public debt, 46. And Wales, population of, as enumerated every ten years during the 18th century, 144, *d.*; of ditto, by Census, in 1801, 1811, and 1821, 145. Number of people in, to a square mile of her territory, 150. Rise of her naval power not attributable to the navigation law, 384, *n.* Her situation, as to agricultural capital and industry, compared with that of France, 474. Annual value of the land of, and of tithe-free land in 1815, 550. Extent and expense of roads in, as stated 1818, 560. English Parliament, how managed under the Stuarts, and now, *iii.* 324. English people, great change which, since the 16th century, has taken place in the dress, manners, and diet of, *iv.* 141, *d. n.* Entails, a natural consequence of the law of primogeniture, *ii.* 181. Circumstances in which they originated, 182. Press on Scotch farmers, 193. Present state of the law of, as regards leases, *id. n.* History of, obscure, *iv.* 441, *d.* Statute of 13 Edward I. cap. 1, *de donis conditionalibus*, planned by the barons, its effects, 443, 444. Law of, in England, very near perfection, 444. Practice of, originated in Scotland, 1648, 445. Law of, founded on a maxim of the civil law, 447.

Argument alleged in favour of the practice of, 448;—remarks on it, 448, 449, 450. Are adverse to agricultural improvement, 451. Questions of difficulty which arise in dealing with the settlements under them, already made in Scotland, 455.

Enumerated commodities, origin of this term, ii. 480. . . What they were, 483. Distinction of, still kept up, but its application greatly modified, iv. 387, d. 368.

Epidemic diseases, their effect on population strikingly exhibits the operation of its principle, iv. 136, d.

Equality of advantages and disadvantages of employments,—three requisites which tend to, i. 189.

Erasmus, his striking account of the filthy domestic accommodation of the English cited, iv. 141, d. n.

Estates, landed, succession to, in modern Europe, regulated generally by primogeniture, iv. 442, d. Settled by the custom of England, from a remote epoch, under conditions, 443. Equal partition of, not justifiable from the example of the monied classes, 458;—sanctioned by the Roman law among the families of those who died intestate, 460;—examination of it as exercised in France, 461;—has long subsisted in Ireland, 476.

Europe, policy of, regards mechanics, artificers, and manufacturers as skilled, and agriculturists as common, labourers, i. 168. Inequalities of wages and profit occasioned by its policy, 196;—this policy obstructs the free circulation of labour and stock, from employment to employment and from place to place, 224;—this obstruction, as it affects labour, by means of poor laws, is peculiar to England, 226. Expense of land carriage in, enhances the price of manufactures, 337. Import of gold and silver into, from America, and export thereof to Asia, as computed by Baron Humboldt, 539, n. North of the Alps seems to have been, up to the beginning of the 16th century, ignorant of the use of wind and water mills, 404. Occupiers of land in, anciently tenants at will, ii. 185. What its progress would have been under a system different from that of the middle ages, cannot be inferred from what has taken place in English America, 231, n. Nations of, induced by the mercantile system to accumulate gold and silver, 241. No great nation of, ever enjoyed a free commerce to the East Indies, 270. Ancient policy of, encouraged the

popular odium against corn dealers, 400;—this policy as it regarded shopkeepers, 402. Circumstances which occasioned the first settlements from, in America and the West Indies, compared with those which directed the colonial establishments of Greece and Rome, 446. Culture of the sugar cane in all the colonies of, carried on by negro slaves, 495. Policy of, has little to boast in regard to the colonies of America, 498, 499;—sum of what it did for them, 500. Advantages which it has derived from the colonization of America, iii. 2. Agriculture of, indirectly encouraged by the demand which the colony trade causes for its manufactures, 34. Prospects of, as to an equalization of force with the new world, 60. Commercial towns of, how aggrandized by the discovery of America, and of a passage to India by the Cape of Good Hope, 61. Attempts of, to engross the trade of its colonies, have subjected it to the expense of supporting in time of peace, and defending in time of war, an oppressive authority over them, 64. Conduct of the nations of, to one another, with respect to their monopolies of commerce, 68. Has not established such numerous and thriving colonies in Africa and the East Indies, as in America, and why, 75. Ancient history of, bears witness to great abuses of justice, 199. Its law language corrupted by attorneys, 207. Commercial interests of, probably introduced the custom of keeping in neighbouring countries ordinary ambassadors, 224. List of joint stock companies ruined in, by mismanagement, given by Abbé Morcellet, 260. Principal banks of, are joint stock companies, 261. Endowment of schools in, makes no charge on the general revenues of its several states, 266. Universities of, were mostly at first ecclesiastical corporations, 275. Ancient division of philosophy into three parts changed into one of five by the greater part of the universities of, 280, 284. Immense power of the church of Rome in, during the 10th, 11th, 12th, and 13th centuries, 330. Decline of the temporal power of the clergy in, 331. Rent of crown lands, long the greater part of the revenue of its sovereigns, 360. Ancient manners of, sufficiently prepared the people for war, 361. Sale of crown lands in the monarchies of, might produce a fund available to reduce the public debt, 365. Occupiers of land in, how originally

taxed, 416. Cannot augment its population in any thing near the same ratio of increase which has prevailed in the United States, iv. 128, d. 130. Increased healthiness of, during the last half century, 142. No country of, so densely peopled as Ireland, 150.

Evasion of taxes by smuggling,—peculiar state of the opinions of society regarding it, iii. 491. Sanguinary consequences of, in France, under the old salt and tobacco laws, 501.

Exchange, ordinary course of, between any two places, indicates that of their exports and imports, ii. 313. Difficulties in judging of this, 315. The state of, a mark for sustaining the value of paper money, iv. 233, d. Effect on, under Mr. Ricardo's plan, in circumstances stated by Mr. Tooke, would be obviated by an increase of exports, 246, 247, 219. Every slight variation of, affects a currency of specie, 251. Would be a constant guide to the directors of the Bank, under the system proposed of a paper currency convertible into bars of gold, 252, 253. Depression of, for any considerable period, along with an exportation of gold, proof that the currency is relatively redundant, 255, 256. Extraordinary fall of, in 1809 and 1810, a cause of the appointment of the bullion committee, 266. Decline of, in 1824, not attended to by the Bank directors till 1825, 271, 272. A statement of the *par* of, with Hamburg, Amsterdam, Paris, and New York, should be published weekly by the Bank of England, 300, 301; importance of this regulation, 302.

Excise, duties of, what they are, iii. 457. Judiciously fixed, 465. Obstruct the smuggler, 466. Gross produce of, in 1775, 473; and at January 1827, *id.* *n.* On malt, now levied on that used by private families, 474, *n.* Existing on malt, 475, *n.* Gross produce of, in Britain at Jan. 1827, 488, *n.* Are more unpopular, as well as the officers who levy them, than those of the customs, 492. System of, in Britain, would have required modification if applied to the colonies, iv. 50.

Executive power, how originally separated from the judicial, iii. 208.

Expense, of the wealthy, different characters of, ii. 125.

F.

Families, old ones rare in commercial countries, ii. 227.

Farmers, *gentlemen*, should gain both rent and profit, i. 91. Domestic circumstances, and progress of improvement, lead them to rear poultry and hogs, and to have recourse to the dairy as sources of profit, 367. Action of their capitals, ii. 148. Origin of, in Europe, 191. Security of, in England, 192. Rich, great improvers in England, 198. Loudly called for a new corn law in 1804, iv. 323, d. Witnesses examined before committee of Parliament in 1814, unanimous that the protecting prices of 1804 were insufficient, 327. Derive only a very temporary benefit from a bounty, 337. How they suffer from luxuriant crops by the want of exportation, 341. Would have profited nothing from a *complete exclusion* of foreign corn since 1813, 342;—this evinced by the ruinous fluctuations they have been exposed to, 343. Reap no advantage from the rise of price occasioned by restriction, 351. Ought to join in petitioning for its abolition, 358. Profit derived by, in Illinois and Indiana, from low prices, compared with that realized in England from artificially high ones, 359. Taxes which affect them,—their operation as entitling this class to any specific relief, null, 364. Largest proportion of taxes on, *paid out of rent*, 366. Amount of protection which they really need, 368. Better with a constant than a graduated duty, 372;—would then be entitled to a drawback on their exports, 373.

Fees of Court might defray the whole charge of the administration of justice, iii. 203. Made up the far greater part of the emoluments of the judges in the parliaments of France, 204. Originally the principal support of courts of justice in England, 205.

Fertility of the soil, its different degrees in different countries, and in the same, as connected with the principle of population, iv. 128, d. 129.

Ferussac, M. de, his *Bulletin des Sciences*, 1826, referred to for a memoir on the Statistics of France, since 1775, by M. Benoiston de Chateauneuf, iv. 156, d.

Feudal Governments, treasure-trove part of the revenue of, ii. 17. *Law*, introduction of, to be regarded perhaps as an attempt to restrict the authority of alodial Lords, 222.

Fire-arms, invention of, changed the art of war, and has favoured civilization, iii. 188.

Fish, rent paid in the Shetland Isles for

the facility of catching and storing, i. 240. Quantity of, brought to market; how limited, 385.

Fisheries should be emancipated from the fostering of government, iv. 430, d.

Fishermen have been poor since the time of Theobertus, i. 167.

Fitzgerald, Mr. Maurice, his evidence respecting the condition of the *Irish Poor* quoted iv. 151, d.

Flanders manufactured the finer sorts of broad cloth exclusively until the use of the fulling mill was introduced into England, i. 405. Still one of the richest and most populous provinces of Europe, from its agriculture as well as commerce; ii. 235.

Fleet, plan for efficiently manning the, iv. 400, d. 401. Improvement on its character by abolition of impressment, 401, 403, 404, 406.

Fleetwood, Bishop, error repeated by, in his *Chronicon-Preiosum*, i. 300. Incredible price of wheat in 1270, given by, 303. His general diligence and fidelity, 305. His extract from an account between the Prior and one of the Canons of Burecester, Oxford; in 1425, 380.

Florence, republic of, obliged to pay debts incurred by the extravagance of the agents of Lorenzo de' Medici, when a merchant, iii. 357.

Food,—true sense of Dr. Smith's proposition regarding constant relation of its price to capital, profit, and a surplus to the landlord, iv. 108, d.

Forbonnais, M. espoused the leading principles of the mercantile system, D. xxiii.

Foreigners, property in the English funds held by, at various periods,—statements respecting, i. 153, n. —in the British funds really very inconsiderable, iv. 34, n.

Foreign Shipping, regulations regarding, under Mr. Wallace's Bills of 1821, iv. 387, d. 388. Remarks on the complaints of the English ship-owners regarding the competition of, 394, 395. Account of, entered inwards into the ports of Great Britain, from 1814 to 1826, both inclusive, 396.

Foreign travel, misuse of, as regards the young men of England, iii. 285.

Forestalling, laws against, exposed by Child, D. xxvi. Laws regarding, ii. 400, 401, 408, id. n. *Common law* of, how it stands, 409, n. Public much enlightened regarding this imaginary offence, 410, n.

Popular fears of, compared to the terrors of witchcraft, 412.

Forgers of coin, number of convicted in seven years, ending with 1796, iv. 282 d. Punishment inflicted on, seems unequal while the issue of notes, absolutely worthless, is permitted, 282.

Forgery; its alarming increase since 1797, iv. 242, d. Easily imitates the notes of the Bank of England, 243. Successful plan for the prevention of, by Mr. Oldham, 243. May be met without the issue of *imitable* notes, 244, 245.

Fortrey, Mr. impugns the French trade in 1663, D. xxviii. Offers a good argument in favour of enclosures, id. n.

Ports,—necessary in certain foreign settlements as instruments to facilitate particular branches of commerce, iii. 223.

Fortune, superiority of, cause of distinction of rank, iii. 192.

France, trade with, declared a nuisance under William III. D. xxix. Commercial treaty with, in 1713, fiercely attacked by the *British Merchant*, xlv. n. Restraints on trade with, ridiculed and condemned by Sir Matthew Decker, xlvii. Louis d'or rated in, up to 1785, at only 24 livres, i. 71, n. Legal rate of interest in, statements respecting, 150. Dwelling houses in, 195. Duration of apprenticeships in, 200. Proprietors of old vineyards in, obtain, in 1731, an order of council prohibiting the planting of new ones, 255. Corn and wine both carefully cultivated in her provinces of Burgundy, Guienne, and Languedoc, 256. Average price of grain in, during the 15th and 16th centuries, 297. Labouring poor of, eat little butcher's meat, 308. Rise of the value of silver in proportion to corn in, remarked by Messrs. Dupré de St. Maur, Messance, and the author of the *Essay on the Police of Grain*, 324. Exportation of grain from, prohibited by law till 1764, id. Money price of labour in, sunk from 1650 to 1750, 327. Remark by the Emperor Charles V. on the comparative wealth of, in relation to Spain, 331. Silver coin of, greatly exceeds in value the gold, 349. Fattening of ortolans said to be common in some parts of, 367. Feeding of poultry considered in several provinces of, as a very important article in rural economy, 368. Price of pork in, according to Buffon, was nearly equal to that of beef, 370. *Métayers*, their condition in, ii. 190. Short protection to tenants against heirs

and purchasers, anciently, allowed there, 194. *Taille* of, what it was, 106;—*contribution foncière* now levied in its place, 197, *n.* Origin of magistrates and councils of cities in, 206. Cultivation of mulberries, when introduced into, 213. Great Lords of, had extensive power, allodially, before the introduction of the feudal law, 221. Had much foreign commerce a century before England, 233. Ancient prohibition in, against transporting the precious metals, 241. Particularly forward to favour her own manufactures by restraining importation, 299. Causes of her war of 1672 with the Dutch, partly commercial, 300. Set the first example of prohibition, in her commerce with England, *id.* High duties on the wines of, in England, 309;—also on cambrics from, *id.* Arguments for a free trade with, 310. Effect of invasion from, in 1672, on the Bank of Amsterdam, 328. Facilities which she possesses for a perfectly free intercourse with England, 347. Her population now more than 31,000,000, 348, *n.* Her attempt to settle in Florida, 468. Her colonies, 470;—origin and fate of that of St. Domingo, 471, and *n.* Colonies of, were subject, in respect of the law of succession, to the *Custom of Paris*, 473. Never drew any considerable revenue from her colonies, 476. Progress of her sugar colonies equal, if not superior, to those of England, 495. Planters of, superior in the management of their slaves to the English, *id.* Unequal system of taxation in the provinces of, *iii.* 51. Enjoyed an exclusive trade to Senegal, 111. Influence exercised on her internal commerce and industry, by Colbert, 121. On the system of the Economists, is a country which can be enriched by industry and enjoyment, 199. Greater part of the produce of her agriculture consumed at home, 153. Emoluments of her Judges, in the parliaments, made up mostly of fees of Court, 204. Funds for the reparation of roads in, are under the direction of the executive government, 218. Partiality in the management of the roads of, 221. *Corvées*, instruments of tyranny in, 223. Ambition of M. Duplex, her governor of Pondicheri, 251. Old administration of her universities referred to, 270. Violence of the government of, towards the parliaments, seldom succeeded, 324. Power of the Pope, as to collation of benefices, restrained in, 333. Pragmatic sanction made (the clergy of more independent) on the papal court, 335. Lands of, held by noble tenure, exempted from the *predial taille*, 385. Details respecting the imposition of, the *taille* in, 417, 418. *n.* *Taille* abolished in, at the Revolution, 419. What the *Vingtième* of, 423. Her stamp duties, 429. Did not complain of them, 432. Her *taille* partly a tax on wages, 438. Capitation tax in, was oppressive and unequal, 442. Shoes were not considered as a necessary of life by the lower ranks in, 445. Duties levied there called *peages*, 488. Complexity of her revenue laws in former times, 495, 496. These abolished at the Revolution, 497, *n.* Her internal trade now quite free, 498; *n.* Her taxes on tobacco and salt were farmed, 500. Reforms, of which her financial system was susceptible, 502;—these suggestions have been attended to, 503, *n.* Tontines invented in, *iv.* 19. More of her debt was raised by annuity than in England, 20. Amount of her public debt in 1764, *id.* Character of those who lent to the government of, 22. King John of, adulterated the coin, and swore the officers of his mint to secrecy, 46. Her population cannot be agumented nearly in any thing like the same ratio with that of the United States, 128, *d.* 130. Ravages caused by the massacres and wars of the Revolution, did not sensibly retard the increase of her population, 137. Improvement in the health of the people there since 1775, 156, 157. Diminution of marriages in, 159. Population of, in 1780, 1825, and 1826, 161, 162. Increase of illegitimate births in, to what ascribed, 162. Proportion of births to a marriage in, almost the same as in England, 163, *n.* Great expense of her metallic currency, 215, 216. Commercial treaty with, in 1786, considered, 412;—was a memorable instance of good faith regulating the intercourse of nations, 414. Her mutual interest with Britain beautifully and forcibly pointed out by Mr. Pitt in the House of Commons, 415. 416. Unwise policy of the government of, in preventing the introduction of English hardware and cotton goods, 417. New law of succession in, 450;—its motive emergent and occasional, 461;—its consequences, 462;—how it is defended, 463, 465. Agricultural state and population of, how affected by the law of equal par-

tion, 466, 467, 468, 470, &c. Effects of the almost infinitesimal division of land in, as noticed and predicted by Mr. Young in 1789, 472. Agricultural industry of, as compared, in its economy, with England, 474. Increase of towns in, owing to the increasing cultivation of the potato, 480. Baron Dupin's view of the administration of the roads in, correct, 559.

Frederick II. and III., Kings of Prussia, amassed considerable treasures, iv. 5.

Freedom of industry, primary circumstances which led to enactments restricting it, D. xviii.

Freedom of trade congenial to the system of the Economists, iii. 132, 134. The establishment of, would prevent fluctuations and revulsions, iv. 424, d.

French commodities prohibited for three years in 1678, D. xxix.

Frugality of individuals, how it has lessened the effects of public waste, ii. 120, and *n*.

Fuller's earth, penalties on the exportation of, iii. 106. May now (1827) be exported on paying a half per cent. *ad valorem*, id. *n*.

Fullerton, Mr. his view of the Ryotwar system of territorial revenue in India, iv. 514, d.

Funding system, origin of, in Britain, iv. 10. Its subsequent progress, 12, 16, 17, 18, 26, 27, 28, 29. Absurd panegyric of, which had been urged, 30. Delusive character of, 32. Multiplication of taxes which it brings along with it, 33. Its effects on national and individual wealth, 34; this further illustrated, id. *n*. Gradually enfeebled the states which adopted it, 38. Compared with raising extra-supplies within the year by increase of taxation, 560, d. Its facility only an occasional merit, 563. Compared with the plan of raising directly from the subject the supplies wanted, 565, 567. By borrowing from foreigners, erroneously stigmatized by Raynal, Blackstone, Hume, and Montesquieu, 572.

Furniture, vicissitudes in its changes of masters, from changes of fashion and fortune, ii. 123.

G.

Gaete, Duc de, his *Mémoires sur le Cadastre* cited, iv. 471, d.

Guliani, Abate, asserts, in his *Trattato della Moneta*, 1750, that labour is the only source of wealth, D. xxxix.

Garnier, Marquis, proposes to exclude the high and low prices of wheat during the 13th century, in order to obtain a more accurate medium, i. 413, *n*. His remarks on *natural price*, iv. 89, d. Conclusion drawn from his statements in favour of the law of equal succession in France, 467.

Gassendi seduced, by love of ease, from a professor's chair at Aix, into the church, iii. 314.

Geneva, church of, value of livings in, compared with that of England, i. 219; iii. 313, 345.

Genoa, corn why dear at, i. 313. Enfeebled by the funding system, iv. 58.

Génovesi, an adherent of the mercantile system, D. xxii. His *Lezioni di Commercio*, 1764, superior to Sir James Stewart's *Principles of Political Economy*, l.

Gentlemen, country, round London, petitioned Parliament, about 1726, against the extension of turnpike roads, i. 245.

Gentz, M. the ablest defender of the funding system, iv. 567, d.

Gibbon's Roman History cited, in proof that plenty in one province relieves scarcity in another, iv. 310, d.

Gibraltar, originally garrisoned for protecting the Mediterranean trade, iii. 237.

Gilbart, Mr. his *Practical Treatise on Banking* cited, iv. 218, d. *n*. 227.

Gladstone, Mr. his evidence before the Lords committee of 1826, on Scotch and Irish currency, quoted, iv. 294, d.

Gold, circumstances in which it is found, facilitate the evasion of tax on, i. 283. Relative proportions of, to silver, before and since the discovery of American mines, 346. Drain of coin from the Bank of England previously to 1772, causes of, ii. 46, *n*. (See BULLION and METALS, *Precious*.)

Gorgias, an Athenian teacher, his wealth and splendour, i. 222.

Governments, expert in mutually copying the art of draining money from their people, iii. 430.

Grain, generally dearer in England than in Scotland, i. 125, *n*. All sorts of, dearer since 1765, in Britain, than formerly, 126.

Grass, high value of, in the neighbourhood of large towns, i. 248.

Greece, Ancient, many branches of manufacturing and commercial industry regarded as degrading in, D. iv. In several states of, foreign trade was prohibited,

iii. 154. Circumstances of, in respect to the warlike habits of her people, 167, 169, 170, 174. Plan of education in the republics of, 286, 288. Law seems not to have grown up to be a science there, 291. Her encouragement of military exercises in, 302;—effects of this, 301. The eminent among her mere *literati*, almost all either public or private teachers, 345. Every citizen of, was a soldier, 360. Linen not used in, 444. Pirates of, excited the precaution of the Egyptians, iv. 434, d. Had little knowledge of Egypt, or intercourse with it, prior to Psammeticus, 437. Her writers knew Egypt only as a conquered country, 439;—from thence she borrowed the worship of Isis, 439, n.

Greek colonies sometimes furnished a military force, but seldom any revenue, iii. 5. Progress of, an early proof of the principle of population, iv. 127, d.

Greek language, study of, came into fashion with the Reformation, iii. 277.

Ground expenses, (*dépenses foncières*) what according to the Economists, iii. 128.

Ground-rent, as affected by a tax on the rent of houses, iii. 393, 396. A proper subject of taxation, 399. More so than even the rent of land, 400.

Guanaxuato, mines of, the most productive in America, i. 329, n.

Guernsey, island of, more lightly taxed than any part of Britain, iii. 50.

Guilbert, Pierre le Pésant Seigneur de Bois, his *Détail de la France*, 1695, remarkable for its assertion of the freedom of commerce and equality of taxation, D. iii.

Gums, as *enumerated commodities*, were free from duty under the statute 8 Geo. I. cap. 15, iii. 110. Afterwards subjected to duty, 111. Present duty on, 112, n.

Gustavus Vasa, how led to favour the reformation in Sweden, iii. 336.

H.

Habit, its power over our ideas as to necessities and luxuries, iii. 444.

Hales, Chief Justice, under Charles II., his computation of the expense of a labourer's family, i. 128.

Hall, Mr. his *Observations on the Warehousing System and Navigation Laws* cited, iv. 395, d.

Hamburgh, the bank of, its *agio*, ii. 319. Purely one of deposit, and carried on for the accommodation of subscribers to it,

iv. 219; d. Receives no deposits in coin, but only in assayed bullion, 220. Warehouse rent charged by, on the rate of issue, 221. Its constitution commended, 221, 222.

Hamburgh, city of, derived a revenue from keeping a pawn-shop, iii. 358.

Hamburgh Company of merchants of England, its institution, iii. 228. Has in effect ceased, 229, n.

Hanseatic league became formidable under the emperors of the Suabian dynasty, ii. 206. Fate of many of the towns of, has become historically uncertain, 235.

Harris, Mr. not totally free from the error of thinking that the importation of durable, is more advantageous than that of rapidly perishable, commodities, D. xxvii. His *Essay upon Money and Coins*, 1757, commended, xlvi.

Haygarth, Dr. his estimate of the ravages of small-pox noticed, iv. 139, d.

Heberden, Dr. his *Tract on the Increase and Decrease of Diseases* referred to, iv. 141, d. n.

Hénault, President, his remark on the features which the self-importance of the memoir writers of the *League* has given to history, iii. 56.

Hentzner, Paul, his notice of the simple fashion of the *presence chamber* of Queen Elizabeth, iv. 141, d. n.

Herbert, M. his *Essai sur la Police des Grains*, 1754, a very able treatise, D. lvi.

Herodotus cited, iv. 433, d.

Herring fishery, change effected on laws regarding, since Dr. Smith wrote, iv. 428, d. Has recently made great progress, 429. Table of quantity of herrings cured, &c. from 1810 to 1826, 429. Commissioners of, their report of the boats and hands employed in, 430. Should be emancipated from government management and interference, id.

Hoyno, Professor, his *Disquisitiones on Colonies in his Opuscula Academica* referred to, ii. 449, n.

Hides, price of, in 1425, i. 380;—in 1773, 381. Exportation of raw declared a nuisance, 382. Exportation of, prohibited, iii. 107.

Highlands of Scotland, the women of, prolific, i. 131.

Highways, instruments of commerce, and supported by it, iii. 212. Management of, in Britain, its abuses, 214. Question as to where the control of should be vested, iv. 559, d. Extent and expendi-

ture of, in England and Wales, as stated in 1818, 560.

Historians, neglectful of useful facts relative to the economical state of ancient nations, and of Europe during the middle ages, D. xi.

Hoarding treasure, causes of its frequency in feudal times, iv. 3.

Hobbes, duly aware of the vast importance of labour in the production of wealth, D. xxxv.

Holland, low rate of profit in, solely owing to taxation, i. 152, n. Rate of wages in, said to have been higher than in England, id. Unfashionable in, not to be a man of business, 161. Lands in, chiefly devoted to the production of grass, 248. Corn, why dear in, 313. Richest country in Europe, for the extent of its land, ii. 167. Imported rather than bred its lean cattle, 288. Retaliated, in 1671, the prohibitory system of France, 299. One most important branch of her trade was the carriage of French goods to other countries, 311. State of her exchange with England under King William, 315. Market price of bullion in, was generally above the mint price, 323. Good faith of her inhabitants, 331. Invasion of, by the French in 1795, accelerated the fall of the Bank of Amsterdam, 335, n. Was nearer the character of a free port than any other country in Europe, 350. Her early conquests in Brazil, 467. Her settlements in the West and East Indies put originally under an exclusive company, 469. Her navy during the war in Cromwell's time inferior to that of England, iii. 13. Her conduct respecting the spice trade, 68. Greatness of her mercantile capital, 71. Her settlements in Africa the most considerable of any European country, 76. Burnt the spiceries produced by a fertile season, if beyond what she expected to dispose of in Europe, 77. Is, on the system of the Economists, a country which can grow rich only through parsimony and privation, 129. Draws her cattle from Holstein and Jutland, and her corn from all the countries of Europe, 145. Her East India Company maliciously annoyed that of England, 217. Spirit of faction fostered in, by the popular election of pastors, 340. Long enjoyed a monopoly of the cultivation of madder from the absence of tithe, 388. Houses, how taxed in the province of, 402. Temporary property tax in, how paid, 412. Tax on servants in, 422.

Tax on successions in, 425. Taxes on stamps and on registration in, 429. Was the first country in which stamp-duties were levied, 430, n. Suffered from a tax on bread, 453. Inhabitants of, paid a tax for a licence to drink tea, 457. Reflections on her system of taxation, 505. Her republican institutions the support of her grandeur, 506. Her sinking fund of 1655 arose from a reduction of interest, iv. 24. Her capitalists said to have had large sums invested in the British funds, 34. Much enfeebled by debts, 39. Her system of taxation inconvenient and oppressive, id. Enmity to her, the cause of the English act of navigation 1651, 378, d. —this enmity equally actuated the restored government under Charles II., 380. Was very powerful at sea long after the passing of the English navigation laws, 381. Her wars the cause of her decline, 382. Oppressive taxation, how felt in 1751, 383.

Horner, Mr. F. employed on the bullion report, iv. 266, d. His impressive testimony in the House of Commons, to the immense destruction of bank paper in 1815, 1816, 268.

Horns of cattle prohibited to be exported, iii. 107. May now (1827) be freely exported, id. n.

Horse, price of a good one in Chili, as stated by Mr. Byron, i. 306. Yoked to a gentleman's coach may be as productively employed, for any thing *a priori* known to the contrary, as if working in a brewer's dray, ii. 5, n.

Hospitality seems not to have been ruinous in feudal times, iv. 2.

House rent in London, how rendered tolerable to some of the middling class, i. 195.

House tax in England, history of, iii. 402, 403. Present rate of, in Britain, 404, n.

Houses insured, number of, increased greatly since Dr. Smith wrote, i. 179, n. Spacious, a striking evidence of former wealth and greatness in some countries, ii. 124.

Hudson's Bay Company, account of, iii. 242. Profits of, did not seem to exceed the average rate, 243.

Humboldt, the Baron, his *Essai Politique sur la Nouvelle Espagne* cited, i. 329, n. His estimate of the imports of gold and silver from America into Europe, and of the subsequent exports thereof from it, 339, n. His table of the annual produce of the

mines of America at the commencement of the 19th century, 343, *n.* His estimate of the different capacity of the soil to furnish food when planted with bananas and sown with wheat, *iv.* 163, *d.* His statement of the different wages paid in the hot and temperate districts of Mexico, 178. His statement of the population of the West India islands, 410. His account of the distribution of races in continental and insular America, from his *Essai Politique sur l'Isle de Cuba*, 411.

Hume's Political Essays, 1752, characterised, *D.* *xlviii.* His statement of the value of a fleece in relation to the sheep in Saxon times, *i.* 376. His *Political Discourses*, 1751, 1752,—their publication referred to, *ii.* 85. Noticed the tendency of commerce and manufactures to introduce order and good government, 218. Frequently notices the inability of the ancient kings of England to carry on long foreign wars, 264. His *Essay on Public Credit* cited, *iv.* 572, *d.*

Huskisson, Mr. his remark of the hazard and difficulty to which the Bank of England is exposed, during checks to credit, by the conduct of the country bankers, *iv.* 291, *d.* His speech on the state of the shipping interest, 12th May 1826, quoted, 392.

Hutchinson's *History of Massachusetts's Bay* cited, *iv.* 59.

I.

Illegitimate children, increase of their number in France, and to what attributed, *iv.* 162, *d. n.*

Immigration, allowance made for its effect in calculating the population of North America, *iv.* 128, *d.*

Importation of durable rather than of rapidly perishing commodities erroneously preferred by Mun, Child, and others, *D.* *xxxvii.* Of cattle, &c. from Ireland prohibited, 1661;—this measure properly censured by Sir W. Petty, *xxxi.* Restraints on, from a regard to the balance of trade, *ii.* 308;—their unreasonableness further shown, 334. Encouragement of, by exemption from duties, *iii.* 88;—by bounties, 91, 93. Restraints on, their true character, 117.

Imposture, a gross one by the clergy facilitated the establishment of the reformation in Berne and Zurich, *iii.* 336.

Impressment, its cruelty; *iv.* 397, *d.* Arguments used in its favour, 398. Not necessary for the manning of the fleet,

399. Suggestions for the practical abolition of, 400, 401;—objections to this plan answered, 402. Rising power of America, and her relative situation to us, will compel the complete abolition of, 405. At once costly and cruel, 406.

Improvement, different effects of its progress on three different sorts of rude produce, *i.* 356. Diminishes gradually the real price of almost all manufactures, 398.

India, intercourse with, by the Cape of Good Hope, influenced the change in the system of dealing in the precious metals, *D.* *xiii.*;—discovery of this passage more favourable to commerce than even that of America, *ii.* 269. Quantities of silver annually carried to, *had*, in some of the English settlements, gradually reduced its value in relation to gold, *i.* 346. *British*, faulty character and genius of its local administration, *iii.* 81. Local councils of, have acted on occasions with resolution and decisive wisdom, 85. *Ancient*, favoured agriculture above all other employments, 151. *British*, fate of Mr. Fox's bill on the affairs of, *iv.* 493, *d.* Mr. Pitt's measures regarding the home superintendence of the government of, 494. Revenue of, in 1793, 195;—in 1797, 497;—in 1813, *id.*;—up to 1824 inclusive, 499. Question as to the collection of a surplus revenue from, 500. Revenue of, its source, 501. Zemindars in, what, 502. Ryots of, their condition as settled by Lord Cornwallis, 503. Liberality of the Company in England towards it, 509. Ryotwar system of taxation in, 511, 514. Effects of partial opening of the trade to, 517, *n.* Exports and imports to and from, up to 1826 inclusive, 523.

Industry not, on an average, better rewarded in towns than in the country, *i.* 208, *n.* *Foreign*, cases in which it may be advantageously burthened for the encouragement of domestic, *ii.* 292;—sometimes taxed to allay the clamours of the home manufacturers, 295. Its vivifying principle the power of exchange, *iv.* 474, *d.*

Inhabitants, number of, to a square mile in Ireland, England, and Wales, and the Netherlands, *iv.* 150, *d.*

Inland navigation of the Delta of the Nile, chief cause of the early improvement of Lower Egypt, *i.* 40.

Instruction of the inferior ranks of people, its importance, *iii.* 305.

Instruments of trade, enumeration of

several of which the exportation was hampered by duties, iii. 109. These, as regulated by statute 6 Geo. IV. cap. 111, either wholly free, or subject to only small duties, 110, n.

Intellectual character, how affected by the division of labour, iii. 296. In rude societies, 298.

Interest, Mr. Massie's tract on, D. xxvii. Laws regulating the rate of, justly condemned by Sir William Petty, xxxi. Rate of, regulated by various sovereigns of England, i. 148. Decline of, caused by a decline of profits, 155, n. Rate of, in Bengal, 157. Sometimes raised by defects in the law, 159. Capital lent at, how regulated, ii. 129. High rate of, before the discovery of the Spanish West Indies, to what causes really owing, 133, n. No law can reduce its common rate, 139. Tax on, iii. 406. Less a proper subject of taxation than the rent of land, 407. Rate of, its effects on the issue of paper money, iv. 235, d. 236.

Ireland, *Political Anatomy of*, perhaps the best of all Sir William's Petty's works, D. xxxi. Strong men and handsome women of, fed on potatoes, i. 266. All restraints on the commerce between and Britain repealed, ii. 287, n. Her commercial intercourse with Great Britain, since 1823, has been nearly on the footing of a coasting trade, iii. 495, n. Expense of the government of, 1775, iv. 53. Was bound, in justice, to contribute to pay the debt of Britain, 64. What she had to expect from a union with Britain, 65;—how far these expectations have been realized, 66, n. Rate of increase in her population since 1750, not very inferior to that remarked in the United States, 147, d. Population of, in 1672, as reported by Sir William Petty, 148;—by a census in 1731, 149;—by the estimate of Mr. Newenham in 1803, id.;—by a partial census in 1812, id.;—by census of 1821, id.;—by estimate of Sir Henry Parnell in 1827, 150. Perhaps the most densely peopled country in the world, id. Number of people in, to a square mile, id. Misery and destitution, which are the consequences of her excessive population, 151, 152, 153, 154. Comparative produce of an acre of land in, planted with potatoes or sown with wheat, 165. Butcher's meat little used in, 166. Wages of labourers in, regulated by the lowest possible standard, 167. Potatoes not intro-

duced into, till 1610, 170. Custom of equal partition of inheritance has long prevailed in, 476. Her circumstances how degraded by this custom, 477, 479.

Irvine, Mr. his *Observations on the Law of Entail*, 1826, referred to, iv. 453, d. n.

Isis, worship of, by the Greeks and Romans, as *Aphrodite*, *Thetis*, *Venus*, iv. 439, d. n.

Isocrates, large sum received by him for a course of lectures, i. 222.

Italian writers on Political Economy, the collection of (*Scrittori Classici Italiani di Economia Politica*) commended, D. lii. n.

Italy, Ancient, much of its land devoted to the production of grass, i. 248. Tillage discouraged in that part of it which lay near Rome, and how, id. Only country of Europe cultivated and improved by foreign commerce, ii. 234.

Jablonski, his *Pantheon Ægyptiorum* cited, iv. 435, d. His *Origines* cited, 435, 437, 439.

Jacob, Mr. on *Mexico*, in Supplement to Encyclopædia Britannica, cited for the annual produce of the American mines, i. 344, n. His view of the agriculture of Germany referred to, iv. 471, d. n.

James, King, act of parliament 21 Jac. I. cap. 3, abolishing monopolies, D. xxi.

Jameson, his *Spicilegia Antiq. Ægypti* quoted, iv. 436, d. n.

Jersey, island of, more lightly taxed than any part of Britain, iii. 50.

Jews, naturalization of, justly and forcibly defended by Child, D. xxvi.

Joint Stock Companies, how they differ from regulated companies, iii. 238, 239.

Cruelly abused their right of making war, 258. Circumstances under which, in establishing a new trade, it may be reasonable to grant a monopoly to, 259. List of 55 which had failed from mismanagement, given by the Abbé Morellet, 260. Enumeration of trades which they may carry on successfully, 261. Limits to their formation from reasons which ought to be assigned for their proposal, 263. Their utility in banking and insurance, 263, 264. Joint Stock Banks, modification, in 1826, of the law of 1708, regarding their formation, examined, iv. 274, d. 275, 276, 277.

Josephus cited for a statement of Manetho, that Sesōstris was called Ramesses, iv. 436, d. n.

Judges, what they were under Henry II., iii. 199. When, in the progress of society,

fixed salaries were appointed to them, 202; of which their honourable office compensates the moderation, 203. Their income in the parliaments of France, 204. Emulation of, in England, 205. Of the Court of Session in Scotland, partly paid from the interest of a sum of money, 207. Should be independent on the executive, 209.

Judicial power, how originally separated from the executive, iii. 208.

Justice, no regular administration of, in the early stages of society, iii. 189. Abused by its administration being made subservient to purposes of revenue, 199. Natural cause of the corruption of, in nations of husbandmen, 201. Never administered gratis in any country, 202. Whole expense of, might be defrayed by fees of Court, 203. How administered in the parliaments of France, 205. Improved in England by the emulation of the respective judges of different courts, id. Expenses of, might be defrayed by a stamp duty on law proceedings, 206. Expense of its administration may be considered as laid out for the benefit of the whole society, 351; but this remark is more applicable to criminal than civil jurisprudence, id.

K.

Kalm, Mr. his *Travels*, 1749, cited for an account of the husbandry of the English colonies in North America, i. 365.

Kames, Lord, his *Sketches of the History of Man* cited, iii. 370.

Kelp, rent paid in Scotland on the cutting of, i. 240.

Kenyon, Lord, thoroughly imbued with popular prejudices on the subject of forestalling, ii. 409, *n*.

King, Mr. his computation, in 1688, of the ordinary income of labourers, i. 128;—of the average cost of wheat to the grower, 321.

Kinnear, Mr. his estimate of the amount of deposits in the Scotch banks in 1826, iv. 226, *d. n*.

L.

Labour, division of, great cause of improvement in its productive powers, i. 15. Correction of Dr. Smith's speculations on the principle which gives rise to this division, i. 54, *n*. Of able-bodied slaves and of free labourers compared by

Mr. Cantillon, 114. The ultimate price which is paid for every thing, 310. Money price of, stated to have risen greatly during the course of last century, 327. *Productive and unproductive*, definitions of, ii. 93. Division of, how it affects the intellectual character of a people, iii. 296. On the definition of, iv. 73, *d*. The term significant of the action of machines or natural agents as well as of men or animals, 74. Want of value the distinguishing circumstance in, that of natural agents, 75, 76. Restriction of the term to express the action only of man or of animals objectionable, though in some respects desirable, 77. Its only criterion the production of a desired effect, id. Illustrated in the action of natural agents, after that of man or machinery has ceased, 78, 79;—error of M. Say, in placing additions of utility thus obtained to the exchangeable value of the commodities which receive them, 79, 80. The most abundant source of exchangeable value, 82. Circumstances under which it exclusively determines the value of commodities, 84, 85. Derives no real value from the inventions by which its productive powers are augmented, 92. Some given quantity of, the only unvarying standard of real value, 94. Determines, in a free market, the *proportions* in which commodities will be exchanged for each other, 96. Paid by labour, but not in proportions identically and invariably equal, 97.

Labourers in Britain, condition of, in 1775, statements and remarks respecting, i. 127. Their property in their labour most inviolable, 201. Their interest strictly connected with the interest of society, 409. Improved education of, extended their perceptions of their interest, 410, *n*. *Unproductive* maintained by revenue, ii. 98. Their condition in America, iv. 130, *d*.;—in Ireland, 151, 152. In England and Ireland compared as to the consumption of butcher's meat, 166. Of Ireland degraded by their exclusive use of the potato, 167. In England and Scotland tempted also to resort to it, 171. Their wages considered as *market and natural* wages, 173. Combinations of, generally do not affect the rate of wages, 173. Moral restraint the only lasting source of advantage to them, 175. Should be taught the principles of population and wages, 175, 176. How endangered in years of plenty, or by the substitution of cheaper

food, 179. Their condition in Britain and Ireland compared, 179, 180, 182.

Lafitte, M. his *Réflexions sur la Réduction de la Rente* quoted, iv. 467, d.

Land, rent of, account of its nature and the circumstances in which it arises, and by which its amount is regulated, i. 239. Produce of, in the opulent countries of Europe, partly employed to replace the capital of the farmer, ii. 100;—different state of things in feudal times, 101. Ordinary market price of, regulated by the ordinary market rate of interest, 139. Purchase of, everywhere in Europe, a most unprofitable employment of a small capital, 229. A stable fund for public revenue, iii. 360. Tax in Britain, amount of, in 1784, 362;—its proportion to the rent of land in 1827, id. n.;—in London, 1784, 363. Crown lands might produce a large sum towards the payment of the public debts, 365. As a source of public revenue, insufficient to defray the expense of a great state, 366. A tax on, becomes unequal, 372. How the landlords of Britain gained by the tax on, 373;—this tax recommended by the Economists, 375. Tax on, in the Venetian territories, compared with that of England, 376. How a tax on might be most advantageously imposed, 379. Discouragement to improvement of, by a variable tax, considered, 380. Tax on, in Prussia, 383, 384. Further considerations on a tax on, 385, 386. Tax on, levied in Asia, for the use of the state, 389. Stamp duties on the sale of, their peculiar hardship, 430. Though all in cultivation pays a rent, this circumstance affords no restriction nor refutation of the theory of rent, iv. 112, d. 113, 114. Expense attending the cultivation of that of a superior quality, frequently brings inferior first into use,—but this is no objection to the theory of rent, 115, 116. Great difference of its rates of produce in Britain, 129. Of the United States will, for a comparatively limited period, offer a field to the increase of their population, 132, 133. Capacity of, to supply food as compared with the capacity of man to increase, 134. Tax has no effect on the price of corn, 367.

Land carriage, expense of conveying goods by, much diminished since Dr. Smith wrote, i. 37, n.

Landlords, their true and lasting, but not their immediate interests, always connected with the general interest of the

society, i. 408, n. Spirit of monopoly among them as powerful as among either manufacturers or merchants, id. The security of their tenants, in England, equal to their own, ii. 192. Interest of, in a retrograde state of society, coincides with that of the community, iv. 118, d.;—to what extent it does not in a progressive state, 119. Not, in the first instance, benefited by improvements in agriculture, 120. Receive, in the end, a protection from them, inasmuch as they protract the limit of cultivation, 121. Gain no real nor permanent advantage by the corn laws, 354;—how they would profit by their abolition, 355. Opening the ports would have no effect on their relative condition, nor on the burdens imposed on them, 363, 364.

Languedoc, canal of, details concerning, iii. 213.

Latin language corrupted, became, when Christianity was first established by law, the common dialect of all the western parts of Europe, iii. 275. Vulgate decided by the church to be of equally divine origin with the Greek and Hebrew originals, 276.

Law, his *Mémoire sur les Finances de France*, the principles in it the same as in his *Money and Trade* considered, 1705, D. lv. n. Thought that the industry of Scotland languished for want of money to employ it, ii. 72.

Laws, a defect in, may sometimes raise the rate of interest, i. 159. Of contracts, loose among the barbarians who overran the western provinces of Rome, id. Of apprenticeship repealed, 1814, by statute 54 Geo. III. cap. 96, 199, n. Roman silent with regard to apprenticeship, 203. Regarding corn, proceedings on them during the last 30 years afford a presumption that landlords and farmers are not averse to the spirit of combination, 213, n. Regarding wages of master and journey-men masons as exhibited in the statute of labourers, 25 Ed. III. 217, n. Of 57 Geo. III. cap. 99, empowering bishops to license curates with salaries in no case less than L.80 a year, 218, n. Fixing in 1812 the *minimum* of stipends of Scotch clergymen at L.150, 219, n. Regarding the poor in England, account of their origin and progress, 226. Of settlement, remarks on, at various periods, 228. Of William III. respecting certificates of settlement by the poor, repealed in 1795, 232, n.;—further remarks on this repeal,

234, *n.* For the regulation of wages repealed by statute 5 Geo. IV. cap. 95, 236, *n.* Relative to the assize of bread in London and its environs, repealed in 1815, 237, *n.* Of Henry II. and III. of England, called the *assize of bread and ale*, 294. With respect to wool, repealed *ses.* 1824-5, 379, *n.* Of 4 Henry VII. (1487) limiting the price of broad cloth, 401. Of 3 Edw. IV. regulating the price of cloth to be worn by labourers and servants, 402. Feudal, their provisions respecting treasure found concealed in the transmission of property, ii. 17. Of primogeniture, origin of, 181; natural cause of law of entail, *id.* Abolishing slavery among certain classes of labourers in Scotland, 186, *n.* Scotch, on the endurance of leases on transfers of land, advantageous, 193. Of Scotch entails, their present aspect, *id. n.* Feudal, not supposed common in England till after the Conquest, 221. Against exportation of the precious metals, ineffectual, 244. Relating to customs in Britain, consolidation of, by Mr. Pitt in 1787, and lastly, in 1825, 353, *n.* Of Edward VI. against buying corn to sell it again, 400. Of Elizabeth confining the privilege of granting licences to dealers in corn to the quarter sessions, 401. Of Charles II. regarding *engrossing* of corn, 408; of Geo. III. repealing the penalties of this of Charles, *id. n.* Common of England, on the subject of forestalling, 409, *n.* Of 22 Charles II. cap. 13, regulating the importation of grain, 115. Roman, established equal partition of estates among the children of those who died *intestate*, iv. 460, *d.* Of succession in France, their present state examined, 451. (See ENTAIL, NAVIGATION, PRIMOGENITURE, &c.)

Leases, state of the law of Scotland, and the practice of heirs of entail in possession, as regards them, ii. 193, *n.* Origin of long ones, 226. Proposal for a register of, iii. 376. Remarks on the conditions of, 377; censure of these conditions questioned, *id. n.* Their endurance, as modified by the law of entail in Scotland, before and since 1770, iv. 451, *d.* As hostile to division of farms, how violated and evaded in Ireland, 476. Governed in Scotland by primogeniture, 178. Mr. Oliver's view of the consequences of a change in the present arrangement of, in Scotland, 481.

Le Blanc, M. his *Traité Historique des*

Monnoyes de France, 1689, valuable for its accurate information respecting the progressive debasement of French coins, D. li. *n.*

Legacy tax, nature of, iii. 424. In Rome under Augustus, 425. Among the Dutch, *id.*

Leather prohibited from exportation, iii. 107. Now (1827) exportable on a duty of a half per cent. *ad valorem*, *id. n.*

Linen, foreign, (brown yarn,) reduction under Geo. II. of the duties on importation of, iii. 88;—motives of the manufacturers respecting this illustrated, 89, 90. Present duty thereon, 90, *n.*

Lisbon, at once the seat of a court and a trading city, ii. 104. Exorbitant profits of the merchants of, iii. 40;—correction as to this, *id. n.* Mercantile manners there, compared with those of Amsterdam, 11.

Liverpool, the late Earl of, his *Letter to the King on the Coins of the Realm*, 1805, a careful investigation of the subject, i. 68, *n.* The present, his speech, 17th February 1826, quoted, iv. 279, *d.*

Locke was not free from the erroneous doctrine that the importation of durable, is preferable to that of rapidly perishable, commodities, D. xxvii. Had a distinct idea that labour confers almost all their value on the products of the earth, xxxv. His distinction between money and movable goods, ii. 239. How led into his erroneous notion that the value of the precious metals is imaginary, iv. 202, *d.*

London, house rent in, its dearness, i. 195. One of three European cities which are both marts of commerce and court residences, ii. 104. The merchants of, present a petition to Parliament in favour of free trade in 1820, 314, *n.* At the port of, tobacco commonly sold for ready money, iii. 33. Streets of, if paved and lighted by the treasury, would hardly be so well managed as now, 222. Land-tax of, in 1784, 353. Rise in the price of porter there, occasioned by a tax, did not raise the wages of labour, 447. Affords the principal produce of the duty on coals, 452. Porter brewery of, consumption of malt in, 475. Amount of duties of excise on malt paid in, from 1772 to 1775, compared with the country, 477. Plague of, in 1665, how occasioned, iv. 141, *d. n.* Currency of, and contiguous country, should continue to be exclusively supplied by the Bank of England, 252;—under what

circumstances it becomes more valuable than that of the country, 257, 258
 Merchants, bankers, and traders of, support afforded by them in 1797, to the Bank of England, 265. Number of persons executed for forgery in, and Middlesex, from 1750 to 1788, 282. Bill on, at three months, reckoned in Lancashire and part of Yorkshire a money payment, 293. Goods generally sold in Liverpool for bills at two or three months on, 291. *Clearing house* in, Mr. Henry Burgess's estimate of the business done at, daily, 296. A statement of the *par* and course of exchange at, with Hamburg, Amsterdam, Paris, and New York, should be published weekly by the Bank of England, 301. Arguments against allowing any more than one bank in, to issue paper, 304, 307. Now the grand emporium of the commercial world, 385. Petition of the merchants of, for free trade, 1820, 418.

Lorenzo de' Medici robbed by his agents while a merchant, iii. 357.

Lotteries, their principle illustrated, i. 177.

Lowndes, Mr. his account of the debasement of the coin by clipping and wearing, in 1695, i. 319.

Loyd, Mr. his evidence before the Lords Committee of 1826, on Scotch and Irish currency, quoted, iv. 291, d.

Lucian, his account of the patronage bestowed by Marcus Antoninus on learning, iii. 290.

Luther, conduct of his followers was favourable to the consolidation of reformed church government, iii. 338.

Luxuries, taxes on, considered, iii. 446, 448, 449.

M.

Machiavel observed that the establishment of the two mendicant orders of St. Dominic and St. Francis revived the languishing faith and devotion of the Catholic church, iii. 309. His account how Lorenzo de' Medici reconciled the characters of sovereign and merchant, 357.

• Machinery, inventions and improvements in, often made by common workmen, i. 24. Exportation of, absolutely prohibited by various statutes, iii. 114. Now (1827) only restricted by the provisions of the act 6 Geo. IV. cap. 107, *id.* n.

McPherson's *Commerce with India* quoted, iii. 73, n. *Annals of Commerce* quoted, iv. 261, d.—Cited for the commercial treaty with France of 1786, 417, d. n.

Madder, cultivation of, long confined to the United Provinces, by the operation of tithe in England, iii. 398.

Madeira Wine, probable origin of the taste for, ii. 358.

Madox, his treatise *Firma Burgi* cited, i. 205, n. ii. 202;—and *History of the Exchequer*, 204, 206.

Maffei, Marquis, his *Verona Illustrata* referred to for an account of the Roman Colonies, ii. 449, n.

Maize, culture of, a most important improvement arising to Europe, from the extension of its commerce, i. 397.

Malt, price of, in England, in 1309, how vouched, i. 294.

Malte-Brun, M. copied the vulgar error respecting the aversion of the Egyptians to the sea, iv. 432, d. His account of the rise of the Nile, 440.

Malthus, Mr. his *Essay on the Principle of Population*, 1798, first great contribution to Political Economy, subsequent to the *Wealth of Nations*, D. lxxxiii. Approbation of this work not meant to extend to that system of Political Economy to which he has recently attached himself, lxxxvii. His *Inquiry into the Nature and Progress of Rent*, 1815, offers, simultaneously with the work of Mr. (now Sir Edward) West, a successful investigation of the laws regulating the *distribution* of wealth, xci. Wrong in saying that savings from the wages of labour, or produced by improvements in agriculture, to economize it, would be added to rent, iv. 125, d. Not the discoverer of the true theory of population, 126, n. His *Essay on the Principle of Population* quoted, 135, 136, 139. Defended for what he has stated with respect to the ravages of the small-pox and other diseases, 140. His estimate of the parity of deaths and marriages corroborated by M. de Chateaufauf, 160.

Man, of all sorts of luggage, the most difficult to transport, i. 125.

Manufactured goods, fall in the value of, improves the condition of all other classes as well as that of landlords; i. 407, n.

Manufacturers, action of their capitals, ii. 151. Their clamours generally stopped, when a tax is laid on the produce of domestic, by the laying of a much heavier one on similar products of foreign industry, 295.

Manufactures, secrets in, may be longer kept than those in trade, i. 101. Of linen and woollen in Scotland and Yorkshire,

- statements respecting, 140. For distant sale, how introduced into different countries, ii. 212. Ancient policy of Europe with respect to them, 402.
- Manufacturing industry, how encouraged in the 14th, 15th, 16th, and 17th centuries, D. xx.
- Marriages, early, affected by the proportion of people to the means of subsistence, iv. 131, d. Ratio of, in England and Wales, to the population, from 1760 to 1821, 113. Decrease of, in France, 159.
- Masons, their pay in England, till after the middle of the 14th century, superior to that of a curate, i. 217;—statute of labourers, 25 Edward III., cited for the computation on which this proceeds, id. n.
- Massie, Mr. in his *Essay on the Governing Causes of the Natural Rate of Interest* points out, before Mr. Hume, the true doctrine with respect to them, D. xxvii. n.
- Materials of Manufacture, enumeration of several of which the exportation was hampered by duties, &c. iii. 109. These, as regulated by 6 Geo. IV. cap. 111, either wholly free or subject to only small duties, 110, n.
- Maupeituis, M. de, in his *Eloge de Montesquieu*, admits that France owed to England the science of Political Economy, D. lv. n.
- Maxims which teach nations that their interest consists in begging their neighbours, ii. 313. Four fundamental ones with regard to taxes and taxation, iii. 368.
- Medical discoveries, their real effect is to maintain the population with a less proportion of births and deaths, iv. 140, d.
- Mediterranean Sea, nations on the coast of, first civilized, i. 39.
- Meggins, Mr. his *Universal Merchant*, estimate by, of the annual import of the precious metals into Spain, i. 340.
- Melon, M. distinguished as a disciple of the mercantile system, D. xxiii. His *Essai Politique sur le Commerce*, 1734, advocates the mercantile system, lv. n.
- Memoires concernant les Droits et Impositions en Europe* cited, iii. 355, 358, 375, 383, 384, 385, 402, 410, 412, 417, 425, 427, 429, 438, 453, 493.
- Men of letters, an unprosperous race, their condition as to wages stated, i. 220. Take to the church in countries with rich ecclesiastical establishments, iii. 344; in protestant countries, except England, to the Universities, 345.
- Mendicant orders, their influence in the Catholic church, iii. 309.
- Mengotti, his work, *Dissertazione sul Colbertismo*, cited, D. xxii.
- Mercantile stock, what held as, under the system of the *Economistes*, iii. 126.
- Mercantile system, origin of, D. xv. Real era of, according to continental writers, 1664, xxii. Had not been overthrown previously to Quesnay, li. Restraints on importation which it imposed, ii. 272. Other features of this system, 273. Important recent modifications on its operation in British legislation, 275, n. Exemplified in the exclusive trade of the mother countries with their colonies, iii. 4;—in the tobacco trade of England with Maryland and Virginia, 8. Its results, in the colony trade, to England, 11, 15, 18, 20, 25, 32. Raised, by the discovery of America, and of a passage to the East Indies by the Cape of Good Hope, to a degree of splendour and glory, 61. Monopoly its sole engine, 68. Its effects in Sweden and Denmark, 70;—in Holland, 71;—on the government of India under the English, 78, 80, 82. Its policy does not always seem to be to encourage exportation and discourage importation, 87;—instances of this in the case of many materials of manufacture exempted from duties, 88;—by bounties, 91. Exportation of materials of manufacture discouraged by, 95. Particular severity of its denunciations against the exportation of live stock, 96. Its Draconian character exemplified in the restrictions laid on the inland commerce of wool, 98;—how it justified these, 100. Other similar arrangements dictated by the spirit of, 107, 113, 115, 116, 118. Espoused in all its extent by M. Colbert, 120.
- Merchant, the speculative, i. 168.
- Merchants complain of the bad effects of high wages, but are silent about high profits, i. 164. Action of their capitals, ii. 147. Arguments used by, in favour of a free exportation of gold and silver, 242. Lines of trade preferred by, 276; corrective as to this, id. n. Trading to the colonies, were the principal advisers in the regulations of the colony trade, 491. Remark as to complaints by, of the extravagant gains of other people, and silence as to their own, repeated, iii. 17. Companies of, origin of their power, 226;—the corporation spirit prevails in them,

227;—enumeration of those which subsisted in Britain, id.

Mercier de la Rivière, M. the ablest expositor of the economical system, D. lxiii. His *Natural and Essential Order of Political Societies* contains the most distinct and best-connected account of the doctrines of the *Economistes*, iii. 147.

Meredith, Sir Wm., his *Historical Remarks on the Taxation of Free States*, 1781, referred to, ii. 449, n.

Messance, M. asserted that the poor worked more in cheap, than in dear years, i. 139. Remarkd a rise in the value of silver in proportion to that of corn in France, 324.

Metals, precious, once prevalent opinion that wealth consists exclusively of them, D. xii. Exportation of, interdicted in England previously to the Conquest, xiii. Fully permitted in unlimited quantities by act of Parliament in 1663, xxiv. Statement of the measures successively adopted at various periods of the English government respecting them as legal tender, i. 68, n. Whence the demand for them arises, 284. Most abundant mines of, would add little to the wealth of the world, 286. Reasons why it is profitable to export them to India and China, 335. Consumption of them by wearing, and in manufactures, 339. Annual importation of, into Spain, as estimated by the Abbé Raynal, 341. Quantity of, produced in America at the commencement of the 19th century, 343, n. Purchased everywhere in the same manner, ii. 111. Laws against the exportation of, ineffectual, 248. Imported principally for the purposes of foreign trade, 434. Valuable solely from the labour bestowed on their production, iv. 203. Not exempted from the influence of variations of supply and demand, 204;—but all great variations in their value must be occasioned by variations in the cost of their production, 205. *Real* value of, when freely produced and brought to market, varies reciprocally with that of the commodities with which they are compared, 206. Considered as money when its supply is limited, 207, 208. Why the principle of mere limitation could have but little effect on them as money, 210;—this no reason against a moderate seigniorage on their conversion into coin, 211. Defects incident to a currency consisting of them, 212. Since their fall, subsequently to the discovery of America, have been

comparatively steady in their value, 213. Any new revolution in their value to be deprecated, 214. Very costly when employed as money, 215, 216. Restrictions on the commerce of, have ceased by the act and consent of Governments as well as of Theorists, 231. Money of, in a given quantity, cannot differ materially in one country, from a like quantity in another whose money is also of them, 232. Power of self-contraction and expansion possessed by money of, 232.

Metals, useful, the price of, said to vary less from year to year than that of almost any other part of the rude produce of land, i. 345.

Métayers, or *Coloni Partiarü*,—origin and description of, ii. 188.

Methuen treaty between England and Portugal, 1703,—its provisions, ii. 428. Celebrated as a masterpiece of the commercial policy of England, 430, iii. 117.

Mexico, difference of wages in the hot and temperate districts of, iv. 178, d.

Mexico and Peru, character of the miners in, i. 281, n. Recent speculations there, of a very unfavourable aspect, id.

Mexico and South America,—recent mining expeditions in, supposed by many to precede a new revolution in the value of the precious metals, iv. 213, d.

Mickle's *Lusiad* quoted, iii. 73, n.

Militias, of the cities in the middle ages,—their consequence in Italy and Switzerland, ii. 207. Their different kinds, iii. 174, 177. Inadequate defences of a civilized nation, 185.

Mill, Mr. his treatise, *Colony*, in the Supplement to the *Encyclopaedia Britannica*, referred to, ii. 450, n. His *Elements of Political Economy* referred to, iv. 200, d. His view of the functions of the president of the board of control, 494. His *History of British India* cited, 503. His view of the operation of an *ad valorem* duty on all commodities, 555;—his statement how this duty would occasion a universal rise of price, 557.

Mines, of coal, circumstances under which they yield rent, ii. 273. *Least fertile* govern the price of coal extracted from all others, 276, n. Of silver in Peru, influence the price of that article in Europe, 278. Of tin in Cornwall, give a sixth of the gross produce as rent, 279. Of silver in Peru, taxes and profits on, id. In Cornwall, regulation of boundary in, 282. Gold mines of Peru pay in king's

tax a twentieth of the standard metal, *id.* The most abundant, of the precious metals, could add little to the wealth of the world, 286. Of precious metals in America, have had their market greatly extended in Europe, 330;—America herself has become a great market for the produce of them, 331;—East Indies also a wide market for them, 333;—their annual produce at the beginning of the 19th century, 343, *n.* Of Peru, some of the most productive of, abandoned, in consequence of the revolutionary struggles in that country since 1810, 344, *n.* Fertility or barrenness of, may have no sort of connexion with the state of industry in a particular country, 384. Of gold and silver, search after them frequently a ruinous project, *ii.* 457. Of Hungary, more profitable than those of Turkey, *iii.* 155. Chief difference between the principle of their rent and that of land, *iv.* 124, *d.*

Minorea originally garrisoned for the protection of the Mediterranean trade, *iii.* 237.

Mirabeau, the Marquis of, classed Quenay's Economical Table with the inventions of writing and of money, *iii.* 148.

Mississippi scheme, a good account of, in M. Duverney's *Examen des Réflexions Politiques sur les Finances*, *D.* lvi. *n.* ii. 72.

Monasteries, destruction of, in England, origin of the poor laws dates from,—and, more specifically, from 43 Elizabeth, *cap.* 2, *i.* 226.

Money, theory of, *perfected* by the discussions arising from restrictions on cash payments by the Bank of England, and consequent depreciation of the currency, *D.* xci. Cattle anciently used for, *i.* 44;—remarks on M. Garnier's correction of Dr. Smith's statement as to this, *id.* *n.* Different metals used as, in different nations, 46. Price of labour in, rose greatly in Britain during the course of last century, 327. Circulating in a country, no part of its revenue, *ii.* 27. Paper, its economy as a substitute for metallic, 28. Causes of its scarcity, 250. Not made scarce by foreign trade, 254. Of different countries, cannot be judged of by the standard of their respective mints, 314. *Bank money* of Amsterdam, Hamburg, and Venice, explanation of the effect of, on exchange, 317. Principles which determine its value, *iv.* 201, *d.*;—*first*, when freely produced, and brought to market, 201;—*second*, when its sup-

ply is placed under restraint, 206. May be indefinitely heightened in exchangeable value, by sufficiently limiting its quantity, 207;—whether made of paper or of metal, 208. Principle of *limitation* in, cannot be acted on to a material extent when the currency consists of gold and silver, or any thing immediately convertible into them, 210;—this affords no reason against a moderate seigniorage, 211. Variable value of, when composed of the precious metals, exemplified by a perpetual annuity of L.100, rated in 1490, as paid in the same bulk and value of money in 1650, 213. Of gold and silver,—its expensiveness to the state, 214, 215;—its bulk an objection to its use, 216. Of commerce by bills, how important, 217, 218, 219. Of banks, 220, 221;—still does not obviate at present the necessity for keeping a large stock of bullion, 224. Paper, its origin, and its profitableness to the issuer, 225;—when issued by the state, may be *effectually limited*, 227, 228;—this evinced by what followed, during three years, the suspension of cash payments at the Bank of England, 229. Of paper, which is *legal tender*, and not convertible, cannot be shaken by want of confidence, 230;—further recommendations of such money, 232, 233. Issues of paper, should be placed under some efficient check, 234;—such issues, though made on good mercantile bills, may still be excessive, 235, 236;—hence, they should, whether coming from government or from private bankers, be placed under control, 237. Of gold, in circulation in England and Wales in 1797, 238. Paper,—Mr. Ricardo's proposal for a secure, without any intervention of gold coin, 239, 240, 241;—peculiarly excellent, as regards the exaction of security from country bankers, and of the payment of their notes in those of the Bank of England, 241, 242. Cheapest form of, as recommended by Mr. Ricardo, objections to its adoption answered, 245, 246, 247, 248, 249, 250. System of, in Britain, how to be regulated, as regards the Bank of England, under the plan now proposed, 251, 252, 253. System of, in Britain, considered, 257, 258, 262, 264, 265, 266, 267, 268, 269, 270, 272, 273. Measures of government in 1826, relative to, stated and examined, 274, 276, 278, 279. Regulations of, no interference with the freedom of industry, 281, 282. Provincial, of Britain, should be regulated

by the exaction of security from its issuers, 283;—this recommendation enforced in 1816, by Mr. Ricardo, 286, 287. A good system of, greatly enhanced by the establishment of well-founded country banks, 288. Present economy of, in England, how affected by a vast machinery of inland bills of exchange, 293, 297, 298. Recapitulation of general measures proposed for perfecting the system of, in Great Britain, 300, 304, 307;—remarks on various propositions and views of a similar tendency, 309, 311, 313. Under the head of, an account of the successive degradations of its standard, in Britain and other countries, will be found in the Supplement to the *Encyclopædia Britannica*, 314, n. Sudden changes, in the quantity and value of, lead to revulsions, 426.

Monopolies, a number of the most oppressive abolished by act of Parliament, James I. cap. 3, D. xxi. Of the home market; why absurd and prejudicial, ii. 280.

Monopoly, from secrets in manufacture, how its advantage operates to its possessor, i. 102, n. Prices generally, but not always, the highest that can be got, 103, n. Of the home market, advantage derived from, by merchants and manufacturers, inconsiderable, ii. 284, n. Of the colony trade, its effects on the colonies, iii. 4;—its effects on England, 9;—correction of this, 10, n.;—further effects attributed to this monopoly, as they affect England, 15, 20, 26;—bad effects of this monopoly more than counterbalanced by the natural good effects of the colony trade, 33;—bad effects of this monopoly to Spain and Portugal, 35;—in general, 36. Maintenance of, perhaps the sole end and purpose of the dominion assumed by Britain over her colonies, 43. A grievous tax to the colonies, while it diminishes instead of increasing the revenue of the great body of the people of Britain, 47. The sole engine of the mercantile system, 68. Arguments on which that of the trade to the East Indies has been justified, answered, 73.

Montesquien, le Baron de, his remarkable chapter entitled "*A quelles Nations il est désavantageux de faire le Commerce*," D. lv. Attributes the high rate of interest among Mahometans to their legal prohibition of usury, i. 160. His conclusion, that the musical education of the Greeks mended their morals, questioned,

iii. 287. His *Lettres Persannes* quoted, iv. 136, d. Of opinion that illicit connexions contribute little to the increase of population, 162. His *Esprit des Loix* cited, 572.

Moral restraint, its effect to modify the constant action of the principle of population, iv. 127, d. 131, 133, 133. Danger of its being weakened by a change in the habits of the people, 146. Small-operation of, in Ireland, 147. Impressive testimony afforded to this by Bishop Doyle, 152. Necessity for, in times of plenty, 179.

Morellet, the Abbé, his list of joint stock companies, for foreign trade, established in Europe since 1600, which failed, iii. 260. Partly misinformed in this, but right in his general deductions, 261.

Mortality, in earlier periods of life, remarks and statements on, i. 131. Greatly diminished within 50 years, 132, n. Rate of, in England and Wales, at various periods from 1780 to 1821, iv. 142, d. Laws of, in Europe in 1780 and 1825, as represented by M. de Chateaufort, 161.

Mun, Thomas, most ingeniously advocates an export of gold and silver, D. xiv. His definition of a favourable balance of trade, xvii. An able expositor of the mercantile system, xxiii. Cited, ii. 242.

Munro, Sir Thomas, introduced in Madras the *Ryotwar* settlement of the territorial revenue of India, iv. 510, d.

N.

Nation of Shopkeepers, its policy extremely fit for a nation whose government is influenced by shopkeepers, iii. 41.

National Bank, institution of, as compared with the Bank of England, iv. 308, d.;—difference of, would consist in its profit accruing to the revenue, 309. Might be established with less difficulty than is imagined, 311. Functionaries of, should not interfere with commercial transactions, id. Should not meddle with the business of discounting, 312. As proposed by Mr. Ricardo, might be adopted, but without the suppression of (guaranteed) country notes, id. Question of influence on, by the government, the same as applies now to the Bank of England, 313. Mr. Ricardo seems, inconsistently, to have believed in the independence on government, of a body of commissioners for, id. n. Saving accruing from, would probably be substantially conceded by

the Bank on a renewal of her charter, 314.

Nations not impoverished by private prodigality, ii. 113. Slow and reluctant learners, iv. 270; d. Their reciprocal obligation to cultivate commerce, equally deducible from public law and economical science, 413, 414. Should not indulge in the retaliatory system, 417.

Naval power, what is necessary to the attainment of, iv. 399, d.

Navigable rivers, relative importance of, in promoting the civilization and wealth of countries, i. 41.

Navigation laws defended, ii. 292. Circumstances in which they originated, 293. Their early date in England, iv. 378, d. Act of 12 Ch. II. cap. 18,—the *Charta maritima* of England,—under what circumstances passed, 379;—jealousy of foreigners, by which it was dictated, 380. Their ill effects early felt, 384;—though this had been otherwise, it is no argument for their maintenance now, 385. Copied by the young legislature of America, 386. Changes of, introduced by Mr. Wallace in 1821, 387, 388. Characterised, 396.

Navy of Britain, expense of maintaining it, according to the estimates of 1827, iv. 402, d. On the abolition of impressment, could be greatly strengthened at a small additional expense, 403;—in war, the cheapness and superior efficiency of this plan would be felt, 404.

Necessaries; what the custom of the people has made, iii. 444.

Necker, M. his *Administration des Finances* cited regarding the seignorage, on coin in France, i. 78, m. His estimate of the metallic currency of France, iv. 216, d.

Netherlands have always soon emerged from the distresses of war, iv. 137, d. Number of people in, to a square mile of territory, 150.

Newenham, Mr. his estimate of the population of Ireland in 1805, iv. 149, d.;—of the proportional equivalency of potatoes to bread, 164. His statement of the small quantity of butcher's meat consumed in Ireland, 165;—of the quantity of land required to support an individual on animal food and bread,—and another wholly on potatoes, id.

North, Sir Dudley, his *Discourses on Trade*, 1691, cited and commended, D. xxxii.

North, Honourable Roger, his *Life of Sir Dudley North* referred to, D. xxxiv.

Observations on the Law and Constitution of India quoted, iv. 503, d. n.; cited 506, n. quoted, 509.

O'Driscoll, Mr. his evidence as to the condition of the labouring people in Ireland, iv. 151, d.

Oldham, Mr. his successful plan, for preventing forgery, adopted by the Bank of Ireland, iv. 243, d.;—has had more success than any scheme for the improvement of the coinage, 245.

Oliver, Mr. his answers to queries on the consequences of a change in the practice of Scotland, as regards subletting and dividing farms, and devising them to heirs, iv. 481, d.

Opulence, its natural progress, ii. 171.

Osiris, worship of, confounded with that of the Nile, iv. 432, d. Was, according to Plutarch and Diodorus Siculus, a great navigator, 435.

Ox, price of a chosen one at Buenos Ayres, i. 246;—as stated by Ullon, 306. Hide, price of, in 1425, 380;—this price compared with that of the same article in February 1773, 381.

Oxford, the professors of, for the most part, had given up teaching, iii. 269.

P.

Paley, Dr. his opinion, that the *kind and quantity* of food most powerfully affect the state of population, quoted, iv. 163, d. His view of the noxious operation of tithes, 552.

Paper money a most economical substitute for metallic, ii. 28;—illustration of this, 35. Accidents to which it is liable, 79. Issued in North America for a shilling, 81. The most eligible substitute for metallic, iv. 224, d. Its origin stated, and how it is profitable to the issuer, 225. Issued by individuals, not susceptible of limitation, 227. As *legal tender*, may be limited so as to sustain it on a par with gold, 228. Of the Bank of England, for three years after the restriction on cash payments, bore a small premium over gold, 229. Of Russia, 229, 230. As *legal tender*, not convertible into gold, cannot be shaken by want of confidence, 230. One of its characteristic features, among others, is its having no power of *self-contraction* or *expansion*, 232. How it may be kept on a par with metallic, 232, 233. No security against abuse in the power of issuing it, 234. May be greatly depreciat-

- ed, though only issued on good mercantile security, 235, 236. Only check on,—is its convertibility, 237;—this convertibility need not be into gold coins, 238;—Mr. Ricardo's plan to effect this, 239, 240, 241. Of the Bank of England, ill secured against forgery, 242, 243, 244. Objection to the substitution of, for gold or silver, answered, 245, 246, 247, 249, 250. Of the Bank of England, under the new system, might be so arranged, in rating its conversion, as never to elevate the standard, 250, 251. Convertible, circulating, with gold and silver, when in excess, depreciates the whole currency as compared with that of other countries, 255. Absolute amount of, alone, no certain criterion of its excess, 256. Contractions of, always productive of inconvenience, 257. Reductions of, in England, 259, 260, 261, 263, 268, 269, 271. System of, as modified by the legislature in 1826, considered, 278, 279. Security from private bankers necessary to its existence, 279, 280, 286, 287. Much more exposed to forgery when issued by only one great body, 289. Provincial, of Britain, should be convertible only into that of the Bank of England, 292. Of Lancashire, composed of bills of exchange, in the proportion of at least twenty to one to gold and Bank of England notes, 294, 295, 296. Several essential points in which, in the form of bank notes, it differs from internal bills of exchange, 297, 298. Recapitulation of measures proposed for its improvement, 300, 301. Peculiarities attending its issue, which take the trade of banking from under the operation of freedom of competition, 305, 307. Commissioners for the issue of, from a National Bank, how their functions should be guarded and limited, 311, 312. Their imagined independence on government would not seem to gain any thing for the country, 313, and *n.*
- Paris, city of, its obstinate defence against Henry IV., iii. 57.
- Parish officers, their conduct in respect to settlements, i. 227.
- Parish schools of Scotland, their effects, iii. 301.
- Parliamentary Review for 1826, suggestion by, of an arrangement for regular returns, on oath, from country bankers, of their property and circulation, iv. 289, *d.*;—this proposal practically null, 290.
- Parliaments of England intractable under the violence of the princes of the house of Stuart, iii. 324. Now managed in a different manner, *id.* Of France, violence of the French government to them unsuccessful, *id.*
- Parnell, Sir Henry, his estimate of the population of Ireland in 1827, iv. 150, *d.* His tract, *on Paper Money and Banking*, cited, iv. 314, *d. n.*
- Parsimony, equally rare in republican as in monarchical governments, iv. 5. Effect of the want of, in war, *id.*
- Passion between the sexes, a constant quantity, iv. 127, *d.* 131.
- Pauperism, its progress in Ireland threatens Britain, iv. 153, *d.*
- Pay of foot soldiers, statement of, in 1614, 1776, and 1827, i. 128, and *n.*
- Peasant, an European, enjoys, under the division of labour, more accommodation than many an African king, i. 28.
- Pelham, Mr. remarked, to the House of Commons in 1749, the high sum paid at that period for bounty on the exportation of corn, i. 326. Exertions made by, to reduce the public debt, iv. 27.
- Peninsula, war in, of 1812, 1813,—its expenses almost wholly paid by goods sent from Britain, ii. 261, *n.*
- Pennsylvania always more moderate in its issues of paper money than other English North American colonies, iii. 89. Government of, derived a revenue from lending its credit, iii. 359.
- Personal qualifications; variety of, cause of distinction of rank, iii. 191.
- Peru, inferior character of the mining speculators in, i. 291, *n.* Revolutionary struggles in, since 1810, have caused the abandonment of some of the most productive mines, 344, *n.*
- Pestilence in Prussia in 1710, 1711,—its effects how strikingly corroborative of the principle of population, iv. 136, *d.* Mr. Malthus's opinions on, quoted, 139; and defended, 140. In London, in 1665; to what ascribed by Dr. Heberden, 141. Felt in Ireland on every slight deficiency of the potato crop, 151.
- Petty, Sir William, his writings enumerated and commended, D. xxx. Gives the first authentic account of the population of Ireland, iv. 148, *d.* His *Political Anatomy of Ireland* quoted, 149, *n.*
- Peuchet, M. his opinion of the causes which have contributed to increase the number of illegitimate births in France, iv.

162, d. n. His estimate of the metallic currency of France, 216.

Pfeffel, M. his work, *Abregé de l'histoire d'Allemagne*, referred to, ii. 204, 207.

Philosophical education, its course in the Universities of Europe at an early period, iii. 280, 283.

Philosophy, ancient divisions of, iii. 277, 279, 280. Most modern division of, by the Universities of Europe, 281, 282;—these alterations of, meant for the education of ecclesiastics, 283.

Pin-making affords a striking example of the effects of the division of labour, i. 16.

Pitt, Mr. his consolidating act for the laws of customs, 1797, ii. 353, n. His splendid and able oration on laying before the House of Commons, in 1786, the Treaty of commerce with France, iv. 415, d. His indignant refutation of the idea that France and Britain are natural enemies, 416.

Plagues, their effect on population strikingly exhibits the operation of its principle, iv. 136, d.

Plato proposes the banishing of artisans and merchants from his republic, D. v.

Players, opera singers, &c. reason for their high wages, i. 176. Durability of their work compared to that of other unproductive labourers of a more serious cast, ii. 95.

Plenty and scarcity, years of, their effects on exertions of the labouring classes, i. 138.

Pliny quoted, D. xiii. i. 46, 67;—for the unprofitableness of the labour of slaves, ii. 187;—for the prices of cloths, iii. 156;—for those of triclinaria, 157.

Plutarch de *Iside et Osiride* cited, iv. 432, d.

Poivre, M. his *Voyages d'un Philosophe* cited, i. 258, n.

Poland as beggarly a country as it was before the discovery of America, i. 391.

Political Economy, causes which, until recently, contributed to the neglect of, D. iv. Spirit of ancient philosophy unfavourable to the cultivation of, vi. Neglected in our early Universities, vii. Its uncertainty, compared to other sciences, denied, viii. Advanced by controversies respecting the East India trade, &c. xxiv. Systems of, ii. 236. Definition of the science of, id. n. Mercantile system of, 238;—restraints on importation which this system imposed, 272.

Politics, their union with religion, iii. 313.

Poll-tax, exacted on negro slaves in America and West Indies, iii. 421. In Russia, 422. Levied in England according to rank, under William III. 441;—was not productive there, 442. In France, id.

Polo, Marco, describes China as being, more than 500 years ago, much in the same state as at present, i. 119.

Poor laws, account of the rise and nature of "this disorder," i. 226.

Poor rates, their evil augmented by the existence of corn laws, iv. 356, d. Do not press much more on agriculturists than on other classes, 368.

Pope of Rome, his power in the collation of benefices before the Reformation, nowhere so effectually restrained as in France and England, iii. 333. His power sensibly shaken by the independency which the Pragmatic Sanction imparted to the Gallican church, 334. Opposed in Sweden, Germany, and Switzerland, courts the sovereignties of France and Spain, 336.

Popular commotions fomented by our system of corn laws, iv. 346, d.

Population, increase of, in Great Britain, much accelerated since 1776, i. 117, n. Importance and value of Mr. Malthus's work on, iv. 126, d. Its different progress in different countries, or at various periods, indicates no variation in the principle of, 127. Its past progress, and probable future ratio of increase, in the United States of America, 128. How limited by the different powers of the soil, 129, 130, 132. Rate of increase of, will be felt in the United States at no very distant period, 132;—this rate geometrical, according to Mr. Malthus, while that of supplies of food is only arithmetical, 134. Increase of the means of subsistence the only sure criterion of a beneficial increase of, 135. Effect of pestilence evinces the principle of, 136;—of war in like manner, 137. How affected by small-pox, 139;—by medical discoveries, and improvement of habits, 140, 141. Causes of, that of England and Wales cited, 142, 143. Of England and Wales in the 18th century, 144. Of Britain in 1801, 1811, and 1821, 145. Of a country, not the most decisive mark of its prosperity, id.;—and why, 146, 147. Misery caused by an excess of, evinced in the case of Ireland, 150, 151.

152, 153, 154. Increase of, ought never to be aimed at, 155. Of France, in 1780, 161;—and in 1825, 1826, 162, and *n.* Principles of, should be early explained to all classes, 175, 176.

Portugal, royal tax of, on gold, in Brazil, was one-fifth of the standard metal, i. 351. A beggarly country, notwithstanding its possession of mines, 392. Foreign commerce of, older than that of any great country, except Italy, ii. 234. Commercial treaty of, with England, in 1703, 428. Trade with, overrated, 433. Its maritime discoveries, 450. Its settlements in Brazil, 466. Was a manufacturing country before it had any considerable colonies, iii. 34. Bad effects of the monopoly of its colony trade, 35. Its colonies encourage more the industry of other countries than its own, 62. Its attempt to monopolize the East India trade in the 16th century, 68;—*this trade said to be free to its own subjects*, 69, 72;—*this statement corrected*, 72, *n.* Its trade with Africa, 75. Under its government, the Molucca Islands said to have been tolerably well inhabited, 78.

Postlethwaite's *History of the Public Revenue* cited, ii. 74; iv. 27.

Post-office, an institution for facilitating commerce, iii. 211. A source of revenue under almost every sort of government, 356.

Potatoes generally a half cheaper in 1775 than 40 years previously, i. 129. Quantity of food produced by the culture of, comparatively with that of rice and wheat, 264. Consequences of their becoming the common and favourite food of the people, 265. Strong men and handsome women of Ireland fed on, 266. Culture of, perhaps one of the most important improvements which Europe has derived from the extension of its commerce, 397. Consequences of their use as a principal article of food, iv. 163; d. Europe indebted for them to America, 164. Capacity of, to feed people, compared with that of wheat, 164, 165;—with animal food, 166. Almost exclusive use of, the principal cause of the dense population of Ireland, 166;—renders the people poor, and multiplies the chances of famine, 167;—*this proved by comparing the condition of a people using corn and butcher's meat, with that of one living on the potato, in years of scarcity*, 168, 169. No people should ever subsist principally on, 170.

Rapid extension of their cultivation a serious evil, 170, 171;—no artificial encouragement should be given to this, 172. Stimulus given to the cultivation of, by the corn laws, 357;—*how this would react on prices, though no foreign grain were admitted, and the home market never overstocked*, 358. Extended use of, both cause and consequence of the subdivision of farms, 479. Rapid and alarming progress of, in France, 480.

Potosi, mines of, no longer the most fertile of all America, i. 329, *n.*

Poultry, how reared as an article of profit, i. 367.

Poverty does not prevent marriage among the lower orders, i. 131.

Premiums to artists, not objectionable like bounties, ii. 391.

Prentice, Thomas, first cultivated the potato in Scotland in the open fields, iv. 171, d. *n.*

Presbyterian Church Government, its characteristics, iii. 312. Its effects on the character of the clergy, 313. Does not entice learned men from secular studies, 315. Its economy exemplified in the revenue of the Scotch clergy, 318, and *n.*

Price, not regulated by rent, i. 92. Of commodities at market governed by natural price, or by the cost of production, 93, *n.* Fluctuations of, 98. Market seldom long below natural, 101. Of commodities more equal throughout Great Britain now than when Dr. Smith wrote, 124, *n.* Generally speaking, the same whether profits or wages are high or low, 162, *n.* Of commodities in ancient times, writers on, three different circumstances which have frequently misled them, 299. Accounts of, in the 13th century in England, little dependence to be placed on them, 303, *n.* Of wheat from 1202 to 1700, 413;—little reliance to be placed on accounts of, during the 13th century, *id. n.* Remarks on real, (*prix naturel*) by the Marquis Garnier, iv. 89, d. Dr. Smith's limited view of, the point at which he stopped in his inquiry on rent, 100. High, not sufficiently accounted for by the existence of a great demand, 101. Variations of, the cause of variations in the amount of rent, 195. Of corn, did not rise from 1771 to 1791, a period of prodigious improvement, 323;—mode of ascertaining, fixed by the law of 1804, 324;—enhanced from 1808 to 1811, by depreciation of the currency, and by deficient crops, 325;—various,

fixed in the opinions of the witnesses before the Committees of 1814, 327;—fluctuations of, during the last twelve years, more ruinous than ever known, 328;—would have been liable to fluctuation even under Mr. Canning's Bill, 333;—effect of the bounty on, 335. To maintain that of grain at a forced elevation, *the home market should never be overloaded with home-grown corn*, 341;—horrible consequence to which this would, in consistency, lead, 342. Fluctuations of, 343;—their pernicious consequences to farmers, and all other classes, 344, 345, 346. Uselessly and wastefully enhanced by the corn laws, 348, 349, 351, 352. Of corn, low since 1820, ascribable to the increased use of potatoes, 357. High, really not advantageous to the farmer, 359. Remunerating, 360;—as affected by tithes, 366;—by land-tax, 367;—by poor rates, 368. As regards a graduated scale of duties, should it be ever again proposed, 372. Tables of, 374.

Primogeniture, custom of, has been most beneficial to modern Europe, iv. 456, d. Useful operation of, on the character of families, traced, 457, 458. Beneficial consequences of, in Scotland, 478.

Privileges early granted to citizens of corporate towns, D. xix.

Prodigality, consequences of, ii. 108.

Private, never impoverishes great nations, 113.

Produce and consumption, annual balance of, ii. 350.

Productive and unproductive labour, definitions of, ii. 93;—reasons why this division seems unfounded, 95, n.

Professional men, their wages higher on account of the uncertainty of success, i. 174.

Profits, their reciprocal action on wages evinced by Mr. Ricardo, D. xciv. *Rate* of, the same on small as on large capitals, i. 84, n. Fall in the rate of, during the progress of society, caused by *a diminished power to employ capital with equal advantage*, arising from *three* leading circumstances, 147, n. Of trade carried on by servants of the East India Company in Bengal, 161. Inequalities in, occasioned by the policy of Europe, 196. A most erroneous position of Dr. Smith regarding, pointed out, 410, n. Of taxes on, iii. 405, 413, 414. Effect of taxes on, 419. Do not affect the interest of money, 423. Sources of, in a free and equal market, the *proportions* in which commodities

will exchange for each other, and for labour, iv. 96, d. Circumstances which determine the rate of, 184;—what is meant by *rate* of, 185. Laws which regulate them, the same whether rent is paid or not, 185. Reciprocal action of, on wages, 187. Rate of, can be raised only in *three* ways, 187, 188;—this theory totally different from that of Dr. Smith, 189. How modified in old countries, and affected by taxation, 190, 191. Effect of fluctuations in the rate of, on the value of commodities, 193. Under what circumstances they vary inversely as wages, 195, 196;—these variations can have no effect on *real* value, 196. Kept at a level in all businesses by competition, 197. Circumstances under which variations in the rate of, would have no influence on exchangeable value, 197;—how these variations affect commodities produced by unequal fixed or circulating capitals, 198, 200. An equal tax on, would fall on capitalists, 511.

Prohibition of exporting gold and silver coins from Great Britain repealed in 1819, i. 75, n.

Prohibitory duties, notice of such as, since 1820, have been modified, ii. 275, n.

Property which a man has in his labour, a most sacred right, i. 201.

Property Tax in England was held equal with that on land, iii. 409. At Hamburg, 410. In Switzerland, 411. In Holland, 412.

Public Institutions and Public Works, into what they seem naturally to be divided, iii. 209.

Q.

Quesny, M. attacks the mercantile system on *the fundamental principles of Political Economy*, as viewed by him, D. lvij. Represents the distribution of the sum total of the annual produce of the land among, 1st, *Proprietors*; 2d, *Cultivators*; and, 3d, *Artificers, Manufacturers, and Merchants*, in some arithmetical formularies, iii. 136. Life of, in the Supplement to *Encyclopædia Britannica*, referred to, id. n. Seems, like some speculative physicians, to have imagined that the political body could only be preserved by a certain precise regimen, 138. Capital error of his system was representing the *third* class of consumers as altogether barren and unproductive, 139;—this seems to have originated in his view of the nature and causes of rent, id. n.

R.

Raising money by circulation, explanation of the practice of, ii. 59. The most expensive mode of this operation stated, 61.

Raleigh, Sir Walter, his dreams of a golden city, ii. 458. Said to have first introduced potatoes into Europe, iv. 170, d. n.

Ramazzini wrote a treatise on the Diseases of Artificers, caused by excessive application; i. 136.

Ranks, inequality of, its various causes, iii. 191, 192, 194, 195, 197. The consumption of the inferior, greater than that of the superior, 471;—how this applies to taxation, 472.

Raoul Rochette, M. his work, *Sur les Colonies Grecques*, referred to, ii. 449, n.

Raw material, as such, no constituent of value, iv. 98, d.

Raw produce, as food, how it has two costs of production, iv. 102, d. 103. Of taxes on, 546.

Raynal, the Abbé, his *Histoire Philosophique* cited, iv. 572, d.

Reciprocity-system,—a salutary change in the Navigation Laws, and other regulations affecting commerce, iv. 387, d. First introduced into the trade with the United States, 389, 390;—subsequently with South America, 391;—with Prussia, 392;—with other northern powers, 393. Arrangements under, made with Prussia, defensible on the soundest policy, 394, 395.

Reformation of religion, a consequence of the lessened power of the Catholic clergy in state affairs, iii. 334. Fanned by the popular manners of its teachers, 335. Fell in with the leanings of those princes in the north of Europe who had taken umbrage at the court of Rome, 336. Incidentally favoured by Henry VIII. of England, 337. Splits into the sects of Luther and Calvin, 338. Regium Majestatem, statute of assize in, referred to, i. 302.

Registration of mortgages extremely useful; iii. 439.

Regulation of industry, mania for, M. Stouth's impressive view of the pernicious consequences of, D. xxiii.

Religious instruction, the chief object of institutions which profess to instruct those of all ages, iii. 306. Expense of institutions for, may, without injustice, be defrayed by general contribution, 352.

Remunerative price, what it is, iv. 360, id. Argument for the corn laws founded on, an absurdity, 361.

Rent, real origin of, luminously stated by the author of *Principes de tout Gouvernement*, 1766, D. xxiv. Forms no element of price, i. 92, n. Of houses in London, 195. Statement of its nature, 239, and n. Paid for cutting kelp and fishing, 240. High or low, the effect of high or low price, 241, and n. Produce of land which always affords it, 243. Gross and net, what, ii. 18. Of taxes on, iii. 371. Tax on, recommended by the *Economistes*, 375. Tax on, in the Venetian territories, more equitable than that of England, 376. Tax on, how practicable, 378, 379;—difficulties of it, 385. Of houses, as an object of taxation, 392. Of a house, as a tax on it affects the tenant, 394. Of houses, how it differs from that of land, 397;—how this is supposed to be taxed in Great Britain, 401. Of land, a more proper subject of taxation than interest of money, 407. Of its nature, origin, and progress, iv. 100, d. No explanation of, to call it a surplus above ordinary profits, 101. Origin of, explained by a commodity with two costs of production, 102, 103. Enhanced by increase of population and decreasing fertility of soils cultivated, 105, 106. Recapitulation of fundamental principles concerning, 109. Vicinity to a town, or to peculiar facilities of communication, a cause of, 110. Cases in which it is enhanced by a natural monopoly, 111. Cause of objections to the theory of, 112;—restriction attempted to be urged to this theory, a proof of its truth, 112, 113;—technical objection to, stated, and, for the first time, answered, 114, 115. How affected by the retrograde, stationary, and progressive states of society, 117, 118, 119. Why it forms no part of the cost of production, 122, 123. Theory of, the second great discovery which followed the publication of the *Wealth of Nations*, 124. Its total cessation could have no influence on average prices, 195. Of land, in England, does not exceed a fifth of the produce of the soil, 351;—pays most of the taxes on agriculture, 366;—how taxes on it would operate, 385. True theory of, pointed out by Dr. James Anderson in 1801, 574.

Representation, government by, unknown in ancient times, iii. 57.

Restrictions on importation of corn, effect of varies with the situation of different countries, iv. 337, d. 338. Opposed to every proper principle of commercial legislation, 338; and must prove ultimately destructive to the country, 339, 340. Their disastrous consequences, 346, 347. Loss to the community occasioned by them, 348, 349, 351, 352, 353.

Retail dealers, action of their capitals, ii. 147.

Revenue, of a country, *gross and net*, what, ii. 19. Consists in goods produced, and not in the money by which they are estimated, 21. Gross, increased by the whole value which the labour of the workmen adds to the materials upon which they are employed, 33. Of the church, as it derogates from that of the state, iii. 346;—large sum accumulated from, by the canton of Bern, 347. Civil, of a country, its sources, 353, 360, 364. Civil, of France, statement of its amount, and sources, since 1820, 503, n. Civil, of Britain in 1775, iv. 33;—at 5th January, 1827, (exclusive of Ireland) 34, n.

Revolutions, of commerce, their causes, iv. 422, d. Arising from miscalculation of the parties, exemplified, 423. That of agriculture, in 1813, almost wholly owing to the artificial system on which we had acted, 425. Caused by nothing so much as by sudden changes in the quantity and value of money, 426.

Reynier, his work, *de l'Economie Publique et Rurale des Egyptiens et des Carthaginois*, cited, iv. 433, d.

Ricardo, Mr. his high opinion of the *Traité d'Economie Politique* of M. Say, D. lxxxvii. His great work, *Principles of Political Economy and Taxation*, 1817, forms an era in the history of the science, xcii;—principles established therein, xciii. &c. Controverts a statement of Dr. Smith concerning the nature of cash credits in Scotland, ii. 42. His remarks on the fallacy of Dr. Smith's doctrine respecting the superior productiveness of capital employed on land, 151, n. His inquiry into the operation of bounties on production referred to, 382, n. His manner of laying down the theory of rent not affected by the evils urged against it, iv. 117, d. Was in possession of the principle of rent several years prior to the publications of Sir Edward West and Mr. Malthus, 125. His views on *proportional wages and profits* explained, 192. His

Principles of Political Economy and Taxation referred to, 200. His view of the sources of bankers profits, 226. His plan for keeping the value of paper constantly on a par with that of gold, without the circulation of a single gold coin, 238, 239;—this adopted by Parliament in 1819, 240;—its merits further discussed, 241, 245, 246, 248. His strenuous and able argument for requiring security from the issuers of country bank notes, 285, 286, 287. His proposal of a National Bank, 312;—his idea of the independence of the commissioners for such a bank on government, 313, n. His conditional statement of the essential principle of rent applied to the effect of bounties on the exportation of corn, 336. His exposure of the fallacy of the argument for restrictions on the corn trade derived from restrictions on other branches of industry, 362. His view of the effect of tithes not perfectly correct, 366. Recommended a drawback to the farmer on such corn as he might export, under a system of fixed duty on importation, 373. Showed the fallacy of Dr. Smith's statement, that a lucrative foreign commerce diminishes the supply of commodities produced for the home market, and occasions a general rise of prices and profits, 408. Criticism on his view of the operation of tithes, 548;—of the effect of an *ad valorem* duty on all commodities, 556;—of the facility of raising, by individual credit, large sums to meet the extraordinary wants of government, 569.

Rice, cultivation of, in Carolina, i. 263. Scarcity of, in Bengal, aggravated into a famine by injudicious interference of servants of the East India Company, ii. 398. *Richesse de la Hollande* cited, iv. 382, d.

Rijkards, Mr. his *Speeches in the House of Commons on the affairs of India* quoted, iv. 508, d. 518, 519, 527.

Roads, good ones equalize the advantages of different districts of a country, i. 244. Country gentlemen round London petitioned parliament against the extension of, into the remoter counties,—and why, 245. Remarks on the administration of, in Great Britain, iii. 214, 216. Administration and state of, in France, 218. Maintained in China by the government, 220. Partiality in the management of, in France, 221. Reasons why they should remain under local management in Bri-

tain, 222. Expense of maintaining, might, without injustice, be defrayed by general contribution, 352. Further remarks on the comparative system of management of, in France and England, iv. 559, d. Estimated length, and expense of maintenance of, in England and Wales, in 1818, 560.

Rogan, Dr. his work on the *Fever in Ulster* quoted, iv. 152, d.

Rome, citizens of, considered it as degrading to follow many branches of commercial industry, D. iv. Emperors of, prohibited the exportation of gold and silver, xiii. Accounts kept at, in *Asses* and *Sextertii*, i. 67. Money of, only copper till five years before the first Punic war, id. Law of, perfectly silent with regard to apprenticeships, 203. Value of silver in, was higher before and after the fall of the Republic, than generally in modern Europe, 357. Custom of primogeniture was unknown in, ii. 180. Her law of succession sanctioned no arrangement similar to entails, 182. Originally founded on an Agrarian law, 417. First motives of the institution of her colonies, 448;—which colonies occasionally furnished both revenue and troops, iii. 5. Grounds of her social war with her allies, 54. Ruined by admitting the Italians to the privileges of citizens, 57. Long drew her corn from Egypt, 153. Honoured agriculture more than manufactures or foreign trade, 154. Composition of the armies she sent to oppose Hannibal, 179. When she employed standing armies, 181. Causes which relaxed her military discipline, 182. Plan of education in ancient, 287, 289, 291. Courts of justice at, how constituted after law became a science, 291. Superiority of character in the inhabitants of, over the Greeks; probably owing to the better constitution of their courts of justice, 292. Seem to have been at no pains, beyond the encouragement of military exercises, to form warlike abilities, id. How military exercises were encouraged in, 302;—effects of this, 304. The eminent among her mere *literati* almost all either public or private teachers, 345. Linen not used in, 444. Her coin degraded, at the end of the first Punic war, by the reduction of the *As*, iv. 42;—this opinion controverted by M. Garnier, id. *n.*;—consequences of the operation, as it affected the debtors, 43, 44.

Rouet, M. Messance's statement re-

specting work done by the poor in cheap years at, i. 140. Its great trade the effect of situation, ii. 103.

Ruble of Russia, different values of, in paper and in silver, iv. 229, d. 230.

Ruddiman, his preface to Anderson's *Diplomata Scotiae* cited, i. 302, 349; ii. 37.

Ruffhead, Mr. his edition of the Statutes at large noticed, i. 301.

Russia, first embassies to, from England, arose from commercial interests, iii. 224. Company of merchants of England, its institution, 228;—has, in effect, ceased to exist, 229, *n.* History of her currency confirms the doctrine that by limitations of pure paper money its value may be indefinitely raised, iv. 229, d. 230.

Ryswick, war concluded by the treaty of, laid the foundation of the British national debt, iv. 25.

S.

Sailors, circumstances which compensate their small pay, i. 180. Rate of their wages when Dr. Smith wrote, and at present, (1827) 182, and *n.* Number of, now in the merchant service of Great Britain, iv. 398, d.;—in the navy, id. Plan for keeping up a supply of, without impressment, 400, 401. Addition which impressment makes to their wages, 403. Wages of, in America, are generally the same as in England, or lower, id.

Salt, trade in provisions cured by, might be rendered free with impunity, ii. 288. An ancient subject of taxation, iii. 430. How taxed in England in 1784, id. Tax on, now repealed, id. *n.* Tax on, in France, was farmed, 500;—afforded a constant temptation to smuggling, and was a source of much demoralization and misery to the poor, 501;—similar taxes, noticed in Austria, Prussia, and Italy, id.

Salaries of office, tax on, iii. 439.

Sanction, the Pragmatic, in the 15th century, favourable to the independence of the Gallican church, iii. 333.

Sandi, his *Storia Civile di Venozia* cited, ii. 212.

Savage and civilized nations, unequal shares of necessaries and conveniences acquired and enjoyed in, i. 11.

Say, M. wrong in asserting that Galiani was the first to show that labour is the only source of wealth, D. xxxix. *n.* Erroneously contends that the Italians and French first discovered the true principles

of commercial intercourse, I. His *Traité d'Economie Politique*, 1802, of high value for its arrangement and illustrations, and for a profound and original account of the nature and causes of *gluts*, lxxvii;—Mr. Ricardo's opinion of its merit, id.;—quoted, iv. 79, d.

Science, the great antidote to enthusiasm and superstition, iii. 319.

Scotland, grain generally not so dear in, as in England, i. 125, n. Market rate of interest in, 150. Progress of improvement in, since the American war, more rapid than in England, id. n. Cotters, a set of people in, 192. Stocking-knitting and spinning of yarn in, 194. Moderation of the livings and respectability of the clergy there, 219;—by act of Parliament 1812, the minimum of their stipends fixed at L.150, id. n. Price of butcher's meat in, 217. Common people of, who are fed on oatmeal, neither so strong nor so handsome as those of the same rank in England, 265. Highlands of, trade in bark from, 269. Stones sent from, to pave the streets of London, 270. Fertile lead mines in, give a sixth part of the gross produce as rent, 279. Labouring poor of, eat little butcher's meat, 308. Exports of corn from, to England, greater than her imports, 311, n. Coin of, before the Union, contained only a small preponderance of gold, 319. Market for her cattle, effects of its extension, 360. System of husbandry in, vastly improved since the close of the American war, 364, n. Wool of, fell in price in consequence of the union with England, 384. Erection of banking companies in, effects of, ii. 36. Gold coin in, previously to the Union, exceeded in value the silver, 37. Amount of paper currency in, in 1825, 38, n. Cash credits with bankers, explanation of the system of, in, 39. Difficulties of the banks there during the drain for gold, previously to 1772, on the Bank of England, 47. Bankers of, had overtraded 25 years before the publication of the *Wealth of Nations*, 56. Ayr bank in, principles on which it was established and conducted, 65. Paper money of, banishes gold and silver, 82. *Optional clause* inserted into bank notes there, 86. Nearly a third part of the lands of, under strict entail, 183. *Steeple-haw* tenants in, a species of *Mitayers*, 191. Law of James II. respecting leases, the *Magna Charta* of agriculturists in, 193, and n. Law of entail in, its present aspect, id.

Princely hospitality exercised down to a recent period in the Highlands of, 219;—incredibly small rent, in this district, of a tenement of land fit to maintain a family, id. Exercise of allodial rights in, by Mr. Cameron of Lochiel, so late as the middle of the 18th century, 221. Ancient prohibition in, against transporting the precious metals, 241. Mountains of, destined to be cattle-breeding districts for Britain, 288. Herring fisheries of, 303;—view of the bounties on them, 385;—accounts of them, 501. Part of the salary of the judges of the Court of Session in, arose from the interest of a sum of money, iii. 207. Her banks joint stock companies without any exclusive privilege, 262. Her establishment of parish schools, how beneficial, 301. Catholic church was easily overturned in, 337. Law of patronage to church benefices in, 341. Equality of her clergy favourable to the character and usefulness of the order, 342. Eminent men of letters of, have been mostly professors in Universities, 345. Revenue of the clergy of, in 1755, 348; estimate of this revenue as at present, (1827) id. n. Tax on windows in, 1775, 403. Law of, how, like that of Rome, it defines children who have received their portion and are married, 426. Exempted from duty on coals carried coastways, 452, n. Consumption of malt liquor among the inferior ranks of, small, iv. 55. Duty on the distillery in, produced less than that of England in proportion, 56. People of, by the Union, delivered from an oppressive aristocracy, 65. Spirit of party less prevalent there than in England, 67. Population of, in 1700, 1765; and 1801, 144, d. Ditto in 1811, 1821, 145. Potatoes first raised in the open fields of, in 1728, 171, n. Banking companies in, mostly banks for the issue of notes, and for deposits, 226;—estimate of amount of deposits with, in 1826, id. n.;—their reception of small deposits, on interest, commended by Mr. Gilbert, 227;—system of, viewed as exempt from the statute of 1708, 275, 276;—to what their superior stability is owing, 277. Origin of entails in, 415. Act of the Parliament of, settling entails, 445, 446. Number of entails recorded in, from 1685 to 1825, 446. Proportions of the lands of, under entail in 1785, 1811, and, by estimate, now, (1827) 446, 447. Attempts in, to modify the law of entail, 447. Powers of entailers in, beneficially limited by sta-

tute 10 Geo. III. cap. 51, 451. Present system of entail in, not so injurious as is commonly thought, 454. Difficulty of legislating, *ex post facto*, with regard to entails existing in, 455. Succession to farms as well as to estates in, regulated by primogeniture, 478;—Mr. Oliver's views of the consequences of a different course,—with a power of subletting and subdividing farms by the tenants, 481. Rise and characteristics of its system of parochial education, 529;—proposals for the improvement of this system, 532.

Sewers, their inequality obviated by a free trade in corn, iv. 340, d. 341.

Secrets in manufactures more easily kept than those in trade, i. 101.

Sects in religion, iii. 308, 311. Their reciprocal influence, in periods of excitement, on political parties, 312. Multiplicity of, under the wise indifference of an enlightened government, neutralizes their importance, 314, 315. Have generally begun among the common people, 317;—reasons of this, 318. Effectual remedies to their unsociality and rigour, 319.

Selfish pleasures ruinous, iv. 2.

Senior, Mr. of Oxford, his criticism on the word *labour* obviated, iv. 73, d.

Settlements in parishes, law of, remarks on, at various periods, i. 228. Act of William III. on certificates of, repealed in 1795, 232, n. Enormous expenses of actions at law regarding them, and Removals, 234, n.

Shopkeepers, their usefulness, ii. 145. A nation of,—what appears, at first sight, like its policy, iii. 41.

Short, Dr. calls war, the plague, and epidemics, correctives of the redundancy of mankind, iv. 136, d.

Silk manufacture, its present prospects, ii. 286, n. Articles of, sold in ancient Greece and Rome for their weight in gold, iii. 156.

Silver, Dr. Smith's error respecting the value of, in relation to gold, pointed out, and illustrated from the histories of the coinages of France and England, i. 71, n. A pound of standard, coined, since 1816, into 66 shillings, 73, n. Prohibition to export, in coin, repealed 1819, 75, n. A *legal tender* only to the extent of 40s. 76, n. Seignorage on, in France, 78, n. Fluctuations in the market price of, arise from the same causes which, in that way, affect all other commodities, 78. Mines of, in Peru, 279, n. Variations in the value of,

during the last four centuries, 292. Why cheaper in Spanish America than in Europe, 306. Rise in the value of, in relation to corn, in France, from 1700 to 1764, 324. Market of Europe for, from America, greatly extended, 330. America herself an extensive market for the produce of the mines of, 331. Drain of, to the East Indies, entirely ceased within six or seven years, but has subsequently returned to its old channel, 338, n. Proportions of, to gold, before and since the discovery of the American mines, 346. Any rise in money prices, proceeding from a degradation of the value of, would affect all sorts of goods equally, 393.

Sinking fund, its origin, iv. 16.

Sismondi, M. de, degree of credit which may be attached to his account of the extreme *sagesse*, displayed in the married state, in France, iv. 163, d. n.

Skins of larger animals the original materials of clothing, i. 268.

Slave, able-bodied, his earnings compared, by Mr. Cantillon, with those of a free labourer, i. 114. Condition of, under a free, government, ii. 496;—this illustrated from the punishment inflicted by Augustus on Vedius Pollio for meditated cruelty to a slave, 497. Very seldom inventive, iii. 155.

Slavery among tenants of the soil in ancient Europe, ii. 185. Among workmen in Scotland, last remnant of, when abolished, 186, n.

Smith, Dr. general character of his *Wealth of Nations*, D. lxxviii. His theory of productive and unproductive labour defective, lxxi. His view of what determines the value of commodities, and of the progress of rent, how erroneous, lxxiii.;—this error influences his opinions on wages and profit, and on the ultimate incidence of various taxes, lxxvi. His collateral discussions very attractive, lxxix;—Has not explicitly stated his understanding of the term *wealth*, i. 9. His oversight of the circumstance which determines the price of corn in different countries, 21, n. Speculations of, respecting the origin of the division of labour, though ingenious, not solid, 34, n. His statement that cattle, in early ages, were used as money, substantially founded, notwithstanding the criticism of Marquis Garnier, 41, n. Modification of his views of the circumstances which regulate the value of commodities, not to be

accomplished in notes, 53, *n.* Mistook the reason why corn rents have preserved their value better than those in money, 60, *n.* His error in asserting that gold regulates the value of silver, 71, *n.* His account of fluctuations in the market price of bullion at different periods, inaccurate, 74, *n.* Erroneously rates the seignorage on coin in France, 78, *n.* Wrong in stating that monopoly price is on every occasion the highest that can be got, 103, *n.* Rather overrated the effect of corporation privileges, 104, *n.* His statements regarding the wages of labour in chap. viii. book i. accurate and liberal, 107, *n.* Wrong in asserting that combinations of workmen are always attended by clamour, and generally by outrage, 113, *n.* Statements of, on causes influencing population, commonly accurate, 133, *n.* Does not assign the true cause of the progressive fall in the rate of profit, 147, *n.* Seems to have mistaken the true cause of the fall of profits in Holland, 152, *n.* Overstated the real amount of stock held in England, by foreigners, at the time he wrote, 153, *n.* Chap. x. of book i. one of the most valuable in his *Wealth of Nations*, 164, *n.* Singularly overlooked the evils of impressment, 182, *n.* Mistaken in asserting that agricultural labourers are more intelligent than those employed in manufactures and commerce, 211, *n.* Wrong in stating that corporation privileges ultimately cover those protected by them from the principle of competition, 212, *n.* Had he lived till now, would not, perhaps, have been of opinion that landlords and farmers have no desire to enter into combinations, 213, *n.* Misled in following Dr. Arbuthnot's estimate of the value of the *Attic mina*, 222, *n.* Accused of exaggerating the effects of the laws respecting settlements of the poor, 234, *n.* His exposition of the nature, origin, and causes of rent, defective, 237, *n.* Erroneously asserts that in rice countries a greater share of the produce should belong to the landlord than in corn countries, 263, *n.* His fallacious doctrine respecting the circumstances which, in different states of society, regulate the cost and produce of corn, 307, *n.* Formed his opinion of the riches of China after the earlier travellers and the Jesuits, 311, *n.* His estimate of the importation of gold and silver from America a low one, 343, *n.* States the doctrine that the proportion between the values is not the same as between the quantities of commodities at market, 347, *n.*;—this distinctly illustrated, *id.* Probably exaggerated the effect of the restrictions on the trade in wool, 379, *n.* Made no allusion to the cotton manufacture, 405, *n.* In saying that landlords never mislead public deliberation with a view to the interests of their own order, had forgot two important legislative acts, 408, *n.* Most erroneously asserts that profit is high in poor, and low in rich countries, 410, *n.* Divided the stock of a country into capital and revenue, on grounds which lead to the most erroneous conclusions, *ii.* 5, *n.* A restrictive condition added to his definition of the circumstances in which the channel of circulation would be overflowed, 31, *n.* Wrong in characterising as waste, the expenditure of the idle classes, 82, *n.* His opinion on the nature of cash credits in Scotland, controverted by Mr. Ricardo, 42, *n.* His estimate of the expense of raising money by drawing and redrawing, shown by Mr. H. Thornton, to be overrated, 60, *n.* Wrong in asserting that gold and silver, used as money, produce nothing to the country, 78, *n.*;—and in stating that banking operations convert dead, into active and productive stock, *id.* Erroneously stated that convertibility, into gold and silver, is necessary to sustain the value of paper money as legal tender, 90, *n.* Makes an unfounded distinction between productive and unproductive labour, 95, *n.*;—further remarks on this distinction as it relates to public functionaries, 114, *n.* Untenable proposition advanced by, on the subject of the usury laws, 138, *n.* His fallacies respecting comparative advantageousness of different employments of capital further illustrated, 141, *n.* His most objectionable doctrine that farming is of all possible ways the most advantageous for employing a capital, 150, *n.* Inconsistent in stating that capital employed in the foreign trade of consumption gives a diminished impulse to the industry of the country from which it issues, 158, *n.*;—his further error on this point, 159, *n.* Note on his view of the advantageousness of the carrying trade, 163, *n.* Correction of his remark that the home trade, with an equal capital, affords the greater revenue, 246, *n.* His statement, that merchants and manufacturers derive the greatest advantage from a monopoly of the home market, con-

tested, 284, *n.* Overstates the loss to be apprehended from the change to a free commercial system, 285, *n.* Wrong in concluding that as taxes on necessaries raise the wages of labour, a rise in wages affects commodities generally, 296, *n.* Mistaken in his conclusion from a case supposed, of England taking exclusively native commodities from France, and paying them in colonial or tropical products, 338, *n.*;—also in his inference drawn from the same case, with this variation, that England paid with gold and silver, 339, *n.* In discussing the rise of price, effected by bounties on exportation, confounds the utility of corn with its value in exchange, 368, *n.*;—in prosecuting this view, erroneously asserts that “the money price of corn regulates that of all other home-made commodities,” *id.* Wrong in asserting that the restrictions on exportation of gold and silver from Spain and Portugal destroyed their manufactures by attracting supplies from other countries, 373, *n.* Exaggerates greatly the effects of a bounty on the exportation of manufactured goods, 378, *n.* Fallaciously states that the real value of corn does not vary with its average money price, 379, *n.* Mistaken in asserting that the landlords of Britain, by demanding the bounty which long obtained, retarded the improvement of their lands, 381, *n.* Mistaken in asserting that the statute of 12 Geo. III. cap. 7, did not repeal that of 15 Cha. II. cap. 7, 408, *n.* Attributes to treaties of commerce, advantageous results which can hardly be said to flow from them, 427, *n.* The doctrine which he advances, in his chapter on Colonial Policy, that the monopoly of the colony trade increased the rate of profit, erroneous, *iii.* 10, *n.* Asserts, without proof, that, since the act of navigation, the foreign trade of Britain had decayed, while her colony trade was continually increasing, 12, *n.* Correction of what he states of the high profits of British stock raising the price of manufactures as much as, and sometimes more than, the high wages of British labour, 17, *n.* Repeats his statement that the monopoly of the colony trade drove Britain from some of the most productive branches of her European trade, 18, *n.* Wrong in measuring the advantageousness of a particular employment of capital, from the frequency of its returns, 19, *n.* Overrated the danger, to our manufactures and trade, from a separation of political connexion with the colonies, 28, *n.* Attributes throughout, to the monopoly of the colony trade, effects on the rate of profit which, had they really existed, it would have been difficult to show that they were injurious, 38, *n.* Asserts, seemingly without foundation, that high profits destroy parsimony, 39, *n.* Attributes, questionably, exorbitant profits to the merchants of Cadiz and Lisbon, 40, *n.* Incorrectly states that the Portuguese enjoyed almost the whole of the East India trade, for more than a century, without any exclusive company, 72, *w.* Not being aware of the principle of the *Economistes* is incomplete and unsatisfactory, 139, *n.* Distinction which he attempts to make between the labour of menial servants and that of artificers imaginary, 141, *n.* His statements of the price of articles in antiquity are taken from Dr. Arbuthnot's tables, which are of very doubtful authority, 158, *n.* His censure of the conditions in leases questioned, 377, *n.* His view of the effect of taxes on rent incomplete,—and why, 386, *n.* Did not see the nicety of questions with respect to the effect of taxes on the gross produce of the land, 392, *n.* His assertion, that the rent of houses is paid for the use of an *unproductive* subject, why erroneous, 397, *n.* Mistaken in his statement respecting the effect of a tax on the profits of stock employed in agriculture, 420, *n.* His speculations, with respect to the effect of taxes on wages, require very great modification, 437, *n.* Reference, on his erroneous notion, that taxes on necessaries, by raising wages, enhance the price of manufactures, 449, *n.* His account of the reduction of the Roman *As*, at the end of the first Punic war, controverted by the Marquis Garnier, *iv.* 42, *n.* Noyhère, states the precise meaning he attached to the term *labour*, 73, *d.* His chapter on Rent unsatisfactory, 100. Sense in which to take his proposition, that the price of food is always sufficient to leave, after replacing capital and realizing average profit, a surplus to the landlord, 108. From his statement that the market rate of wages depends on the contract between workmen and their employers, we must not infer that the terms of this contract are adjusted on any arbitrary principle, 173. Fallacy of his inference from the imagined possible continuation of that

state of things in which the whole produce of industry belongs to the labourer, 181. His theory of Profit plausible, but perfectly unsound, 189, 190. His theory of Money, in many respects, incomplete, 202. His *Digression on the Corn Laws* continued, 319. His argument for a free exportation of corn complete, 333. His argument against a bounty on exportation untenable, 336. His view of the effects of the navigation law very doubtful, 381, 383. His reasonings on the advantages of abolishing the monopoly of the colony trade amply confirmed by the effects of American independence, 409. Formed a just opinion of the injudicious arrangement of the tonnage bounty for the fisheries, 428. His statement respecting the aversion of the ancient Egyptians to the sea a repetition of a common error, 431. Partial inaccuracy of his opinion that entails were unknown to the ancients, 441, 442. His view of primogeniture dissented from, 456. His estimate of the operation of taxes on rent of land incomplete and inaccurate, 535;—and still more so respects those on profits, 538. Incorrect in his view of the incidence of taxes on wages, 541. His definition of taxes on raw produce only conclusive to a certain extent, 547. Remarks on the apparent bias of his opinion respecting the control of highways, 559.

Smith's *Ancient and Present State of the County, and City of Cork* cited, iv. 171, d. n.

Smith's *Tracts on the Corn Trade*, 1766, cited, ii. 363, and n.

Smuggler, the, his common character and fate, iii. 491, 492.

Soap, duty on, iii. 451, and n.

Soils of diminished fertility, when resorted to, cause a fall in the rate of profit, i. 147, n.

Soldiers, private, pay of, in 1611, 1775, and 1827, i. 128, and n. When employed to work by the piece, hurt their health by excessive labour, 136. Circumstances which seem to compensate their small pay, 189.

South Sea Company, — what its trading stock amounted to, iii. 239. Circumstances of, as to expense, favourable, 243. Stock-jobbing and mercantile projects of, extravagantly conducted, 244. In 1724, undertook the whale fishery, 245. History and close of, 246.

Sovereigns, the, his *first duty*, to protect the society from the violence of their inde-

pendent societies, iii. 162. How supported by a standing army, 183. His *second*, to establish an exact administration of justice, 189. His judicial authority long a source of revenue, 198. What he is in nations of shepherds and husbandmen, 200. *Third and last duty* of, to erect and maintain such public works as individuals or bodies of them cannot undertake, 209. In a country with an established religion, can only be secure by influencing the greater part of its teachers, 321;—his difficulties in managing this influence, 322, 323, 325. Power of, how affected in ancient Europe by the encroachments of the Pope, 326. Confederacy of the clergy was more formidable to, than that of the great nobility, 329. How his influence revived on the decay of the temporal power of the clergy, 332. Of the expense of supporting his dignity, 350. Sources of revenue which may belong to him, 354. Character of, does not agree with that of a trader, 357. His expenses in feudal times, 361. In feudal times, hoarded treasure, iv. 3. In commercial countries is led to spend his personal revenue on fineries and luxuries, 4.

Spain, King of, his tax on the mines of Peru ill paid, i. 280. Poverty of, as compared with France by the Emperor Charles V., 331. In some provinces of, sheep killed for the sake of the fleece and the tallow, 376. A beggarly country notwithstanding its possession of mines, 392. Its maritime discoveries, ii. 451;—was attracted to attempt them by the thirst of gold, 456. Derived a revenue from its colonies from the moment of their first establishment, 461. Was a manufacturing country before it had any considerable colonies, iii. 31. Bad effects of the monopoly of its colony trade, 35. Its wretched institutions and policy would have prevented accumulation though the profits of its merchants had been exorbitant, 40, n. Colonies of, gave more real encouragement to the industry of other countries than to its own, 62. Driven from its alliance with England by the dismemberment of Gibraltar and Minorca, 238. Some Universities of, are said never to have made the study of Greek part of their course of education, 276. Depopulation of, not caused by emigration, iv. 138, d.

Stamp-duty, on law proceeding, might be made available towards the maintenance of the courts, iii. 203. How regulated in

Britain in 1781, 429. How levied at present, (1827) *id. n.* How managed in Holland, 429;—in France, *id.* First contrived in Holland, 130, *n.* Not much complained of in France, 432. Further remarks on, in England, 434.

Standard (metallic) of currency, expediency and danger of introducing a double one, by making silver, equally with gold, a legal tender, *iv.* 303, *d.* 304.

Standing army, one of the first distinctly marked by history, that of Philip of Macedon, *iii.* 178. Bravery of the soldiers of, not lessened by peace, 185. The best defence of a civilized country, 185. Jealousy of, by men of republican principles, ill founded, 186.

Statutes at large,—error in the relative scale of bread to wheat (stat. 31 Hen. III.) perpetuated, up to Mr. Ruffhead, in transcribing them, *i.* 301.

Steam-engine, great improvement in, the work of an idle boy, *i.* 25.

Steel-bow tenants, in Scotland, like the Métayers in France, *ii.* 191.

Stewart, Sir James, an adherent of the mercantile system, *D.* xxiii. His *Inquiry into the Principles of Political Economy*, 1767, characterised, *xlix.* Not once referred to by Dr. Smith, *i.* Strikingly illustrated the principle of population, *lxxxiii.*; *iv.* 126, *d. n.* His remark, that procreancy in Ireland has been “*abusive*,” 147.

Stones, precious, whence the demand for them, *i.* 237.

Storch, M. his view of the mischievous consequences of the mercantile system, *D.* xxiii. His *Cours d'Economie Politique*, Paris, 1823, cited, *ii.* 186, *n.* His account of the fall of the Bank of Amsterdam quoted, 333, *n.* His able account of the government currency and paper money of different countries in Europe cited, *iv.* 229, *d.*; referred to, *id. n.* 230, *n.*

Strabo quoted, *iv.* 434, *d.*

Succession, law of, among the Romans, *iv.* 442, *d.* To landed estates, generally regulated in modern Europe by primogeniture, *id.* As presently settled in France, 460.

Sugar, the price of, was never a monopoly one, *iii.* 482, *n.*

Sugar colonies in the West Indies compared to the most precious vineyards, *i.* 258. Their present unprosperous state owing to over-cultivation, 259, *n.*

Sugar planters, their condition greatly

altered for the worse since Dr. Smith wrote, *i.* 259, *n.* Those of France superior to the English in the treatment of their slaves, *ii.* 495.

Supply and demand, their effects on the temporary price of commodities, *i.* 95.

Sussmilch, M. his statement of the number of marriages in Prussia, before and after the plague of 1710-11, cited, *iv.* 136, *d.*

Sweden, her early establishment in North America, *ii.* 468. Would probably have never sent a ship to the East Indies but for the monopoly, *iii.* 70.

Swift, Dean, his saying about the arithmetic of the customs quoted, *iii.* 462.

Switzerland, a spirit of faction was fostered in the considerable cities of, by popular elections of their clergy, *iii.* 310. Her presbyterian clergy useful and respectable, 343. Her eminent men of letters mostly professors in Universities, 315. Her protestant cantons found, in the revenue of the Roman catholic church, a fund for the maintenance of their clergy, and also nearly to defray all the public expenses, 347. Economical motives have led her, in some instances, not merely to tolerate but to establish both the Roman and Reformed churches, 349. Property-tax, how levied in several parts of, 411. In some cantons of, a tax on the alienation of land was levied, 427.

Symonds, Dr. his *Remarks on a History of the Colonization of the Free States of Antiquity*, 1778, referred to, *ii.* 419, *n.*

T.

Tacitus cited, *iv.* 437, *d. n.* 439.

Taille, the, an old tax in France,—details respecting, *iii.* 385, 417, 418. Abolished at the Revolution, 419, *n.*

Tariff, that of 1661 compiled by Colbert, *D.* xxii.

Tartary, militia of, excellent, *iii.* 177. Governments of, in Asia, made the administration of justice a source of revenue, 198.

Taxes, their incidence and effect on rent, profit, wages, and raw produce, practically investigated by Mr. Ricardo. *D.* xvi. Increase of, one of the main causes of a fall of profits, *i.* 147, *n.* Perhaps distress the poor more, in times of moderate plenty, than the high price of corn, 398. On necessaries, their effects, *ii.* 297. From what sources they must be paid, *iii.* 367. Four fundamental maxims

- or conditions with regard to them, 368. On the rent of land, 371. One on land becomes unequal, 372. Land-tax recommended by the *Economistes* as the most equitable of all, 375. How one on rent might be organized, 376, 379. Discouragement to improvement from a variable one on land considered, 380. On produce, what, 386;—these may be levied in kind or by valuation, 390, 391. On the rent of houses, 392;—considered as payable by the tenant, 394. Effect of, on ground rents, 396. One on house rent proposed, 398. On houses in England, history of, 403. On houses in Britain, present rate of, 404, *n.* On profit, 405. On interest of money, 406. On income in England, coequal with those on land, 409. On property, at Hamburg, 410;—in Switzerland, 411;—in Holland, 412. Object of that on property, 413. On the profits of particular employments, 414;—their effect, 415. On profits, fall wholly on capitalists, 416, *n.* Effect of one on the profits of stock in agriculture, 419;—fundamental error of this representation, 420, *n.* Poll-tax, 421, 422. On profit, do not affect the interest of money, 423. On capital, 424. On all transferences of land under the feudal law, 426, 427. Stamp-tax as levied in Britain in 1784, 428; and at present, (1827) *id. n.* Various,—their incidence, 430. On wages, 434;—their effects, 436, 437. On salaries of office, 439. Capitation, levied according to rank under William III. 441;—these never produced the sum expected, 442. On consumable commodities, 444. On necessaries, and on luxuries, their respective effects, 446, 447, 449. On salt, leather, soap, and candles, 450. On coal, 452. On bread in Holland and other states, 453. On carriages, 455, and *n.* Proposed by Sir Matthew Decker, by licence, on consumption, 455. On drinking tea in Holland, 457. Of excise, *id.* Of customs, 458. On importation, have encouraged smuggling, 462. On wines, brandies, &c. 465. On malt, 474, 476, 478. Cannot reduce the rate of profit in any particular trade, 480, 481. On luxuries, do not fall equally on the revenue of every individual, 485;—how far conformable to the four general maxims on taxation, 487;—how they obstruct some branches of industry, 489;—objectionable so far as they hold out a hope of evasion by smuggling, 490.
- Felt as lightly in Britain as in any other country with an expensive government, 493. Uniform system of, there, 495, 495. Inexpediency of farming them, 498, 499, 500. Perpetual, when commenced in Britain, *iv.* 13, 14. Expenses of government by immediately levying, compared with the operation of funding, 31, 32, 33. Cause the efflux of capital, 37. Breaches made by, in Britain, repaired by the frugility and good conduct of individuals, 39. Of India, how raised, 501, *d.* 514. On the rent of land, view of their nature and operation, 535. On profits, equal, would fall on capitalists, 541. On wages, would diminish accumulation, 515. On raw produce, difficult to estimate, 546;—Mr. Ricardo's view of them criticised, 518. On particular commodities, 553. *Ad valorem*, of all commodities, impracticable, 555, 558. Their increase, to raise supplies within the year, compared with funding, 560.
- Tea, great increase in the consumption of, since Dr. Smith wrote, *i.* 335, *n.*
- Teachers, large sums made by those at Athens, in their profession, *i.* 222. Their application lessened by endowments, *iii.* 267. Regulations respecting them, in colleges, extinguish emulation, 271. Lectures of, how influenced by regulations, 272. Are never undeservedly disesteemed by young men, 273. Course they gave, on the scholastic system, in the universities, 283. Diligence of, how corrupted in modern times, 293. Private, and public, their different situation and motives, 294.
- Territory, acquisition of, how it enriches a country, *i.* 155, *n.*
- Theocritus cited, *i.* 167.
- Theology, influence of the study of, on the frame and character of the universities of Europe, *iii.* 275, 277, 283.
- Theorists, their *effictual demand* occasions the production of facts as raw materials, *D.* xi.
- Thornton, Mr. H. his *Essay on Paper Credit* cited, *ii.* 60, *n.*; *iv.* 259, *d. n.* 291, 294, 297, 298.
- Thucydides, his judgment of the power of the Scythians verified, *iii.* 165. His account of the agricultural habits of the Peloponnesians, 167.
- Tithe, Mr. his estimate, in evidence before a committee of Parliament, on the *Employment of the Irish Poor*, of the number of persons supported by charity, *iv.* 151, *d.*

Tillage discouraged in ancient Italy, round Rome,—and why, i. 218.

Tithes, what they are as taxes, iii. 387. Commutation of, on madder in England, permitted the cultivation of that plant, 388. Their alleged effect on the landlord's capacity to pay taxes, iv. 48. Estimate of, in Britain and Ireland, 49. How far they affect the price of corn, 366, d. Examination of the views of Dr. Smith and Mr. Ricardo respecting them, 347, 348.

Tobacco, cultivation of, in Virginia and Maryland, i. 260. Planters of, evinced the same fear of superabundance as the proprietors of old vineyards in France, 261. Trade of, cited in illustration of the supposed effects of the colonial monopoly, iii. 22. Importance of the British tonnage employed in the trade of, 29.

Tolls,—their use, iii. 211; and equitableness, 212. Abuses committed by trustees of, in Britain, 214. Amount of money levied by, 213, 216. Reasons why they should not be placed under the control of government, 216, 218. Amount of, levied in England and Wales, as stated in 1818, iv. 360, d.

Tooke, Mr. his work, on *High and Low Prices*, cited, i. 344, n. His objections to Mr. Ricardo's plan for a currency obviated, iv. 246, d. 247, 249.

Torrrens, Colonel, his *Letter to Lord Liverpool* quoted, on the subject of fluctuations in the price of corn, iv. 345, d.

Towns, *corporato*, their government was altogether in the hands of traders and artificers, i. 205. Draw their subsistence, and the materials of their industry, from the country, 206. Inhabitants of, can easily combine together, 208.

Townsend, Rev. Mr. his *Dissertation on the Poor Laws*, 1786, exhibits a clear statement of the leading doctrines of population, D. lxxxiii.; referred to, iv. 126, d. n.

Trade, people of the same, seldom meet together without a conspiracy against the public, i. 214. Wholesale, what it consists of, ii. 137. Foreign, discussion of its productiveness, 158, 159, and n. Carrying, its profits, 163, and n. All the different branches of, advantageous and necessary in the natural course of things, 165. In tobacco, with Virginia and Maryland, 166. Home, how limited, 168. Full freedom of, seems now much more attainable than it did, in 1775, 305, n. Free, with France, arguments in favour of, 310.

Between any two countries, never formed of an exclusive exchange of native or of foreign commodities, 338. With our nearest neighbours, bating the expenses of conveyance, exactly the same as with those at the farthest part of the globe, 340, n. Restraints on, in wine, do not encourage sobriety, 348. Between France and England, great facilities for, 347. With Portugal, overrated, 433. Of the Venetians, 450. Protection of, held to be a necessary part of the duty of the executive, iii. 225;—this was the purpose, or pretence, of the garrisons of Gibraltar and Minorca, 237.

Treasure, when found concealed, provisions respecting it under the feudal system of law and government, ii. 17. The amassing of, common among barbarous princes, 265.

Treaties of Commerce, ii. 426. Advantages of, enumerated by Dr. Smith, are of small importance, 427, n. That between England and Portugal in 1703, its provisions, 428. How designs and principles on which they have been hitherto negotiated, iv. 412, d.;—reasons of this, 413.

Tucker, Mr. his work, on *the Finances of India*, cited, iv. 499, d. His animadversions on the *Ryotwar* territorial system quoted, 511.

Turkey Company, its commerce first occasioned the establishment of an ordinary ambassador at Constantinople, iii. 224. Its institutions, 229. Regulated by statute 26 Geo. II. cap. 18, 230. Its influence over the trade with that country, 231. Surrendered, in 1825, all its privileges into the hands of government, 232, n.

Turks draw little or no profit from their mines, preferring to work them by slaves, iii. 156. Their oppressive government depopulates the countries subject to them, iv. 137, d.

Typhon, the evil demon,—the sea, according to Plutarch, symbolized by the Egyptians as, iv. 432, d.;—grounds on which this is questioned, 438.

Tyrell's *History of England* referred to, iii. 198.

U.

United States, their population in 1820, ii. 348.

Universities, situation of teachers in, as to emolument, iii. 267, 268. Obligation to teach in, what reduced to, where the professor is prohibited from taking fees,

269. Privileges and foundations of, 270. Discipline of, contrived more for the interest and ease of the masters than for the benefit of the students, 272. Were, for the most part, originally ecclesiastical corporations, 275. When they adopted the study of the Greek language and philosophy, 277. Ancient division of philosophy changed in, 280. Their course of philosophical education, what it was, 283;—greater part of them in Europe still continue this course, 281. Rich, slowly admit improvement, id. Are better served in countries where economical church establishments leave men of letters to secular pursuits, 311. In all protestant countries, except England, draw men of eminent learning from the church, 315.

Usuriz imputes the ruin of manufactures in Spain to the Alcauala iii. 191. His *Theory and Practice of Commerce* cited, iv. 138, d.

Utility of commodities confounded with their exchangeable value, by M. Say, iv. 79, d.;—this error set in a striking point of view by Mr. Ricardo, 80.

Utrecht, treaty of, granted the Asiento contract to the South Sea Company, iii. 214.

V.

Value, determined by quantity of labour required for production,—this first distinctly laid down by Sir Wm. Petty, D. xxx. In *exchange*, essential to the definition of wealth, i. 9, n. Proportions of, in two different commodities, not regulated by the quantities of these commodities at market, 347. On what the proportion of average, of freely produced commodities, really depends, id. n. Of manufactured goods, a decline in, improves the condition of all other classes, as well as that of landlords, 407, n. Definition of, iv. 81, d. Does not attach to simple utility, 82. Labour the most abundant source of, id. Rarity a cause of, 83. Of monopolized products, does not always, or chiefly, arise from labour, id. Proposed practical separation of the term *utility* from, 81. Of unmonopolized commodities, determined by the quantity of labour which produce them, 5. Notice of *real* and *exchangeable*, to be distinguished, id. *Exchangeable*, of no commodity invariable, 17. Sources of, further explored, 88. How far affected by variations of supply and demand, 100, 91. *Real*,

not affected by quantities produced, but measured by labour expended in producing, 92, 93. *Real*, of a commodity may increase, while its *exchangeable* diminishes, and *vice versa*, 93;—hence, is never invariable, 94. No standard of,—because the *exchangeable* and *real* are only very seldom identical, 94, 95. *Real*, not affected by the various reward of labour, 97. The *raw material* of commodities not possessed of, 98. Results of this definition of the *sources* and *regulating principles* of, 99. *Real*, of commodities cannot be affected by fluctuations in the rate of wages and profits, 193, 196;—*exchangeable*, circumstances in which it would not be influenced by these fluctuations, 197. Of bullion, fell, not because of the increase in its quantity, but from the diminished cost of its production, 205. Of money, in *exchange*, may be indefinitely raised by limiting its quantity, 207. Variable, of the precious metals, its effect on contract: estimated in money made of them, 213. Of the precious metals, thought by some to be on the eve of a new revolution, resulting from the mining expeditions to Mexico and South America, 214. Of produce, paid to the landlord and farmer, how increased by restrictions on importation, 350, 352.

Vanderlint, Mr. his tract, *Money answers all Things*, published in 1734, ably advocates commercial freedom, and proposes a territorial tax in lieu of every other, D. xlvii.

Vansittart, Mr. his famous resolutions, of 1811, asserting the non-depreciation of Bank notes, iv. 266, d.;—adopted by the House of Commons, 267;—characterised, 267.

Vattel, his clear statement of the general obligation among nations to cultivate commerce, iv. 413, d.

Vauban, le Maréchal de, his *Dieme Royale*, 1707, contains a bold denunciation of abuses in the fiscal government of Louis XIV. D. liii.

Vaughan, Mr. his *Discourses of Coin and Coinage*, 1675, a work of high merit, D. li. n.

Venetians, their trade in the 14th and 15th centuries, n. 150. Their state established by the founding system, iv. 38.

Verré, il Conte di, his work, *Meditazioni sulla Economia Polare*, exhibits a just view of the nature of production, D. liii.

Vicesima Hereditaria, a legacy duty imposed by Augustus in Rome, iii. 425.

l. Village, thousand number of the decay of, form an obscure point in modern history, ii. 189.

Vine, more affected by difference of soils than any other fruit tree, i. 227.

Vingtaine, a land-tax in Poitou, what it was, iii. 421.

Virginia and Maryland, the sort of monopoly of the culture of tobacco which they enjoy, i. 281. Quantity of tobacco annually purchased from, ii. 160; iii. 22.

Vulgar remarks that Parvo, a mathematician, was the only professor in France whose works were worth reading, iii. 304. — this observation applied to Catholic countries in general, 315.

Wages, their influence on the rate of profit, pointed out by Mr. Ricardo, D. Xxi.

Of a capitalist's superintending, are distinct from his profits, i. 83. Cases, in which they are vulgarly confounded with profit, 91. Ordinary rate of, on what it depends, 110, &c. Rate of, in Britain, 122. — and of prices, generally nearer a level now, than when Dr. Smith wrote, 124a.

Rise of, a principal cause of a fall in the rate of profit, 127, &c. Said to have been higher in Holland than in England, 132. Higher in the colonies than in England, 153. Do not sink with the profits of stock, 155. Fall of, raises profits without, in general, affecting prices, 156.

Of professional men, by Dr. Smith, 171. — His illustration by the principle of a lottery, id. Particular acts of public moor, attempting to regulate, 225. — regulated by statute 5 Geo. I. c. 95.

How affected by taxes on necessaries, iii. 416. Their tendency, of things considered, to an equality in different employments, iv. 172, &c. Of *hot wages*, 173. Not always increased by increase of capital, 174. Low average rate of, extensively occasioned by excess of population, 177. Principles which regard them, should be explained to the young of all classes, 179, 186. Directly increased, in England, by no other means than that the poor have, 257. Of natural wages, iii. affected by societies in the climate of different countries, 178. — very low rate of, in Honga, 179. — different rates of, in England and in Ireland, 180. Can be raised only in three ways, 180. Cause of the distinction between absolute and proportional, 182, 183. How

regulated, if taxation were unknown or constant, 186. Their incidence on profits, 187. How affected under actual circumstances of society, in old countries, 188, 190. Reciprocal action of, on profits further stated, 191. Explanation of Mr. Ricardo's views on the action of *proportional*, on profits, 192. Effect of variations in the rate of, on the value of commodities, 193. — reciprocal action of these variations, 195. Under what circumstances they vary, averally as profits, 196. — this variation can have no effect on real value, id. Kept at a level, in all circumstances, by competition, 197. Circumstances in which variations in the rate of, would have no influence on exchangeable value, id. How a rise or fall of, affects the exchangeable value of each sort of commodities produced by unequal fixed capitals, 199. Change in quantity of *proportional*, only can vary the relation of commodities, id. Taxes on, would operate on profits to diminish accumulation, 213.

Walkerfield, Mr. his *Account of Ireland, Statistical and Political*, 1812, cited, iv. 171, &c. His testimony to the efforts used, up to 1813, by the country banks, to force their paper into circulation, 267.

Wallace, Mr. great merit of his changes on the navigation laws, iv. 287, &c.

Walpole, Sir Robert, his proposal of a warehousing system defeated by faction and interest, iii. 176.

War, ways in which a country may provide the means of carrying it on extensively abroad, ii. 255. Expenses of, to Britain, 261. — delayed by the exportation of commodities, 259. — this illustrated by public accounts relative to operations in Portugal and Spain in 1812, 1813, 262, &c. Ancient kings of England unable to carry on, of long duration, — and why, 261. Effect of, on population, strikingly exhibits the operation of the principle by which population is generally regulated, iv. 136, &c. Number of seamen required by Britain on the breaking out of, 309.

Warehousing system pointed at, iii. 167, 169, 306. As subsequent, put in operation, highly commended, 471, &c.

Warlike habits, those of men in different stages of society, iii. 162, 163, 169.

Warlike implements, great changes in them, which the extension of firearms has effected, iii. 162.

