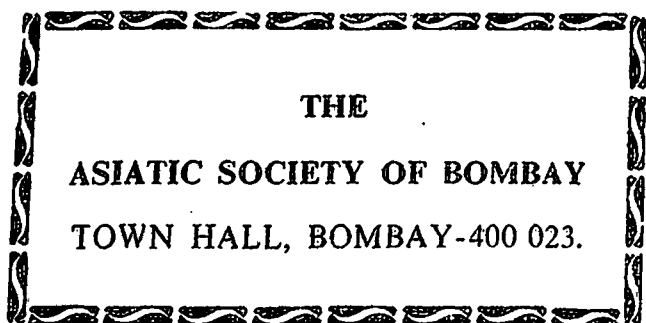


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ADAM SMITH, L.L.D.

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

By ADAM SMITH, LL. D.

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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. I.

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EDITOR'S PREFACE.

SINCE the period when Dr. Smith put the last hand to the *Wealth of Nations*, in 1784, the science of Political Economy has made a rapid progress. The shock given by the French Revolution to old systems and prejudices, the stimulus which it imparted to the public mind in every part of the civilized world, and the wars and convulsions to which it led, have produced a nearly total change in the internal organization and foreign policy of many powerful states. The oppressive fetters which the freedom of industry was clogging and embarrassed in France, Germany, and Italy, the feudal privileges of the nobility, and the immunities enjoyed by the clergy of these countries in the days of Dr. Smith, have been entirely swept away. Representative governments formed on the model of

that of England, have been established in France, the Netherlands, and some of the other continental states; at the same time that the emancipation of America, consequent upon the downfall of the old colonial system, has enabled her inhabitants to avail themselves of all the advantages of their situation, and to enter, with that spirit and energy which freedom only can inspire, on the career of improvement.

But nowhere, perhaps, have the events of the last thirty or forty years produced more interesting results than in Great Britain. We have not, indeed, been overrun by foreign armies, and we still continue to enjoy the advantages of that free system of government to which we are mainly indebted for our prosperity. But the effects of the arduous struggle in which we were so long engaged, and the changes in the situation of those around us, have, notwithstanding, had the most powerful influence on our condition; and have furnished abundant materials for the investigations both of practical and speculative politicians. The vast increase of our public debts and taxes, the restrictions imposed on the importation of foreign corn, the change that was made in the currency in 1797, and again in 1819, the prodigious growth of the man

I might advantageously employ myself in the publication of a new edition of the *Wealth of Nations*, subjoining such short notes to the text, as might serve to point out the changes that have taken place since the work was finally revised by the author, in the customs, institutions, and regulations occasionally referred to; and adding, by way of supplement, such more lengthened notes, or dissertations, as might appear necessary to make the reader aware of the fallacy of the principles which Dr. Smith has sometimes advocated, and to furnish him with a brief, but distinct, account of the principal discoveries and improvements that have been made in the science, and of the changes that have taken place in our commercial and financial legislation, since the close of the American war.

Such, in a few words, are the objects I have had in view in preparing this edition. To have executed it in a manner worthy of the original work, would, I am aware, have required talents and acquirements to which I make no pretensions. But industry, and an earnest desire to advance the interests of science, can at all qualify a person for such an undertaking, I am not without hopes that what I have done may be approved by the public.

The text has been carefully printed from the fourth edition, published in 1786, being the last that was revised by the author.

The Life of the Author has been principally abridged from Mr. Stewart's admirable memoir; but I have added a few remarks, and some facts gleaned from other sources.

In the Introductory Discourse, which follows the Life of the Author, I have endeavoured to lay before the reader a general view of the rise and progress of Political Economy up to the period of the publication of the Wealth of Nations, of the principal merits and defects of that work, and of the most important steps in the subsequent progress of the science. Part of this discourse is taken from a separate essay I published some time since, as an introduction to a course of lectures on Political Economy, the last impression of which is now almost exhausted, and will not be replaced.

The notes that are subjoined to Mr. Smith's text are chiefly intended, as already stated, to point out such changes as circumstances have occurred in any of the material facts or circumstances to which he alludes; sometimes, however, they are of a controversial character; and are intended either to point out the fallacy of some principle or some

ment advanced by the author, or the modifications which it requires. Few of these notes exceed a page or thereby in length; as I thought it better to place all the notes that required any considerable discussion together in the last volume. As Dr. Smith has subjoined very few notes to his text, I have affixed the words, "note by the author," to those that belong to him; those that I have contributed standing without any particular mark.

Some of the supplemental notes in the last volume extend to a considerable length. They will, I hope, be found to embrace a pretty complete view of most of the leading doctrines that have been discovered and established since the publication of the *Wealth of Nations*. They also embrace several additional speculations; and give an account of the most important changes that have taken place, during the last forty years, in the regulations under which the commerce and industry of the country have been conducted.

I freely availed myself, when preparing some of the supplemental notes, of the aid of articles I had contributed on various occasions to the *Edinburgh Review*. This is particularly the case in the notes on the *Laws, the Navigation Laws, and the Government, Revenue, and Commerce of India*.

The index, in the last volume, has been compiled by a literary friend; and will, I believe, be found entitled to rank with the very best of that useful class of performances.

In going over the original work, the reader will meet, in one or two instances, with references to notes that have not been given in the last volume. This omission was occasioned by the notes that have been inserted extending to a greater length than had been anticipated. But none is omitted of any considerable importance, or that could have thrown any light on the principles of the science.

I cannot conclude these explanatory remarks, without returning my best thanks to Mr. John Mill of London, Mr. Browne, advocate, and Mr. Oliver of Lochend, for the valuable contributions with which they have favoured me. I am much mistaken if my readers do not agree with me in thinking that Mr. Oliver's paper is decidedly the ablest that has hitherto been published on the interesting subject of which it treats.

Edinburgh, Dec. 1827.

SKETCH

OF THE

LIFE OF DR. SMITH.

ADAM SMITH, the author of the *Wealth of Nations*, was born at Kirkcaldy, on the 5th of June 1723. His father, who held the situation of comptroller of the customs at the same place, died a few months before his birth; so that the charge of his early education devolved wholly on his mother, the daughter of Mr. Douglas of Stratheny, in the county of Fife.

His constitution during infancy, is said to have been extremely infirm and delicate, and required all the anxious attention of his mother, who treated him with the greatest indulgence. This did not, however, produce any unfavourable effect either on his temper or dispositions; and he repaid the same solicitude of his parent, by every attempt of that filial gratitude and affection could dictate during the long period of sixty years.

When only three years of age, he was stolen from Stratheny, to which place he had been carried by his mother; by a party of gipsies. Fortunately, however, for the best interests of mankind, he was speedily recovered by the exertions of his uncle.

He received the first rudiments of his education in the grammar school of Kirkcaldy. The weakness of his constitution prevented him from indulging in the amuse-

ments common to boys of his age. But Mr. Stewart states, that he was even then distinguished by his passion for books, and by the extraordinary powers of his memory. That he was much beloved by his school-fellows, many of whom subsequently attained to great eminence, for his friendly and generous disposition; and that he was thus early remarkable for those habits which remained with him through life, of speaking to himself when alone, and of *absence* in company.

He continued at Kirkcaldy until 1737, when he was sent to the University of Glasgow, where he remained for three years. He then entered Baliol College, Oxford, as an exhibitioner on Snell's foundation; and continued for seven years to prosecute his studies at that celebrated seminary.

Mr. Stewart mentions, on the authority of Dr. Mac-laine of the Hague, that mathematics and natural philosophy formed Dr. Smith's favourite pursuits while at Glasgow. But subsequently to his removal to Oxford, he seems to have entirely abandoned them, and to have principally devoted that time which was not consumed in the routine duty of the University, to the study of the *belles lettres*, and of those moral and political sciences of which he was afterwards destined to become so great a master.*

Dr. Smith does not seem to have felt any very peculiar

* Mr. Stewart has justly applied to Dr. Smith what Lord Bacon said of Plato: "Illum, licet ad rempublicam non accessisset, tamen naturâ et inclinatione omnino ad res civiles propensum, vires eo præcipue intendisse; neque de Philosophiâ Naturali admodum sollicitum esse; nisi quatenus ad Philosophi nomen et celebritatem tuendam, et ad majestatem quandam moralibus et civilibus doctrinis addendam et aspergendam sufficeret."

respect for his English *alma mater*. The just though severe remarks he has made in the *Wealth of Nations*, on the system of education followed in Oxford and Cambridge, had evidently been suggested by his own observation. He shows that it is reasonable to expect that the plan of appointing professors with handsome salaries, who are not permitted to receive fees from their pupils, should, in all ordinary cases, induce them either wholly to neglect the important duties of their office, or to discharge them in the most slovenly manner; and he refers to the example of Oxford, to prove the accuracy of this conclusion, "the greater part of the public professors of that seminary having, for these many years, given up altogether even the pretence of teaching."*

While at Oxford, Dr. Smith frequently employed himself in the practice of translating, particularly from the French, in the view of improving his style; and he used often to express a favourable opinion of the utility of such exercises. This, however, was a species of employment that he might have prosecuted with nearly equal advantage at any other place. But there can be no doubt that his residence at Oxford must have been beneficial to him, by contributing to improve and perfect his acquaintance with the niceties and delicacies of the English language, as well as by rendering him a greater proficient in classical learning, of which his knowledge was both extensive and accurate; but it is not, perhaps, very easy to discover what other obligations he could owe to it. What advantage could Dr. Smith derive, in his enquiries into the history of society and the progress and distribution of wealth,

* Vol. iii. p. 269.

from living among those who were satisfied with what had been known on these subjects two thousand years ago; and who compelled the noble and aspiring youth of the country committed to their charge, to draw the principal part of their information with respect to politics and philosophy from the politics and the logic of Aristotle?*

Something had occurred while Dr. Smith was at Oxford to excite the suspicions of his superiors with respect to the nature of his private pursuits; and the heads of his college, having entered his apartment without his being aware, unluckily found him engaged in reading Hume's Treatise of Human Nature. The objectionable work was, of course, seized; the young philosopher being at the same time severely reprimanded.†

He continued, subsequently to his return from Oxford in 1747, to reside for nearly two years at Kirkcaldy, with his mother. He had been sent to Oxford in order to qualify him for entering the Church of England. The ecclesiastical profession was not, however, agreeable to his taste; and in opposition to the advice of his friends, he returned to Scotland, resolved to devote himself exclusively to literary pursuits.

In the latter part of the year 1748, Dr. Smith fixed his residence in Edinburgh, where, in consequence of the encouragement and persuasion of the Lord Kames, and some of his other friends, he was prevailed upon to deliver, during that and the two following years, a

* It is perhaps unnecessary to observe that these remarks apply only to the state of education at Oxford, at the time when it was attended by Dr. Smith; and that it has since been improved, though the defects hitherto mentioned, still remain in its composition almost in principle of the same nature.

† Mr. Stewart has observed that this is the best authority.

course of lectures on rhetoric and *belles lettres*. The lectures were attended by a respectable auditory, composed chiefly of students of law and theology; and he had the honour to reckon among his pupils, Mr. Wedderburn, afterwards Lord Loughborough, Mr. William Johnston, afterwards Sir William Pulteney, Dr. Blair, &c.; with all of whom he subsequently continued on the most intimate terms. It was also at this period that he laid the foundation of that friendship with Mr. David Hume which lasted, without the slightest interruption, till the death of the latter.

No part of these lectures was ever published; but it would appear from the statement of Dr. Blair, who commenced his celebrated course of lectures on rhetoric and *belles lettres* in 1758, ten years after Dr. Smith's first course, that they had been reduced into a systematic shape. In a note to his eighteenth lecture, Dr. Blair mentions that he had borrowed several of the ideas respecting the general characters of style, particularly the plain and simple, and the characters of those English authors who are classed under them, from a manuscript *treatise* of Dr. Smith on Rhetoric, of which the author had shown him a part.

In consequence of his increasing celebrity, Dr. Smith was elected, in 1751, professor of logic in the University of Glasgow; and the year following he was elevated to the chair of moral philosophy in the same University, vacant by the death of Mr. Craige, the immediate successor of the great Dr. Hutcheson, under whom Dr. Smith had his instruction. He continued to hold this situation, and as the studies and inquiries which it necessarily engaged him,

were the most agreeable to his taste, it is not surprising that he should have considered the period of his residence at Glasgow as the happiest portion of his life. At the same time it seems reasonable to conclude that his professional pursuits must have had a great effect in maturing his speculations in morals and politics, and, consequently, in determining him to undertake those great works which have immortalized his name, and largely benefited the whole human race.

Mr. Millar, the distinguished author of the *Historical View of the English Government*, and professor of law in the University of Glasgow, had the advantage of hearing Dr. Smith's course of lectures on moral philosophy; of which he has given the following account:—

“ His course of lectures was divided into four parts. The first contained Natural Theology; in which he considered the proofs of the being and attributes of God, and those principles of the human mind upon which religion is founded. The second comprehended Ethics, strictly so called, and consisted chiefly of the doctrines which he afterwards published in his *Theory of Moral Sentiments*. In the third part, he treated at more length of that branch of morality which relates to justice, and which, being susceptible of precise and accurate rules, is for that reason capable of a first and accurate explanation.

“ Upon this subject he followed the plan which seems to be suggested by Montesquieu, and endeavoured to trace the gradual progress of justice from the state of nature and private, from the rudest to the most refined, and to point out the effects of that progress upon the human subsistence, and to the accumulation of property.

ducing correspondent improvements or alterations in law and government. This important branch of his labours he also intended to give to the public; but his intention, which is mentioned in the conclusion of the *Theory of Moral Sentiments*, he did not live to fulfil.

“ In the last part of his lectures, he examined those political regulations which are founded, not upon the principle of *justice*, but that of *expediency*, and which are calculated to increase the riches, the power, and the prosperity of a state. Under this view, he considered the political institutions relating to commerce, to finances, to ecclesiastical and military establishments. What he delivered on these subjects contained the substance of the work he afterwards published under the title of *An Inquiry into the Nature and Causes of the Wealth of Nations*.

“ There was no situation in which the abilities of Dr. Smith appeared to greater advantage than as a professor. In delivering his lectures, he trusted almost entirely to extemporary elocution. His manner, though not graceful, was plain and unaffected; and as he seemed to be always interested in the subject, he never failed to interest his hearers. Each discourse consisted commonly of several distinct propositions, which he successively endeavoured to prove and illustrate. These propositions, when announced in general terms, had, from their extent, not unfrequently the appearance of the air of a paradox. In his attempts by the plainness of them, he often appeared, at first, not to be master of the subject, and spoke with had form and manner. As he advanced, however, the matter seemed to crowd upon him, his manner became warm and animated, and his expression easy and fluent.

In points susceptible of controversy, you could easily discern, that he secretly conceived an opposition to his opinions, and that he was led upon this account to support them with greater energy and vehemence. By the fulness and variety of his illustrations, the subject gradually swelled in his hands, and acquired a dimension which, without a tedious repetition of the same views, was calculated to seize the attention of his audience, and to afford them pleasure, as well as instruction, in following the same object, through all the diversity of shades and aspects in which it was presented, and afterwards in tracing it backwards to that original proposition or general truth, from which this beautiful train of speculation had proceeded.

“ His reputation as a professor was accordingly raised very high, and a multitude of students from a great distance resorted to the University, merely upon his account. Those branches of science which he taught became fashionable at this place, and his opinions were the chief topics of discussion in clubs and literary societies. Even the small peculiarities in his pronunciation or manner of speaking, became frequently the objects of imitation.”

It is understood, that Dr. Smith made his debut as an author by contributing, anonymously, two articles to a publication entitled the *Edinburgh Review*, commenced in 1755, of which only two numbers were published. The first of these articles is a review of Dr. Johnson's Dictionary, and displays considerable acuteness; the second is in the form of a letter to the editor, and contains some general observations on the literature of the different European countries. It is chiefly remarkable

as evincing the attention paid by the author to continental literature, at a period when it was comparatively neglected in this country.

In 1759 Dr. Smith published his *Theory of Moral Sentiments*. He had been engaged for a very considerable period in the composition of this work, which is throughout elaborated with the greatest care. The fundamental principle maintained by Dr. Smith is, that *sympathy* forms the real foundation of morals; that we do not immediately approve or disapprove of any given action, when we have become acquainted with the intention of the agent and the consequences of what he has done, but that we previously enter, by means of that sympathetic affection which is natural to us, into the feelings of the agent and those to whom the action relates; that having considered all the motives and passions by which the agent was actuated, we pronounce, with respect to the *propriety* or *impropriety* of the action, according as we sympathize or not with him; while we pronounce, with respect to the *merit* or *demerit* of the action, according as we sympathize with the gratitude or resentment of those who were its objects; and that we necessarily judge of our own conduct by comparing it with such maxims and rules as we have deduced from observations previously made on the conduct of others.

“Whatever judgment,” says Dr. Smith, “we form with respect to our own motives and actions, must always bear some secret reference, either to what are, or to what, upon a certain condition, would be, or to what, we imagine, ought to be the judgment of others. We endeavour to examine our own conduct as we imagine any other fair and impartial spectator would examine it. If,

upon placing ourselves in his situation, we thoroughly enter into all the passions and motives which influenced it, we approve of it by sympathy with the approbation of this supposed equitable judge. If otherwise, we enter into his disapprobation, and condemn it." *

Several, and, as it is now generally admitted, some unanswerable objections have been urged against this most ingenious theory. But whatever difference of opinion may exist with respect to the truth of the fundamental principle it involves, the Theory of Moral Sentiments has been universally allowed to abound in the most admirable disquisitions, in a faithful and skilful delineation of character, and in the soundest and most elevated maxims for the practical regulation of human life. The style, various but always eloquent, is worthy of the subject; and while it serves, by the beauty and richness of its colouring, to relieve the dryness of some of the more abstract discussions, it gives additional force to the powerful recommendations of generous, upright, and disinterested conduct to be found in every part of the work.

Dr. Brown, who has criticised Dr. Smith's theory with his usual acuteness, and has shown that though sympathy may diffuse moral sentiments it can never originate them, bears, notwithstanding, the strongest testimony to the transcendent merits of Dr. Smith's work, "The Theory of Moral Sentiments," he observes, "is, without all question, one of the most interesting works, perhaps I should have said the most interesting work, in moral science. It is valuable, however, as I before remarked, not for the leading doctrine, of which we have

* Theory of Moral Sentiments, part iii. chap. 1.

seen the fallacy, but for the minor theories which are adduced in illustration of it; for the refined analysis which it exhibits in many of its details; and for an eloquence which, adapting itself to all the temporary varieties of its subject, familiar with a sort of majestic grace, and simple even in its magnificence, can play amid the little decencies and proprieties of common life, or rise to all the dignity of that sublime and celestial virtue which it seems to bring from heaven indeed, but to bring down, gently and humbly, to the humble bosom of man.”*

Having published the substance of so important a part of his lectures, Dr. Smith was enabled to make considerable retrenchments from the ethical parts of his course, and to give a proportionally greater extension to the disquisitions on Jurisprudence and Political Economy. He had long been in the habit of embodying the results of his studies and investigations with respect to both these departments of political science, and particularly the latter, in his lectures; and it appears from a statement which he drew up in 1755, in order to vindicate his claims to certain political and literary opinions, that he had been in the habit of teaching, from the time he had obtained a chair in the University of Glasgow, and even while he was at Edinburgh, the same enlarged and liberal doctrines with respect to the freedom of industry, and the impolicy and injurious influence of artificial restraints and regulations, which he afterwards so fully established in the *Wealth of Nations*. His residence in a large commercial city, like Glasgow, must have been of considerable advantage to him in the prosecution of his

* *Brown's Lectures*, vol. iv. p. 132, edit. 1824.

favourite studies, by affording him the means of easily obtaining that correct practical information, on many points, which he could not have learned from books, and by enabling him to compare his theoretical doctrines with the experimental conclusions of his mercantile friends. Notwithstanding the disinclination so common among men of business to listen to speculative opinions, and the opposition of his leading principles to all the old maxims of trade, Mr. Stewart states that he was able, before he quitted his situation in the University, to rank some very eminent merchants among his proselytes.

The publication of the *Theory of Moral Sentiments* brought a vast accession of reputation to Dr. Smith; and placed him, in the estimation of all who were qualified to form an opinion on such a subject, in the first rank of moralists, and of able and eloquent writers.

In 1762 the *Senatus Academicus* of the University of Glasgow unanimously conferred on him the honorary degree of Doctor of Laws; in testimony, as it is expressed in the minutes of the meeting, of their respect for his universally acknowledged talents, and of the advantage that had resulted to the University from the ability with which he had for many years expounded the principles of jurisprudence. But the most important effect of his increasing celebrity, in so far at least as respected himself, was his receiving in 1763 an invitation from Mr. Charles Townsend; who had married the Duchess of Buccleugh, to attend her Grace's son, the young Duke, on his travels; and the advantageous terms that were offered, combined with the strong desire he entertained of visiting the Conti-

ment, induced him to accept the offer, and to resign his chair at Glasgow. "With the connexion which he was led to form in consequence of this change in his situation," says Mr. Stewart, "he had reason to be satisfied in an uncommon degree, and he always spoke of it with pleasure and gratitude. To the public it was not perhaps a change equally fortunate; as it interrupted that studious leisure for which nature seems to have destined him, and in which alone he could have hoped to accomplish those literary projects which had flattered the ambition of his youthful genius."

Dr. Smith set out for France in company with his noble pupil in March 1764. They remained only a very few days at Paris on their first visit to that capital, but proceeded to Toulouse, where they resided for about eighteen months. The society of Toulouse, a considerable city, and at that time the seat of a parliament, must have been a good deal superior to that of most country towns; and Dr. Smith would, no doubt, avail himself of it, and of the leisure he then enjoyed, to perfect and extend his knowledge of the literature, internal policy, and state of France. He has himself stated that he was not disposed to place much confidence in the facts and reasonings of political arithmeticians; and it is evident from his very rarely stating facts on the authority of others, and from the references he occasionally makes to circumstances connected with Toulouse, Geneva, and other places he visited, that he was chiefly indebted to his own observations and inquiries, to the accurate and extensive information he is universally acknowledged to have possessed with re-

spect to the institutions, habits, and condition of the French people.

After leaving Toulouse, Dr. Smith and his pupil proceeded to Geneva, where they resided two months. They returned to Paris at Christmas 1765, and remained in that city for nearly twelve months. During the whole of this period, Dr. Smith lived on the most friendly footing with the best society in Paris. M. Turgot, afterwards Comptroller General of Finance, D'Alembert, Helvetius, Marmontel, the Abbé Morellet,* the Duc de la Rochefoucauld, Madame Riccoboni, &c. were of the number of his acquaintances; and some of them he continued ever after to reckon among his friends. He was also on familiar terms with M. Quesnay, the celebrated founder of the sect of the Economists; and there is every reason to think that he derived considerable advantage from his intercourse with that able and excellent person, than whom none was better qualified to strike out original and ingenious views. So sensible indeed was Dr. Smith of his great and various merits as a man and a philosopher, that he intended, had he not been pre-

* The interesting paragraph which follows is extracted from the Mémoires of the Abbé Morellet, published in 1821. "J'avais connu Smith dans un voyage qu'il avait fait en France, vers 1762; il parlait fort mal notre langue; mais sa *Théorie des sentimens moraux*, publiée en 1759, m'avait donné une grande idée de sa sagacité et de sa profondeur. Et véritablement je le regarde encore aujourd'hui comme un des hommes qui a fait les observations et les analyses les plus complètes dans toutes les questions qu'il a traitées. M. Turgot, qui aimait ainsi que moi la métaphysique, estimait beaucoup son talent. Nous le vîmes plusieurs fois; il fut présent à Helvétius: nous parlâmes théorie commerciale, banque, &c. public, et de plusieurs points du grand ouvrage qu'il méditait. Il me fit présent d'un fort joli portefeuille anglais de poche, qui était à son usage, et dont je me suis servi plusieurs ans." — Tome i. p. 237.

vented by M. Quesnay's death, to leave a lasting testimony of the estimation in which he held him, by dedicating to him the *Wealth of Nations*.

In October 1766, the Duke of Buccleugh and Dr. Smith returned to London. The latter soon after removed to his old residence at Kirkcaldy; where he continued to reside, with very little interruption, for about ten years, habitually occupied in study, and in the elaboration of his great work. The *Inquiry into the Nature and Causes of the Wealth of Nations* appeared in 1776—an era that will be for ever memorable in the history of political philosophy. But as I shall have other opportunities of minutely examining most of the theories and doctrines advanced in this great work,* it is sufficient to observe at present, that notwithstanding the defects which have been discovered in some of its principles, and the objections that have been made, and, perhaps, with justice, to its arrangement, it will ever remain one of the noblest monuments of profound sagacity, great and varied learning, sound judgment, and persevering research directed to the best, because the most useful, purposes. There can be no question with respect to the claim of Dr. Smith to be considered as the real founder of the modern system of Political Economy. Though he has not left us a perfect work, he has left us one which contains a greater number of useful truths than have ever been given to the world by any other individual; and he has pointed out, and smoothed the route, by following which, subsequent philosophers have been enabled to

* For a general view of the principal merits and defects of the *Wealth of Nations*, see Introductory Discourse, pp. lxxviii—lxxxii.

perfect much that he had left incomplete, to rectify the mistakes into which he had fallen, and to make many new and important discoveries. Whether, indeed, we refer to the soundness of its leading doctrines, to the liberality and universal applicability of its practical conclusions, or to the powerful and beneficial influence it has had on the progress and perfection of economical science, and still more on the policy and conduct of nations, the *Wealth of Nations* must be placed in the foremost rank of those works that have helped to liberalize, enlighten, and enrich mankind.*

* One of our most accomplished statesmen, orators, and scholars, has made the following remarks, which are as just and discriminating as they are beautifully expressed, on the great works of Grotius, Locke, Montesquieu, and Smith. "The *Treatise on the Law of War and Peace*, the *Essay on the Human Understanding*, the *Spirit of Laws*, and the *Inquiry into the Causes of the Wealth of Nations*, are the works which have most directly influenced the general opinion of Europe during the two last centuries. They are also the most conspicuous landmarks in the progress of the sciences to which they relate. It is remarkable that the defects of all these great works are very similar. The leading notions of none of them can, in the strictest sense, be said to be original, though Locke and Smith in that respect surpass their illustrious rivals. All of them employ great care in ascertaining those laws which are immediately deduced from experience, or directly applicable to practice; but apply metaphysical and abstract principles with considerable negligence. None pursues the order of science, beginning with first elements, and advancing to more and more complicated conclusions; though Locke is perhaps less defective in method than the rest. All admit digressions which, though often intrinsically excellent, distract attention, and break the chain of thought. None of them are happy in the choice, or constant in the use, of technical terms; and in none do we find much of that rigorous precision which is the first beauty of philosophical language. Grotius and Montesquieu were imitators of Tacitus,—the first with more gravity,—the second with more vivacity; but both were tempted to forsake the simple diction of science, in pursuit of the poignant brevity which the great historian has carried to a vicious excess. Locke and Smith chose an easy, clear, and loose

Dr. Smith survived the publication of the *Wealth of Nations* fifteen years. He had the satisfaction to see his work translated into all the languages of Europe; to hear his opinions quoted in the House of Commons; to be consulted by the minister; and to observe that the principles he had expounded had already begun to produce a material change in the public opinion, and in the councils of this and other countries: and he must have enjoyed the full conviction that the progress of events would secure their ultimate triumph, by showing that they were productive of great and signal advantage, not only to the general mass of mankind, but to the inhabitants of every particular country which should have good sense and virtue enough to adopt them.

Mr. Hume, with whom Dr. Smith had long lived on the most intimate terms, died very soon after the publication of the *Wealth of Nations*. He was most solicitous in his attentions to his illustrious friend during his illness; and gave a brief but extremely interesting account of the circumstances connected with his death, and a sketch of his character in a letter addressed to Mr. Strachan of London, that was soon after published as a supplement to Mr. Hume's autobiography. The high and unqualified eulogium which Dr. Smith pronounced in

and verbose style—more concise in Locke—more elegant in Smith,—in both exempt from pedantry, but not void of ambiguity and repetition:—Perhaps all these apparent defects contributed, in some degree to the specific usefulness of these great works; and, by rendering their contents more accessible and acceptable to the majority of readers, have more completely blended their principles with the common opinions of mankind.—Written ascribed to Sir James Mackintosh, on Mr. Stewart's *View of the Progress of Metaphysical, Ethical, and Political Science*.—*Edinburgh Review*.

this letter on Mr. Hume's character, excited the indignation of those who were offended at his religious opinions. Dr. Horne, Bishop of Norwich, in an anonymous letter to Dr. Smith, attacked him on this ground; and ascribed to him, though without any certain data to go upon, the same sceptical opinions as those entertained by his deceased friend. Dr. Smith took no notice of this effusion; and wisely declined entering upon a controversy that could have led to no useful result.

Dr. Smith resided principally in London during the two years immediately subsequent to the publication of the *Wealth of Nations*; caressed by the most distinguished persons in the metropolis, who were justly proud of his acquaintance, and who, though they could not always subscribe to the justice of his remarks, were equally delighted with the goodness of his heart, the simplicity of his manners, the vigour of his understanding, and the variety of his attainments. In 1778 he was appointed, through the unsolicited application of his old pupil and friend the Duke of Buccleugh, a commissioner of customs for Scotland. In consequence of this appointment he removed to Edinburgh, where he continued afterwards to reside, possessed of an income more than equal to his wants, and in the enjoyment of the society of his earliest and most esteemed friends. His mother, then in extreme old age, and his cousin Miss Douglas, accompanied him to Edinburgh, the latter superintending the domestic arrangements and economy of his family.

But though his appointment to the custom reflects the highest credit on the nobleman by whose intervention it was procured, it may be doubted whether it was worthy either of the country or of Dr. Smith. The

philosopher who had produced a work in which the true sources of national wealth and prosperity had been, for the first time, fully explored and laid open, deserved a different and a higher reward. There were thousands of persons who could have performed the duties of a commissioner of the customs quite as well as Dr. Smith, or perhaps better; but there was not one, besides himself, who could have given that "account of the general principles of law and government, and of the different revolutions they have undergone in the different ages and periods of society,"* which it was his intention to give;—an intention that he would most probably have fulfilled, had the well-earned bounty of the public not been clogged with the performance of petty routine duties that engrossed the greater part of his time, and left him but little leisure for study.

In 1787 Dr. Smith was elected Lord Rector of the University of Glasgow; on which occasion he addressed a letter to that learned body, which strikingly evinces the high sense he felt of this honour, and his affectionate regard for those from whom it emanated. "No preferment," says he, "could have given me so much real satisfaction. No man can owe greater obligations to a society than I do to the University of Glasgow. They educated me; they sent me to Oxford. Soon after my return to Scotland, they elected me one of their own members; and afterwards preferred me to another office, to which the abilities and virtues of the never to be forgotten Dr. Hutcheson had given a superior degree of illustration. The period of thirteen years which I spent as a member of

* See the concluding part of the Theory of Moral Sentiments.

that society, I remember as by far the most useful, and therefore as by far the happiest and most honourable period of my life; and now, after three and twenty years absence, to be remembered in so very agreeable a manner by my old friends and protectors, gives me a heart-felt joy which I cannot easily express to you."

His constitution, which had at no time been robust, began early to give way; and his decline was accelerated by the grief and vexation he felt on account of the death of his mother, to whom he had been most tenderly attached, in 1784, and of Miss Douglas, in 1788. He survived the latter only about two years, having died in July 1790. His last illness, which was occasioned by a chronic obstruction of the bowels, was both tedious and painful. But he bore it with the greatest fortitude and resignation; his cheerfulness never forsook him; and he had all the consolation that could be derived from the affectionate sympathy and attention of his friends.

Dr. Smith's conduct in private life did not belie the generous principles inculcated in his works. He was in the habit of allotting a considerable part of his income to offices of secret charity. Mr. Stewart mentions that he had been made acquainted with some very affecting instances of his beneficence. "They were all," he observes, "on a scale much beyond what might have been expected from his fortune; and were accompanied with circumstances equally honourable to the delicacy of his feelings and the liberality of his heart."

Dr. Smith amassed an exceedingly valuable and well-selected, though not a very extensive, library. He was very particular; not only with respect to the books themselves, but also with respect to the condition of the copies he admitted. "The first time," says Mr.

Smellie, "I happened to be in his library, observing me looking at the books with some degree of curiosity and perhaps surprise, for most of the volumes were elegantly and some of them superbly bound, You must have remarked," said he, "that *I am a beau in nothing but my books.*"*

Notwithstanding the apparent flow and artlessness of his style, and his great experience in composition, Dr. Smith stated, not long before his death, that he continued to compose as slowly, and with as great difficulty, as at first. He did not write with his own hand, but generally walked up and down his apartment dictating to an amanuensis.†

Dr. Smith had been long resolved that none of his manuscripts, except those which he himself judged fit for publication, should ever see the light; and a few days before his death, he carried this resolution into effect, by having all his papers committed to the flames, with the exception of the fragments of some essays, intended to illustrate the principles that lead and direct philosophical inquiries, which he left to the discretion of his friends to publish or not as they thought proper. The contents of the manuscripts that were destroyed are not exactly known; but they certainly contained the course of lectures on rhetoric and *belles lettres* he had delivered at Edinburgh in 1748, and the lectures on jurisprudence and natural religion, which formed a most important part of the course of moral philosophy he had delivered at Glasgow. The

* Smellie's Lives, p. 296.

† Mr. Stewart states that all Mr. Hume's works were written with his own hand; and that the last volumes of his history were printed from the original copy, with only a few marginal corrections.

loss of the latter must ever be a subject of deep regret. We are ignorant of the motives which induced Dr. Smith to destroy them; but Mr. Stewart supposes that it was not so much on account of any apprehended injury his literary reputation might suffer from the publication of such unfinished works, as from an anxiety lest the progress of truth should be retarded by the statement of doctrines of which the principles were not fully developed.

The following observations on the private character and habits of Dr. Smith proceed from the pen of Mr. Stewart, who knew him well, and who is now the honoured and only survivor of that galaxy of illustrious men who shed, during the last century, so imperishable a glory over the literature of Scotland. "The more delicate and characteristical features of his mind," Mr. Stewart observes, "it is perhaps impossible to trace. That there were many peculiarities, both in his manners, and in his intellectual habits, was manifest to the most superficial observer; but although, to those who knew him, these peculiarities detracted nothing from the respect which his abilities commanded; and although, to his intimate friends, they added an inexpressible charm to his conversation, while they displayed, in the most interesting light, the artless simplicity of his heart; yet it would require a very skilful pencil to present them to the public eye. He was certainly not fitted for the general commerce of the world, or for the business of active life. The comprehensive speculations with which he had been occupied from his youth, and the variety of materials which his own invention continually supplied to his thoughts, rendered him habitually inattentive to familiar objects, and to common occurrences; and he frequently exhibited instances of absence, which had

scarcely been surpassed by the fancy of La Bruyere.* Even in company, he was apt to be engrossed with his studies; and appeared, at times, by the motion of his lips, as well as by his looks and gestures, to be in the fervour of composition. I have often, however, been struck, at the distance of years, with his accurate memory of the most trifling particulars; and am inclined to believe, from this and some other circumstances, that he possessed a power, not perhaps uncommon among absent men, of recollecting, in consequence of subsequent efforts of reflection, many occurrences, which, at the time when they happened, did not seem to have sensibly attracted his notice.

“To the defect now mentioned, it was probably owing, in part, that he did not fall in easily with the common dialogue of conversation, and that he was somewhat apt to convey his own ideas in the form of a lecture. When he did so, however, it never proceeded from a wish to engross the discourse, or to gratify his vanity. His own inclination disposed him so strongly to enjoy in silence the gaiety of those around him, that his friends were often led to concert little schemes, in order to engage him in the discussions most likely to interest him. Nor do I think I shall be accused of going too far, when I say, that he was scarcely ever known to start a new topic himself, or to appear unprepared upon those topics that were introduced by others. Indeed, his conversation was never more amusing than when he gave a loose to

* Some instances of this sort have been specified in a late number of the Quarterly Review; but of those some are said to be of doubtful authenticity, and they are all too evidently caricatured to warrant any confidence being placed in them.

his genius, upon the very few branches of knowledge of which he only possessed the outlines.

“The opinions he formed of men, upon a slight acquaintance, were frequently erroneous; but the tendency of his nature inclined him much more to blind partiality, than to ill-founded prejudice. The enlarged views of human affairs, on which his mind habitually dwelt, left him neither time nor inclination to study, in detail, the uninteresting peculiarities of ordinary characters; and accordingly, though intimately acquainted with the capacities of the intellect, and the workings of the heart, and accustomed, in his theories, to mark, with the most delicate hand, the nicest shades, both of genius and of the passions; yet, in judging of individuals, it sometimes happened that his estimates were, in a surprising degree, wide of the truth.

“The opinions, too, which, in the thoughtlessness and confidence of his social hours, he was accustomed to hazard on books, and on questions of speculation, were not uniformly such as might have been expected from the superiority of his understanding, and the singular consistency of his philosophical principles. They were liable to be influenced by accidental circumstances, and by the humour of the moment; and when retailed by those who only saw him occasionally, suggested false and contradictory ideas of his real sentiments. On these, however, as on most other occasions, there was always much truth, as well as ingenuity, in his remarks; and if the different opinions which, at different times, he pronounced upon the same subject, had been all combined together, so as to modify and limit each other, they would probably have afforded materials for a decision,

equally comprehensive and just. But, in the society of his friends, he had no disposition to form those qualified conclusions that we admire in his writings; and he generally contented himself with a bold and masterly sketch of the object, from the first point of view in which his temper, or his fancy, presented it. Something of the same kind might be remarked, when he attempted, in the flow of his spirits, to delineate those characters which, from long intimacy, he might have been supposed to understand thoroughly. The picture was always lively, and expressive; and commonly bore a strong and amusing resemblance to the original, when viewed under one particular aspect; but seldom, perhaps, conveyed a just and complete conception of it in all its dimensions and proportions. In a word, it was the fault of his unpremeditated judgments, to be too systematical, and too much in extremes.

“ But, in whatever way these trifling peculiarities in his manners may be explained, there can be no doubt that they were intimately connected with the genuine artlessness of his mind. In this amiable quality, he often recalled to his friends the accounts that are given of good La Fontaine; a quality which in him derived a peculiar grace from the singularity of its combination with those powers of reason and of eloquence, which, in his political and moral writings, have long engaged the admiration of Europe.

“ In his external form and appearance, there was nothing uncommon. When perfectly at ease, and when warmed with conversation, his gestures were animated, and not ungraceful: and in the society of those he loved, his features were often brightened with a smile of inexpress-

sible benignity. In the company of strangers, his tendency to absence, and perhaps still more his consciousness of this tendency, rendered his manner somewhat embarrassed;—an effect which was probably not a little heightened by those speculative ideas of propriety, which his recluse habits tended at once to perfect in his conception, and to diminish his power of realizing. He never sat for his picture; but the medallion of Tassie conveys an exact idea of his profile, and of the general expression of his countenance.*

The following is a list of the published works of Dr. Smith.

1. Two articles in the *Edinburgh Review* for 1755, being, (1) a Review of *Johnson's English Dictionary*, and (2) *A Letter to the Editors*.

2. *Theory of Moral Sentiments*. The first edition of this work was published, in 8vo, early in 1759. The sixth edition was published a short time before the author's death. It contains several additions, most of which were executed during his last illness.

3. *Considerations concerning the first Formation of Languages, and the different Genius of Original and Compound Languages*.

This essay was originally subjoined to the first edition of the *Moral Sentiments*. It is an ingenious and pretty successful attempt to explain the formation and progress of language, by means of that species of investigation to which Mr. Stewart has given the appropriate name of *Theoretical or Conjectural History*; and which consists in endeavouring to trace the progress and vicis-

* An engraving, from this medallion, executed by Horsburgh, is prefixed to this edition.

situdes of any art or science, partly from such historical facts as have reference to it, and, where facts are wanting, from inferences derived from considering what would be the most natural and probable conduct of mankind under the circumstances supposed.

4. *An Inquiry into the Nature and Causes of the Wealth of Nations.* The first edition of this great work was published at London in 1776, in two volumes 4to. The fourth edition, which was the last revised by the author, appeared in three volumes 8vo, in 1786.

5. His *posthumous works*, or those which he exempted from the general destruction of his manuscripts, and which were published by his friends Doctors Black and Hutton. These gentlemen, in an advertisement prefixed to the publication, state that when the papers which Dr. Smith had left in their hands were examined, “the greater number appeared to be parts of a plan he once had formed, for giving a connected history of the liberal sciences and elegant arts.” “It is long,” they add, “since he found it necessary to abandon that plan as far too extensive; and these parts of it lay beside him neglected until his death. The reader will find in them that happy connexion, that full and accurate expression, and that clear illustration which are conspicuous in the rest of his works; and though it is difficult to add much to the great fame he so justly acquired by his other writings, these will be read with satisfaction and pleasure.” The papers in question comprise, I. fragments of a great work *On the Principles which lead and direct Philosophical Inquiries, illustrated* (1) *by the History of Astronomy*; (2) *by the History of the Ancient Physic*; and (3) *by the History of the Ancient Logics and Meta* II. An essay entitled, *Of the*

Nature of that Imitation which takes place in what are called the Imitative Arts. III. A short tract, *Of the Affinity between certain English and Italian Verses.* IV. A disquisition, *Of the External Senses.*

Of the historical dissertations, the first only, on the *History of Astronomy*, seems to be nearly complete. They are all written on the plan of the dissertation on the *Formation of Languages*, being partly theoretical and partly founded on fact. In the essay on the *History of Astronomy*, after premising some acute and ingenious speculations with respect to the effects of unexpectedness and surprise, and of wonder or novelty, the author proceeds to give a short, but, at the same time, a comprehensive, clear, and masterly outline of the different astronomical systems from the earliest ages down to that of Newton.

The fragments that remain of the other two historical essays are much less complete, and do not possess the interest of the former.

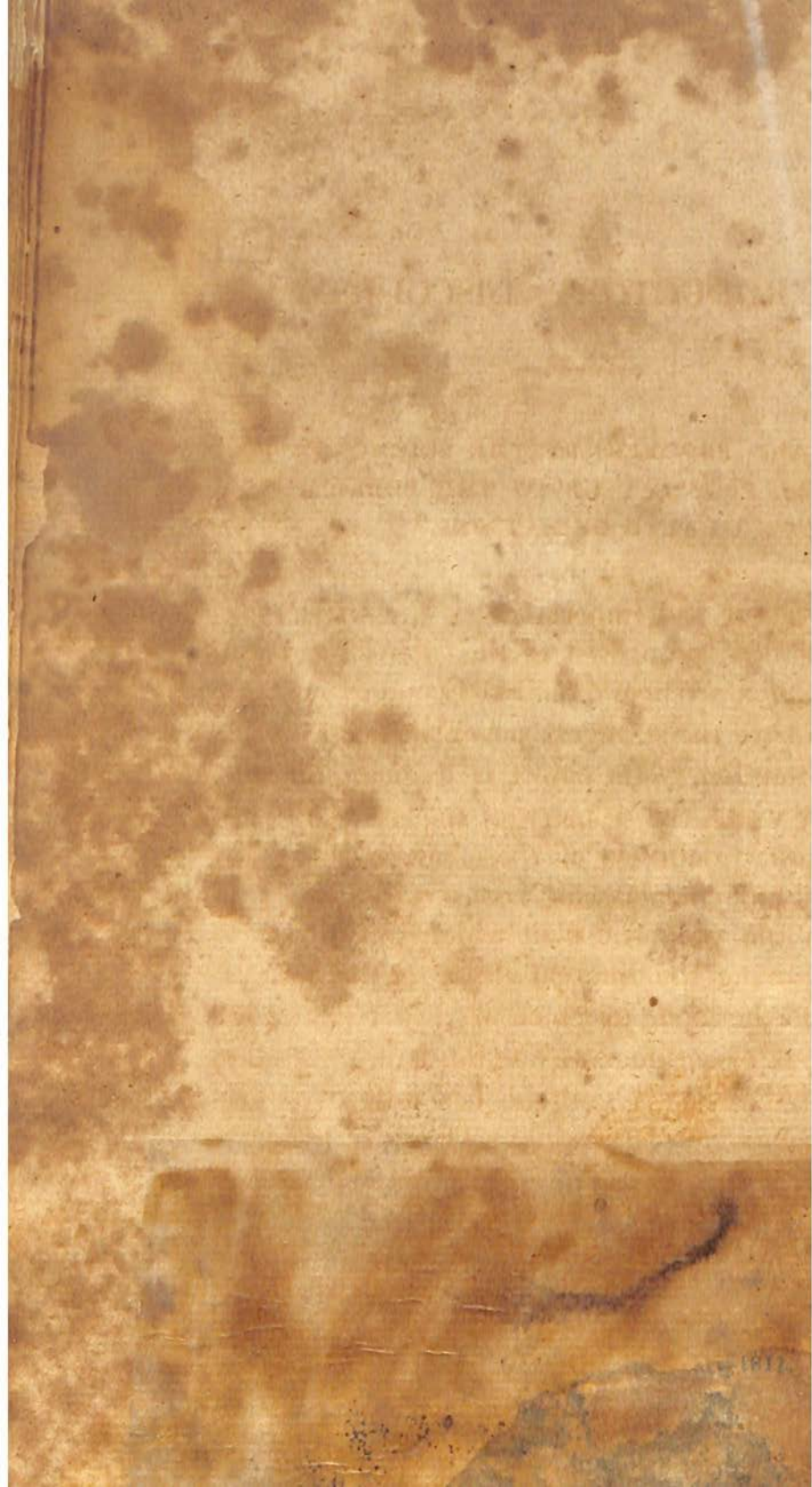
Dr. Smith contends, in the essay on the *Imitative Arts*, that the pleasure we derive from them depends principally upon the difficulty of the imitation, or, as he has expressed it, "upon our wonder at seeing an object of one kind represent so well an object of a very different kind, and upon our admiration of the art which surmounts so happily that disparity which nature had established between them."* On this principle Dr. Smith explained the preference so generally given in tragedy to blank verse over prose: and Mr. Stewart mentions that, for the same reason, he was inclined to prefer blank verse in tra-

gedy to blank verse, and that he extended the same principle to comedy; and even went so far as to regret that those graphic delineations of real life and manners, exhibited on the English stage, had not been subjected to the fetters of rhyme, and executed in the manner of the French school. His theoretical conclusions, on this curious and interesting topic of speculation, were confirmed by the admiration he entertained for the great dramatic authors of France—an admiration that was heightened in no small degree, when he saw their *chefs-d'œuvre* represented on the stage.

The short essay, of the Affinity between certain English and Italian Verses, is curious rather than valuable. It affords a striking illustration of the variety and extent of Dr. Smith's literary pursuits.

The disquisition with respect to the External Senses, is of considerable extent. It embraces some ingenious discussions; and forms a valuable contribution to the science of which it treats.

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INTRODUCTORY DISCOURSE.

I. RISE AND PROGRESS OF THE SCIENCE OF POLITICAL ECONOMY UP TO THE PUBLICATION OF THE "WEALTH OF NATIONS."

IF the interest and importance of the subjects of which it treats be any test of the interest and importance of a science, Political Economy will be found to have the strongest possible claims on the public attention. Its object is to point out the means by which the industry of man may be rendered most productive of those necessaries, comforts, and enjoyments, which constitute *wealth*; to ascertain the proportions in which this wealth is divided among the different classes of the community; and the mode in which it may be most advantageously consumed. The intimate connexion of such a science with all the best interests of society is abundantly obvious. There is no other indeed, which comes so directly home to the everyday occupations and business of mankind. The consumption of wealth is indispensable to existence; but the eternal law of Providence has decreed, that wealth can only be procured by industry—that man must earn his bread in the sweat of his brow. This twofold necessity renders the pro-

duction of wealth a constant and principal object of the exertions of the vast majority of the human race; has subdued the natural aversion of man from labour, given activity to indolence, and armed the patient hand of industry with zeal to undertake, and patience to overcome, the most irksome and disagreeable tasks.

But when wealth is thus necessary—when the desire to acquire it is sufficient to induce us to submit to the greatest privations, the science which teaches the means by which its acquisition may be most effectually promoted—by which we may be enabled to obtain the greatest possible amount of wealth with the least possible difficulty—must certainly deserve to be carefully studied and meditated. There is no class of persons to whom this knowledge can be considered as either extrinsic or superfluous. There are some, doubtless, to whom it may be of more advantage than to others; but it is of the utmost consequence to all. The prices of all sorts of commodities—the profits of the manufacturer and merchant—the rent of the landlord—the wages of the day-labourer—and the incidence and effect of taxes and regulations, all depend on principles which Political Economy can alone ascertain and elucidate.

Neither is the acquisition of wealth necessary only because it affords the means of subsistence: without it we should never be able to cultivate and improve our higher and nobler faculties. Where wealth has not been amassed, the mind being constantly occupied in providing for the immediate wants of the body, no time is left for its culture;

and the views, sentiments, and feelings of the people, become alike contracted, selfish, and illiberal. The possession of a decent competence, or the being able to indulge in other pursuits than those which directly tend to satisfy our animal wants and desires, is necessary to soften the selfish passions; to improve the moral and intellectual character, and to insure any considerable proficiency in liberal studies and pursuits. And hence, the acquisition of wealth is not desirable merely as the means of procuring immediate and direct gratifications, but as being indispensably necessary to the advancement of society in civilization and refinement. Without the tranquillity and leisure afforded by the possession of accumulated wealth, those speculative and elegant studies which expand and enlarge our views, purify our taste, and lift us higher in the scale of being, can never be successfully prosecuted. It is certain, indeed, that the comparative barbarism and refinement of nations depend more on the comparative amount of their wealth than on any other circumstance. It is impossible to name a single nation which has made any distinguished figure either in philosophy or the fine arts, without having been at the same time celebrated for its wealth. The age of Pericles and Phidias was the flourishing age of Grecian, as the age of Petrarch and Raphael was of Italian commerce. The influence of wealth is, in this respect, almost omnipotent. It raised Venice from the bosom of the deep, and made the desert and sandy islands on which she is built, and the unhealthy swamps of Holland, the favoured abodes of literature, of

science, and of art. In our own country its effects have been equally striking. The number and eminence of our philosophers, poets, scholars, and artists, have ever increased proportionally to the increase of the public wealth, or to the means of rewarding and honouring their labours.

The possession of wealth being thus indispensable to individual existence and comfort, and to the advancement of nations in civilization and the arts, it may justly excite our astonishment, that so few efforts should have been made, until a very recent period, to investigate its sources; and that the study of Political Economy was not early considered as forming a principal part in a comprehensive system of education. A variety of circumstances have conspired to occasion the unmerited neglect of this science; but of these it is only necessary briefly to advert to those which seem to have had the greatest influence—the political institutions of the ancient world, and the darkness of the period when the plan of education in the universities of modern Europe was originally framed.

The citizens of Greece and Rome considered it degrading to engage in those branches of manufacturing and commercial industry which form the principal business of a large proportion of the inhabitants of modern Europe. This prejudice had doubtless descended from those ages of violence and disorder antecedent to the establishment of a regular system of government, when man, constantly exposed to hostile attacks, depended on his sword alone for protection, and devolved on the softer sex, or on the captives whom the fortune

of war had put in his power, all those sedentary and laborious occupations which he considered as incompatible with the higher functions he was called upon to discharge. The constitution of the ancient republics tended to foster and perpetuate the early opinions with respect to the inferior condition of those engaged in mechanical pursuits. In Sparta,* and some of the other Grecian states, the citizens were prohibited from undertaking any species of manufacturing or commercial industry: and in Athens, where this prohibition did not exist, these employments were universally regarded as unworthy of freemen, and were, in consequence, exclusively carried on either by slaves or by the very dregs of the populace. Aristotle uniformly speaks in the most contemptuous terms of artisans and merchants, who, he says, are to be classed with things that are useful to the commonwealth, but are not to be ranked with the citizens:† And Plato goes so far as to propose banishing them entirely from his imaginary republic.‡ The same prejudice had a still more powerful influence at Rome, which was less of a manufacturing and commercial city than Athens. Instead of endeavouring to enrich themselves by their own exertions, the Romans trusted to the reluctant labour of slaves, and to subsidies extorted from conquered countries. Even Cicero, who had mastered all the philosophy of the ancient world, and raised himself above many of the prejudices of his age and country, does not

* Cragius de Republica Lacedæmoniorum, p. 284.

† Aristot. Polit. lib. vii. cap. 9. lib. viii. cap. 4, &c.

‡ De Republica, lib. ii.

scruple to affirm, that there can be nothing ingenuous in a workshop; that commerce, when conducted on a small scale, is mean and despicable; and when most extended, barely tolerable—*Non admodum vituperanda!** Agriculture, indeed, was treated with more respect. Some of the most distinguished characters in the earlier ages of Roman history had been actively engaged in rural affairs; but, notwithstanding their example, in the flourishing period of the Republic, and under the Emperors, the cultivation of the soil was almost entirely carried on by slaves, belonging to the landlord, and employed on his account. The mass of Roman citizens were either engaged in the military service, or derived a precarious and dependant subsistence from the supplies of corn furnished by the conquered provinces. In such a state of society the relations subsisting in modern Europe between landlords and tenants, and masters and servants, were almost unknown; and the ancients were, in consequence, entire strangers to all those interesting and important questions arising out of the rise and fall of rents and wages, which form so important a branch of economical science. The spirit of the philosophy of the ancient world was also extremely unfavourable to the cultivation of Political Economy. The luxurious or more refined mode of living, of the rich, was regarded by the ancient moralists as an evil of the first magnitude. They considered it as subversive of those warlike virtues, which were the principal objects of

* De Officiis, lib. i. cap. 42.

their admiration; and they, therefore, denounced the passion for accumulating wealth as fraught with the most injurious and destructive consequences. It was impossible that Political Economy could become an object of attention to minds imbued with such prejudices; or that it could be studied by those who contemned the objects about which it is conversant, and vilified the labour by which wealth is produced.

At the establishment of our universities, the clergy were almost the exclusive possessors of the little knowledge then in existence. It was natural, therefore, that their peculiar habits and pursuits should have a marked influence on the plans of education they were employed to frame. Grammar, rhetoric, logic, school divinity, and civil law, comprised the whole course of study. To have appointed professors to explain the principles of commerce, and the means by which labour might be rendered most effective, would have been considered as equally superfluous and degrading to the dignity of science. The ancient prejudices against commerce, manufactures, and luxury, retained a powerful influence in the middle ages. Few were then possessed of any clear ideas concerning the true sources of national wealth, happiness, and prosperity. The intercourse among states was extremely limited; and was maintained rather by marauding incursions, and piratical expeditions in search of plunder, than by a commerce, founded on the gratification of real and reciprocal wants.

These circumstances sufficiently account for the

late rise of this science, and the little attention paid to it previously to the last century. And since it has become an object of more general attention and inquiry, the differences which have subsisted among the most eminent of its professors, have proved exceedingly unfavourable to its progress, and have generated a disposition to distrust its best established conclusions.

It is clear, however, that those who distrust the conclusions of Political Economy, because of the variety of systems that have been advanced to explain the phenomena about which it is conversant, might on the same ground distrust the conclusions of almost every other science. The discrepancy between the various systems that have successively been sanctioned by the ablest physicians, chemists, natural philosophers, and moralists, is quite as great as any that has existed between the systems advanced by the ablest political economists. But who would therefore conclude that medicine, chemistry, natural philosophy, and morals, rest on no solid foundation, or that they are incapable of presenting us with a system of well-established and consentaneous truths? We do not refuse our assent to the demonstrations of Newton and Laplace, because they are subversive of the hypotheses of Ptolemy, Tycho Brahe, and Descartes; and why should we refuse our assent to the demonstrations of Smith and Ricardo, because they have subverted the false theories that were previously advanced respecting the sources and the distribution of wealth? Political Economy has not been exempted from the fate com-

mon to all the sciences. None of them has been instantaneously carried to perfection ; more or less of error has always insinuated itself into the speculations of their earliest cultivators. But the errors with which Political Economy was formerly infected have now nearly disappeared ; and it has been repeatedly shown that it admits of as much certainty in its conclusions as any science founded on reasonings deduced from *facts and experience* can possibly do.

When we reflect on the variety and extent of the previous knowledge required for the construction of a sound theory of Political Economy, we cease to feel any surprise at the errors into which economists have been betrayed, or at the diversity of the opinions that are still entertained on some important points. To arrive at a true knowledge of the laws regulating the production, distribution, and consumption of wealth, the economist must draw his materials from a very wide surface. He should study man in every different situation—he should have recourse to the history of society, arts, commerce, and civilization—to the works of philosophers and travellers—to every thing, in short, that can throw light on the causes which accelerate or retard the progress of civilization : He should mark the changes which have taken place in the fortunes and condition of the human race in different regions and ages of the world : He should trace the rise, progress, and decline of industry : And, above all, he should carefully analyse and compare the effects of different institutions and regulations, and discriminate the various circum-

stances wherein an advancing and declining society differ from each other. These investigations, by disclosing the real causes of national opulence and refinement, and of poverty and degradation, furnish the economist with the means of giving a satisfactory solution of almost all the important problems in the science of wealth; and of devising a scheme of public administration calculated to insure the continued advancement of society in the career of improvement.

It is obvious, however, that such extensive and complicated inquiries must require the co-operation of many individuals, and the lapse of a long series of years, before those well-established and universally applicable conclusions which they are capable of affording can be deduced from them. But while Political Economy is of comparatively recent origin, its early cultivators were both few in number, and without any accurate ideas with respect to the nature, limits, and objects of the science. Various treatises of considerable merit had indeed appeared on some of its detached parts previously to the middle of last century; but it was not treated as a whole, or in a systematic manner, until about that period. This circumstance is of itself enough to account for the number of erroneous theories that have since appeared. Instead of drawing their general conclusions from a comparison of particular facts, and a careful examination of the phenomena attending the operation of different principles, and of the same principles under different circumstances, the first cultivators of almost every branch of science begin by framing their theories

on a very narrow and insecure basis. Nor is it really in their power to go to work differently. Observations are scarcely ever made or particulars noted for their own sake. It is not until they begin to be sought after, as furnishing the only test by which to ascertain the truth or falsehood of some popular theory, that they are made in sufficient numbers, and with sufficient accuracy. It is, in the peculiar phraseology of this science, the *effectual demand* of the theorist that occasions the production of the facts or raw materials, which he is afterwards to work into a system. The history of Political Economy strikingly exemplifies the truth of this remark. Being, as already observed, entirely unknown to the ancients, and but little attended to by our ancestors up to a comparatively late period, those circumstances which would have enabled us to judge, with the greatest precision, of the wealth and civilization of the inhabitants of the most celebrated states of antiquity, and of Europe during the middle ages, have either been thought unworthy of the notice of the historian, or have been very imperfectly and carelessly detailed. Those, therefore, who first began to trace the general principles of the science, had but a comparatively limited and scanty experience on which to build their conclusions. Nor did they even avail themselves of the few historical facts with which they might easily have become acquainted; but almost exclusively confined their attention to such as happened to come within the contracted sphere of their own observation.

The once prevalent opinion, that wealth consists exclusively of gold and silver, naturally grew out of the circumstance of the money of all civilized countries being almost entirely formed of these metals. Having been used both as standards by which to measure the relative value of different commodities and as the equivalents for which they were most frequently exchanged, gold and silver, or money, acquired a factitious importance, not in the estimation of the vulgar only, but in that of persons of the greatest discernment. The simple and decisive consideration, that all buying and selling is really nothing more than the bartering of one *commodity* for another—of a certain quantity of corn or cloth, for example, for a certain quantity of gold or silver, and *vice versa*—was entirely overlooked. The attention was gradually transferred from the end to the means, from the *money's worth* to the money itself; and the wealth of individuals and of states was measured, not by the abundance of their disposable products—by the quantity and value of the commodities with which they could afford to purchase the precious metals—but by the quantity of these metals actually in their possession.—And hence the policy, as obvious as it was universal, of attempting to increase the amount of national wealth by forbidding the exportation of gold and silver, and encouraging their importation.

It appears from a passage in Cicero, that the exportation of the precious metals from Rome had been frequently prohibited during the period of

the Republic ;* and this prohibition was repeatedly renewed, though to very little purpose, by the Emperors.† Neither, perhaps, has there been a state in modern Europe whose early laws have not expressly forbidden the exportation of gold and silver. It is said to have been interdicted by the law of England previously to the Conquest ; and reiterated statutes were subsequently passed to the same effect ; one of which, (3d Henry VIII. cap. 1,) enacted so late as 1512, declared, that all persons carrying over sea any coins, plate, jewels, &c. should, on detection, forfeit double their value.

The extraordinary extension of commerce during the fifteenth and sixteenth centuries occasioned the substitution of a more refined and complex system for increasing the supply of the precious metals in place of the coarse and vulgar one that had previously obtained. The establishment of a direct intercourse with India by the Cape of Good Hope, seems to have had the greatest influence in effecting this change. The precious metals have always been one of the most advantageous articles of export to the East : and notwithstanding the old and deeply rooted prejudices against their exportation, the East India Company obtained, when first instituted, in 1600, leave annually to export foreign coins, or bullion, of the value of L.30,000 ; on condition, however, that they should import,

* “ *Exportari aurum non oportere, cum sæpe antea senatus, tum me consule, gravissime judicavit.*” Orat. pro L. Flacco, sect. 28.

† Pliny, when enumerating the silks, spices, and other Eastern products imported into Italy, says, “ *Minimaque computatione millies centena millia sestertium, annis omnibus, India et Seres, peninsulaque illa (Arabia) imperio nostro demunt.*” (Hist. Nat. lib. xii. cap. 18.)

within six months after the termination of every voyage, except the first, as much gold and silver as should together be equal to the value of the silver exported by them. But the enemies of the Company contended, that this condition was not complied with ; and that it was besides *contrary to all principle*, and highly injurious to the public interests, to permit gold and silver to be sent out of the kingdom. The merchants, and others interested in the support of the Company, could not controvert the reasoning of their opponents, without openly impugning the ancient policy of absolutely preventing the exportation of the precious metals. They did not, however, venture to contend, nor is there indeed any good reason for thinking that it really occurred to them, that the exportation of bullion to the East was advantageous, on the ground that the commodities purchased by it were of greater value in England. But they contended, that the exportation of bullion to India was advantageous, because the commodities imported from thence were chiefly re-exported to other countries, from which a much greater quantity of bullion was obtained than had been required to pay them in India. Mr. Thomas Mun, the ablest of the Company's advocates, ingeniously compares the operations of the merchant in conducting a trade carried on by the exportation of gold and silver, to the seed-time and harvest of agriculture. "If we only behold," says he, "the actions of the husbandman in the seed-time, when he casteth away much good corn into the ground, we shall account him rather a madman

than a husbandman. But when we consider his labours in the harvest, which is the end of his endeavours, we shall find the worth and plentiful increase of his actions.”*

Such was the origin of what has been called the **MERCANTILE SYSTEM**: and, when compared with the previous prejudice—for it hardly deserves the name of system—which wholly interdicted the exportation of gold and silver, it must be allowed that its adoption was a considerable step in the progress to sounder opinions. The supporters of the mercantile system, like their predecessors, held that gold and silver alone constituted wealth; but they thought that sound policy dictated the propriety of allowing their exportation to foreigners, provided the commodities imported in their stead, or a portion of them, were afterwards sold to other foreigners for a greater amount of bullion than had been originally laid out on their purchase; or, provided the importation of the foreign commodities caused the exportation of so much more native produce than would otherwise have been exported, as would more than equal their cost. These opinions necessarily led to the celebrated doctrine of the *Balance of Trade*. It was obvious that the precious metals could not be imported into countries destitute of mines, except in return for exported commodi-

* *Treasure by Foreign Trade*, orig. ed. p. 50.—This work was published in 1664, a considerable period after Mr. Mun's death. Most probably it had been written about 1635 or 1640. Mun had previously advanced the same doctrines, and nearly in the same words, in his *Defence of the East India Trade*, originally published in 1621, and in a petition drawn up by him, and presented by the East India Company to Parliament, in 1628.

ties ; and the grand object of the supporters of the mercantile system was to monopolise the largest possible supply of the precious metals, by the adoption of various complex schemes for encouraging exportation, and restraining the importation of almost all products, except gold and silver, that were not intended for future exportation. In consequence, the *excess of the value of the Exports over that of the Imports* came to be considered as being at once the sole cause and measure of the progress of a country in the career of wealth. This excess, it was taken for granted, could not be balanced otherwise than by the importation of an equal value of gold or silver, or of the only real wealth it was then supposed a country could possess.

The principles and conclusions of the mercantile system, though absolutely false and erroneous, afford a tolerable explanation of a few very obvious phenomena ; and what did more to recommend them, they were in perfect unison with the popular prejudices on the subject. The merchants, and practical men, who were the founders of this system, did not consider it necessary to subject the principles they assumed to any very refined analysis or examination. But, reckoning them as sufficiently established by the common consent and agreement of mankind, they applied themselves almost exclusively to the discussion of the practical measures calculated to give them the greatest efficacy.

“ Although a kingdom,” says Mr. Mun, “ may be enriched by gifts received, or by purchase taken, from some other” nations, yet these are things un-

certain, and of small consideration, when they happen. The ordinary means, therefore, to increase our wealth and treasure, is by foreign trade, wherein we must ever observe this rule—*to sell more to strangers yearly than we consume of theirs in value.* For, suppose, that when this kingdom is plentifully served with cloth, lead, tin, iron, fish, and other native commodities, we do yearly export the overplus to foreign countries to the value of L.2,200,000, by which means we are enabled, beyond the seas, to buy and bring in foreign wares for our use and consumption to the value of L.2,000,000: by this order duly kept in our trading, we may rest assured that the kingdom shall be enriched yearly L.200,000, which must be brought to us as so much treasure; because that part of our stock which is not returned to us in wares, must necessarily be brought home in treasure.”*

The gain on our foreign commerce is here supposed to consist exclusively of the gold and silver which, it is taken for granted, must necessarily be brought home in payment of the excess of exported commodities. Mr. Mun lays no stress whatever on the circumstance of foreign commerce enabling us to obtain an infinite variety of useful and agreeable products, which it would either have been impossible for us to produce at all, or to produce so cheaply at home. We are desired to consider all this accession of wealth—all the vast additions made by commerce to the motives which stimulate, and to the comforts and enjoyments which reward the

* Treasure by Foreign Trade, p. 11.

labour of the industrious, as *nothing*,—and to fix our attention exclusively on the balance of L.200,000 of gold and silver! This is much the same as if we were desired to estimate the comfort and benefit derived from a suit of clothes, by the number and glare of the metal buttons by which they are fastened. And yet Mr. Mun's rule for estimating the advantage of foreign commerce, was for a long time regarded, by the generality of merchants and practical statesmen, as infallible; and such is the inveteracy of ancient prejudices, that we are still annually congratulated on the excess of our exports over our imports!

There were many other circumstances, however, besides the erroneous notions respecting the precious metals, which led to the enactment of regulations restricting the freedom of industry, and secured the ascendancy of the mercantile system. The feudal governments established in the countries that had formed the western division of the Roman Empire, early sunk into a state of confusion and anarchy. The princes, unable of themselves to restrain the usurpations of the greater barons, or to control their violence, endeavoured to strengthen their influence and consolidate their power, by attaching the inhabitants of cities and towns to their interests. For this purpose, they granted them charters, enfranchising the inhabitants, abolishing every existing mark of servitude, and forming them into corporations, or bodies politic, to be governed by a council and magistrates of their own selection. The order and good government that were thus established in the cities, and the se-

curity of property enjoyed by their inhabitants, while the rest of the country was a prey to rapine and disorder, stimulated their industry, and gave them a decided superiority over the cultivators of the soil. It was from the cities that the princes derived the greater part of their supplies of money; and it was by their assistance and co-operation that they were enabled to control and subdue the pride and independence of the barons. But the citizens did not render this assistance to their sovereigns merely by way of compensation for the original gift of their charters. They were continually soliciting and obtaining new privileges. And it was not to be expected that princes, whom they had laid under so many obligations, and who justly regarded them as forming the most industrious and deserving portion of their subjects, should feel any great disinclination to gratify their wishes. To enable them to obtain cheap provisions, and to carry on their industry to the best advantage, the exportation of corn, and of the raw materials of their manufactures, was strictly prohibited; at the same time that heavy duties and absolute prohibitions were imposed and enacted to prevent the importation of manufactured articles from abroad, and to secure the complete monopoly of the home market to the home manufacturers. These, together with the privilege granted to the citizens of corporate towns of preventing any individual from exercising any branch of business until he had obtained leave from them; and a variety of subordinate regulations intended to force the importation of the

raw materials required in manufactures, and the exportation of manufactured goods, form the principal features of the system of public economy adopted, with the view of encouraging *manufacturing* industry, in almost every country of Europe, in the fourteenth, fifteenth, sixteenth, and seventeenth centuries.—It would be easy to mention a thousand instances of the excess to which this artificial system was carried in England and other countries; but as many of these instances must be familiar to the reader, I shall only observe, as illustrative of its spirit, that, by an act passed in 1678, for the encouragement of the English woollen manufacture, it was ordered that all *dead bodies* should be wrapped in a woollen shroud!

The exclusion of foreign competition was not, however, enough to satisfy the manufacturers and merchants. Having obtained the monopoly of the home market, they next attempted to subvert that freedom of *internal* industry which had been sanctioned by the common law of the country, and by repeated acts of the legislature.* During the arbitrary reigns of the princes of the house of Tudor, the notion that the crown was entitled, by virtue of its prerogative, to grant patents for the sole

* The common law and the ancient statute law of England are decidedly hostile to monopolies and restrictions on the *internal* commerce and industry of the country. In his third Institute, Lord Coke lays it down, that *Commercium jure gentium commune esse debet, et non in monopolium et privatum paululorum quæstum convertendum. Iniquum est aliis permittere, aliis inhibere mercaturam.* In Magna Charta a clause is inserted, which bears, that all merchants shall have safe and sure conduct to come into England and to depart from it; and to buy and sell without the obstruction of *evil tolls*. This privilege was confirmed by several subsequent statutes, as 9 Edward III. cap. 1, 14,

making, buying, and selling of particular commodities, became fashionable among the court lawyers: And, in consequence, many individuals possessed of influence availed themselves of it, to procure the privilege of carrying on particular branches of industry to the exclusion of every one else. This abuse was carried to a most oppressive height during the reign of Elizabeth, who granted an infinite number of new patents. And the grievance became, at length, so insupportable, as to induce all classes to join in petitioning for its abolition: which, after much opposition on the part of the Crown, by whom the power to erect monopolies was considered of the greatest value, was effected by an act passed in 1624. (21 Jac. I. cap. 3.) This act, by abolishing a number of most oppressive monopolies, and restoring the freedom of internal industry, has done more, perhaps, than any other in the statute-book, to accelerate the progress of improvement: But it did not touch any of the fundamental principles of the mercantile or manufacturing system; and the privileges of all bodies legally incorporated were exempted from its operation.

In France the interests of the manufacturers were warmly espoused by the justly celebrated M. Colbert, minister of finances during the most splen-

Edward III. cap. 2, 25 Edward III. cap. 2, 2 Richard II. cap. 1, &c. And Lord Coke, after reviewing the clause in Magna Charta and these statutes, states distinctly, "That all monopolies concerning trade and traffic, are against the liberty and freedom granted by the Great Charter, and divers other acts of Parliament which are good commentaries upon that charter."

did period of the reign of Louis XIV.; and the year 1664, when the famous tariff, compiled under his directions, was first promulgated, has been sometimes considered, by the continental writers, though, as we have seen, most erroneously, as the real era of the mercantile system.*

The restrictions in favour of the manufacturers were all zealously supported by the advocates of the mercantile system, and the balance of trade. The facilities given to the exportation of goods manufactured at home, and the obstacles thrown in the way of importation from abroad, seemed peculiarly well fitted for making the exports exceed the imports, and procuring a favourable balance. Instead, therefore, of regarding these regulations as the offspring of a selfish monopolizing spirit, they looked on them as having been dictated by the soundest policy. The interests of the manufacturers and merchants were thus naturally identified; and were held to be the same with those of the public. The acquisition of a favourable balance of payments was the grand *object* to be accomplished; and heavy duties and restrictions on importation, and bounties and premiums on exportation, were the *means* by which this object was to be attained. It cannot excite our surprise that a system having so many popular prejudices in its favour, and which afforded a plausible apology for the exclusive privileges enjoyed by the manufacturing and commercial classes, should have early attained, or that it should still preserve, notwith-

* Mengotti, *Dissertazione sul Colbertismo*, cap. 11.

standing the overthrow of its principles, a powerful practical influence.*

“It is no exaggeration to affirm,” says a late foreign writer, “that there are very few political errors which have produced more mischief than the mercantile system. Armed with power, it has commanded and forbid where it should only have *protected*. The regulating mania which it has inspired has tormented industry in a thousand ways, to force it from its natural channels. It has made each particular nation regard the welfare of its neighbours as incompatible with its own; hence the reciprocal desire of injuring and impoverishing each other; and hence that spirit of commercial rivalry which has been the immediate or remote cause of the greater number of modern wars. It is this system which has stimulated nations to employ force or cunning, to extort commercial treaties, productive of no real advantage to themselves, from the weakness or ignorance of others. It has formed colonies, that the mother country might enjoy the monopoly of their trade, and force them to resort exclusively to her markets. In short, where this system has been productive of the least injury, it has retarded the progress of national prosperity; everywhere else it has deluged the earth with blood, and has depopulated and ruined some of those countries whose power and opulence it was supposed it would carry to the highest pitch.”†

* Mélon and Forbonnais in France,—Genovesi in Italy,—Mun, Sir Josiah Child, Dr. Davenant, the authors of the *British Merchant*, and Sir James Steuart, in England,—are the ablest writers who have espoused, some with more and some with fewer exceptions, the leading principles of the mercantile system.

† Storch, *Cours d'Economie Politique*, tome i. p. 122. Paris ed.

The shock given to previous prejudices and systems by those great discoveries and events, which will for ever distinguish the fifteenth and sixteenth centuries, and the greater attention which the progress of civilization and industry naturally drew to the sources of national power and opulence, prepared the way for the downfall of the mercantile system. The advocates of the East India Company, whose interests had first prompted them to question the prevailing doctrines as to the exportation of bullion, began gradually to assume a higher tone; and at length boldly contended that bullion was *nothing but a commodity*, and that its exportation ought to be rendered as free as the exportation of any other commodity. Nor were these opinions confined to the partners of the East India Company. They were gradually communicated to others; and many eminent merchants were taught to look with suspicion on several of the best received maxims; and were thus led to acquire more correct and comprehensive views with respect to the just principles of commercial intercourse. The new ideas ultimately made their way into the House of Commons; and, in 1663, the statutes prohibiting the exportation of *foreign coin and bullion* were repealed, and full liberty given to the East India Company, and to private traders, to export these articles in unlimited quantities.

In addition to the controversies respecting the East India trade, the discussions to which the foundation of the colonies in America and the West Indies, the establishment of a compulsory provision for the support of the poor, and the acts

prohibiting the exportation of wool, &c. gave rise, attracted an extraordinary portion of the public attention to questions connected with the domestic policy of the country. In the course of the seventeenth century, a more than usual number of tracts were published on commercial and economical subjects. And although the authors of the greater number appear to have been strongly tinctured with the prevailing spirit of the age, it cannot be denied, that several of them rise above the prejudices of their contemporaries, and have an unquestionable right to be regarded as the founders of the modern theory of commerce—as the earliest expositors of those sound and liberal doctrines, by which it has been shown, that the prosperity of states can never be promoted by restrictive regulations, or by the depression of their neighbours—that the genuine spirit of commerce is altogether inconsistent with the dark, selfish, and shallow policy of monopoly—and that the *self-interest* of mankind, not less than their duty, requires them to live in peace, and to cultivate a fair and friendly intercourse with each other.

With the exception of Mr. Mun, to whom reference has been already made, Sir Josiah Child is perhaps the best known of all the commercial writers of the seventeenth century. His *New Discourse of Trade* was first published in 1668; but it was very greatly enlarged in the next edition, published in 1690. There are many sound and liberal doctrines advanced in this book. The argument to show that colonies do not depopulate

the mother country is as conclusive as if it had proceeded from the pen of Mr. Malthus ; and the just and forcible reasoning in defence of the naturalization of the Jews is highly creditable to the liberality and good sense of the writer, and discovers a mind greatly superior to the prejudices of the age. Sir Josiah has also many excellent observations on the bad effects of the laws against *fore-stalling* and *regrating* ; on those limiting the number of apprentices, and preventing the exportation of bullion ; and on corporation privileges.

The radical defect of Sir Josiah Child's *Discourse* consists in the circumstance of its having been written to illustrate the advantages which, he labours to show, would result from reducing the legal rate of interest to *four per cent* ; an error into which he had been led by mistaking the low rate of interest in Holland for the principal cause of her wealth, when it was in truth the effect of her comparatively heavy taxation.*

It is, however, worthy of remark, that this error was very soon detected. In the same year (1668) that Sir Josiah's *Discourse* first appeared, a tract was published, entitled, *Interest of Money mistaken, or a Treatise, proving that the Abatement of Interest is the Effect and not the Cause of the Riches of a Nation*. The author of this tract maintains the opinion afterwards held by Locke and Montesquieu, that the interest of money

* Sir Josiah Child was the author of several tracts in defence of East India trade. The principles advanced in them are similar to those advanced in his *Discourse*.

does not depend on statutory regulations, but that it varies according to the comparative opulence of a country; or rather according to the comparative scarcity and abundance of money—increasing when the supply of money diminishes, and diminishing when it increases.* Having endeavoured to establish this principle, the author of the tract successfully contends that Sir Josiah Child had totally mistaken the cause of the wealth of the Dutch, of which he shows the lowness of their interest was merely a consequence.

The principal defect in the writings of Mun, Child, &c. did not really consist so much in their mistaken opinions about the superior importance of the precious metals, and the balance of trade, as in those respecting the superior advantages which they supposed were derived from the importation of durable, rather than of rapidly perishable commodities. This, however, was an extremely natural opinion; and we cannot be surprised that the earlier writers on commerce should not have avoided falling into an error, from which neither the profound sagacity of Mr. Locke, nor the strong sense of Mr. Harris, has been able to preserve them. But even so early as 1677, the fallacy of

* It has been generally supposed that Mr. Hume was the first who showed (in his *Essay on Interest*) the fallacy of this opinion, and who proved that the rate of interest did not depend on the abundance or scarcity of money, but on the abundance or scarcity of disposable capital compared with the demands of the borrowers, and the rate of profit. This, however, is a mistake, the doctrine in question having been fully demonstrated in a pamphlet written by Mr. Massie, entitled *Essay on the Governing Causes of the Natural Rate of Interest*, published two years before Mr. Hume's *Essay* appeared.

this opinion had been perceived. In that year, there appeared a small tract, entitled, *England's Great Happiness; or, a Dialogue between Content and Complaint*; in which the author contends, that the importation of wine and other commodities, which are speedily consumed, but for which there is a demand, in exchange for money, is advantageous: and, on this ground, he defends the French trade, which has been uniformly declaimed against by the supporters of the mercantile system. I shall make a short extract from this remarkable tract:

“*Complaint.*—You speak plain; but what think you of the French trade? which draws away our money by wholesale. Mr. Fortrey,* whom I have heard you speak well of, gives an account that they get L.1,600,000 a-year from us.

“*Content.*—’Tis a great sum; but, perhaps, were it put to a vote in a *wise Council*, whether for that reason the trade should be left off, ’twould go *in the negative.*—I must confess, I had rather they’d use our goods than money; but if not, I WOULD NOT LOSE THE GETTING OF TEN POUND BECAUSE I CAN’T GET AN HUNDRED; and I don’t question but when the French get more foreign trade, they’ll give more liberty to the bringing in foreign goods. I’ll suppose John-a-Nokes to be a butcher, Dick-a-Styles to be an Exchange man, yourself a lawyer, *will you buy no meat*

* Mr. Fortrey’s pamphlet has been much referred to. It was published in 1663, and reprinted in 1673. It contains a very good argument in favour of inclosures. The reference in the text sufficiently explains the opinions of the writer in regard to commerce.

or ribbands, or your wife a fine Indian gown or fan, because they will not truck with you for indentures which they have need of? I suppose no; but if you get money enough of others, you care not though you give it away in specie for these things; I think 'tis the same case."

The general spirit of this tract may perhaps be better inferred from the titles of some of the dialogues. Among others, we have "*To export money, our great advantage;*"—" *The French trade a profitable trade;*"—" *Variety of wares for all markets, a great advantage;*"—" *High living, a great improvement to the arts;*"—" *Invitation of foreign arts, a great advantage;*"—" *Multitudes of traders, a great advantage,*" &c. &c. But its influence was far too feeble to arrest the current of popular prejudice. In 1678, the year after its publication, the importation of French commodities was prohibited for three years. This prohibition was made perpetual in the reign of William III. when the legislature declared the trade with France *a nuisance!*—a principle, if I may so call it, which has been acted upon up to this very hour, with the exception of the short period during which the commercial treaty, negotiated in 1786, had effect.

Notwithstanding the immense variety of pursuits in which Sir William Petty was engaged, his discriminating and original genius enabled him to strike out new lights, and to make many valuable discoveries in them all. His treatise "*On Taxes and Contributions,*" published in 1667,—his "*Quantulumcunque,*" published in 1682,—his "*Essays on Political Arithmetic,*" first published in 1687, and his

“Political Anatomy of Ireland,” published in 1691, are among the very best of the political tracts published in the seventeenth century, and contain many original remarks, and much curious and interesting information. He seems to have been the first person who has distinctly laid down, though only in a cursory and incidental manner, the fundamental doctrine, that the value of commodities is determined by the quantities of labour required for their production. In his treatise “On Taxes and Contributions,” he says, “If a man bring to London an ounce of silver out of the earth in Peru, in the same time that he can produce a bushel of corn, the one is the natural price of the other; *now, if, by reason of new and more easie mines, a man can get two ounces of silver as easily as formerly he did one, then corn will be as cheap at ten shillings the bushel as it was before at five shillings; cæteris paribus.*” — “Let a hundred men work ten years upon corn, and the same number of men the same time upon silver; I say that the neat proceed of the silver is the price of the whole neat proceed of the corn; and like parts of the one the price of like parts of the other:” and, in another place, he observes, “*Corn will be twice as dear when there are two hundred husbandmen to do the same work which an hundred could perform.*”*

In the *Quantulumcunque*, the subject of money is treated with great ability, and the idea of draining England of her cash by an unfavourable balance,

* See Treatise on Taxes and Contributions, ed. 1679, pp. 31, 24, and 67.

successfully combated. Sir William has also strongly condemned the laws regulating the rate of interest, justly observing that there might as well be laws to regulate the rate of exchange or of insurance.*

The essays on *Political Arithmetic* are too well known to require any particular notice in this place. But the *Political Anatomy of Ireland*, though perhaps the best of all Sir William Petty's political works, is now comparatively neglected. This treatise is not more valuable for the accurate information it affords respecting the state of Ireland in the latter part of the seventeenth century, than for the judicious reflections and suggestions of the author, with a view to its improvement. Sir William was fully aware of the benefits that would result from an incorporating union between Great Britain and Ireland, and from the establishment of a perfectly free intercourse between the two countries. When speaking of the act passed in 1664, prohibiting the importation of cattle, beef, &c. from Ireland into Britain, he asks "If it be good for England to keep Ireland a distinct kingdom, why do not the predominant party in Parliament, suppose the western members, make England beyond Trent another kingdom, and take tolls and customs upon the borders? Or why was there ever any union between England and Wales? And why may not the entire kingdom of England be further cantoned for the advantage of all parties?"†

* Pp. 3, 6, 8, orig. edit.

† P. 34, edit. 1719.

But a tract, entitled, *Discourses on Trade, principally directed to the Cases of Interest, Coinage, Clipping, and Increase of Money*, written by Sir Dudley North, and published in 1691, unquestionably contains a far more able statement of the true principles of commerce than any that had then appeared. Sir Dudley is throughout the intelligent advocate of all the great principles of commercial freedom. He is not, like the most eminent of his predecessors, well informed on one subject, and erroneous on another. His system is consentaneous in its parts and complete. He shows, that in commercial matters, nations have the same interests as individuals; and forcibly exposes the absurdity of supposing, that any trade which is advantageous to the merchant can be injurious to the public. His opinions respecting the imposition of a seignorage on the coinage of money, and the expediency of sumptuary laws, then very popular, are equally enlightened.

I shall subjoin from the preface to this tract an abstract of the general propositions maintained in it:

“ That the whole world as to trade is but as one nation or people, and therein nations are as persons.”

“ That the loss of a trade with one nation is not that only, separately considered, but so much of the trade of the world rescinded and lost, for all is combined together.

“ That there can be no trade unprofitable to the public; for if any prove so, men leave it off; and wherever the traders thrive, the public, of which they are a part, thrive also.

“ That to force men to deal in any prescribed manner may profit such as happen to serve them ; but the public gains not, because it is taking from one subject to give to another.

“ That no laws can set prices in trade, the rates of which must and will make themselves. But when such laws do happen to lay any hold, it is so much impediment to trade, and therefore prejudicial.

“ That money is a merchandise, whereof there may be a glut, as well as a scarcity, and that even to an inconvenience.

“ That a people cannot want money to serve the ordinary dealing, and more than enough they will not have.

“ That no man will be the richer for the making much money, nor have any part of it, but as he buys it for an equivalent price.

“ That the free coynage is a perpetual motion found out, whereby to melt and coyn without ceasing, and so to feed goldsmiths and coyners at the public charge.

“ That debasing the coyn is defrauding one another, and to the public there is no sort of advantage from it ; for that admits no character, or value, but intrinsick.

“ That the sinking by alloy or weight is all one.

“ That exchange and ready money are the same, nothing but carriage and re-carriage being saved.

“ That money exported in trade is an increase to the wealth of the nation ; but spent in war, and payments abroad, is so much impoverishment.

“ In short, that *all favour to one trade, or inte-*

rest, is an abuse, and cuts so much of profit from the public."

Unluckily this admirable tract never obtained any considerable circulation. There is good reason indeed for supposing that it was designedly suppressed.* At all events, it speedily became excessively scarce; and I am not aware that it has ever been referred to by any subsequent writer on commerce.

It will be observed, that among the authors of the different works hitherto mentioned there is not one who has endeavoured to trace and discover the real source of wealth, and to show how it might be rendered most productive. We have seen that several of them were aware that wealth did not depend on the abundance of gold and silver, but on the abundance of all sorts of valuable and desirable products; and that they had distinctly laid down and ably supported the great principle of commercial freedom. But none of them seems ever to have thought of carefully analyzing the means by which commodities are brought into that state which fits them for ministering to our wants and gratifying our desires; and with the single exception of Sir William Petty, who has only slightly touched on the subject, no one had thought of investigating the sources whence they derive their value in exchange, or their power or capacity of exchanging for or buying others. This, however, is plainly the most elementary and fundamental in-

* See the Hon. Roger North's *Life of his Brother, the Hon. Sir Dudley North*, p. 179.

quiry in the whole science; and it was quite impossible that it could ever assume a systematic shape until some considerable progress had been made in its elucidation.

Hobbes seems to have been one of the first who has entered upon this inquiry, and who was fully impressed with a conviction of the vast importance of labour in the production of wealth. At the commencement of the 24th chapter * of the *Leviathan*, published in 1651, he says, "The *nutrition* of a commonwealth consisteth in the *plenty* and *distribution* of *materials* conducing to life.

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

"For the matter of this nutriment, consisting in animals, vegetables, minerals, God hath freely laid them before us, in or near to the face of the earth; so as there needeth no more but the labour and industry of receiving them. Insomuch that *plenty* *dependeth* (next to God's favour) *on the labour and industry of man.*"

But Mr. Locke had a much clearer apprehension of this doctrine. In the *Essay on Civil Government*, published in 1689, he has entered into a lengthened, discriminating, and able analysis to show that it is from labour that the products of the earth derive almost all their value. "Let any one

* *Of the Nutrition and Procreation of a Commonwealth.*

consider," says he, " what the difference is between an acre of land planted with tobacco or sugar, sown with wheat or barley, and an acre of the same land lying in common, without any husbandry upon it, and he will find that the improvement of labour makes the far greater part of the value. I think it will be but a very modest computation to say, that of the products of the earth useful to the life of man, *nine-tenths* are the effects of labour; nay, if we will rightly consider things as they come to our use, and cast up the several expences about them, what in them is purely owing to nature, and what to labour, we shall find, that in most of them *ninety-nine hundredths* are wholly to be put on the account of labour.

" To make this a little clear, let us but trace some of the ordinary provisions of life through their several progresses, before they come to our use, and see how much of their value they receive from human industry. Bread, wine, and cloth, are things of daily use, and great plenty; yet, notwithstanding, acorns, water, and leaves, or skins, must be our bread, drink, and clothing, did not labour furnish us with these more useful commodities; for whatever bread is more worth than acorns, wine than water, and cloth or silk than leaves, skins, or moss, that is solely owing to labour and industry; the one of these being the food and raiment which unassisted nature furnishes us with; the other provisions which our industry and pains prepare for us; which how much they exceed the other in value, when any one hath computed, he will then see how much labour makes the far greatest part

of the value of things we enjoy in this world ; and the ground which produces the materials is scarce to be reckoned on as any, or, at most, but a very small part of it ; so little, that even amongst us, land that is wholly left to nature, that hath no improvement of pasturage, tillage, or planting, is called, as indeed it is, *waste* ; and we shall find the benefit of it amount to little more than nothing.

“ An acre of land that bears here twenty bushels of wheat, and another in America, which, with the same husbandry, would do the like, are, without doubt, of the same natural intrinsic value (utility.) But yet, the benefit mankind receives from the one in a year is worth L.5, and from the other possibly not worth *one penny* ; if all the profits an Indian received from it were to be valued and sold here, at least, I may truly say, not $\frac{1}{1000}$. 'Tis labour, then, which puts the greatest part of value upon land, *without which it would scarcely be worth any thing* : 'Tis to that we owe the greatest part of its useful products ; for all that the straw, bran, bread of that acre of wheat, is more worth than the product of an acre of good land, which lies waste, is all the effect of labour. For 'tis not merely the ploughman's pains, the reaper's and thrasher's toil, and the baker's sweat, is to be counted into the bread we eat, the labour of those who broke the oxen, who digged and wrought the iron and stones, who fitted and framed the timber employed about the plough, mill, oven, or any other utensils, which are a vast number, requisite to this corn, from its being seed to be sown, to its being made bread, must all be charged on the account of *labour*, and received

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

Mr. Locke has here all but established the fundamental doctrine on which the whole science of Political Economy rests. Had he carried his analysis a little further, he could not have failed to perceive that neither water, leaves, skins, nor any of the spontaneous productions of nature, have any *value*, except what they owe to the labour required to appropriate them. The value of water to a man placed on the bank of a river depends on the labour necessary to raise it from the river to his lips ;

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

and its value, when carried ten or twenty miles off, is equally dependent on the labour necessary to convey it there. All the rude products, and all the productive powers and capacities of nature, are gratuitously offered to man. Nature is not niggardly or parsimonious. She neither demands nor receives an equivalent for her favours. An object which it does not require any portion of labour to appropriate or to adapt to our use, may be of the very highest utility; but, as it is the free gift of nature, it is utterly impossible it can be possessed of the smallest value.*

A very short time only elapsed after the publication of the *Essay on Civil Government*, before Mr. Locke found himself engaged in the controversy relative to the great re-coinage in the reign of William II^d. His tracts on Money were published in 1691 and 1695.† They immediately obtained a very extensive circulation; and though infected with some very grave errors, had a powerful influence in preventing Mr. Lowndes's pro-

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

† *Considerations on the Lowering of Interest and Raising the Value of Money*, 1691. *Further Considerations concerning Raising the Value of Money*, 1695.

posal for degrading the standard from being carried into effect, and in contributing to establish the true theory of money. The restoration of the currency was not, however, effected without great opposition. A large minority in Parliament supported Mr. Lowndes's views; and they were also supported by a number of writers. Mr. Nicholas Barbon, in his tract, entitled, *A Discourse concerning Coining the New Money Lighter*, published in 1696, pointed out several of the errors into which Mr. Locke had fallen; and he has the further merit of having ably demonstrated the fallacy of the popular opinions respecting the balance of trade; and of having shown, that no bullion could ever be sent abroad in payment of an unfavourable balance, unless it was at the time the cheapest and most profitable article of export.

But although Mr. Barbon had shown that bullion differed in no respect from other commodities, he contended that the value of *coined money*, chiefly depended on *the stamp affixed to it by government!* This extraordinary error destroyed the effect of his tract; and was, most probably, the cause of the oblivion into which it very soon fell, and of its never having attracted that attention to which it was, on other accounts, entitled.

A violent controversy had been carried on for some years previously to 1700, with respect to the policy of permitting the importation of East India silks and cotton stuffs. Those who wished to prevent their importation, resorted to the arguments universally made use of on such occasions; affirm-

ing that the substitution of manufactured India goods in the place of those of England had been the means of ruining a large proportion of our manufacturers, of causing the exportation of the coin, and the general impoverishment of the country. The merchants interested in the India trade could not, as had previously happened to them in the controversy with respect to the exportation of bullion, meet these arguments without attacking the principles on which they rested, and maintaining, in opposition to them, that it was for the advantage of every people to buy the products they wanted in the cheapest market. This just and sound principle was, in consequence, enforced in several petitions presented to Parliament by the importers of India goods; and it was also enforced in several publications that appeared at the time. Of these, an anonymous tract, entitled, *Considerations on the East India Trade*, printed in 1701, seems one of the best. The author, who is a person of no common talent, has endeavoured to refute the various arguments advanced in justification of the prohibition against importing East India goods, and has also given some very striking and admirable illustrations of the effects of the division of labour, and of the advantages resulting from the employment of machinery.

In answer to the objection that the manufactured goods imported from India are the produce of the labour of fewer hands than those made in England, and that by allowing them to be imported, some of our people must be thrown out of employ-

ment, we have the following conclusive statements :—

“ The East India trade destroys no profitable English manufacture ; it deprives the people of no employment which we should wish to be preserved. The foundation of this complaint is that manufactures are procured from the East Indies by the labour of fewer people than are necessary to make the same in England ; and this shall be admitted. Hence it follows that to reject the Indian manufactures that like may be made by the labour of more hands in England, is to employ many to do the work that may be done as well by few ; is to employ all, more than are necessary to procure such things from the East Indies, to do work that may be done as well without them.

“ A saw mill with a pair or two of hands, will split as many boards as thirty men without this mill ; if then the use of this mill shall be rejected, that thirty may be employed to do the work, eight and twenty are employed more than are necessary, or are employed to do a work that may be as well done without them. So if by any art, or trade, or engine, the labour of one can produce as much for our consumption, or other use, as can otherwise be procured only by the labour of two or three ; if this art, or trade, or engine, shall be rejected, if three shall be employed to do the work of one, two are employed more than are necessary, or to profit of the kingdom. For if the providence of God should provide corn for England as manna heretofore for Israel, the people would not be well employed to plough, and sow, and reap, for no

more corn than might be had without this labour. Wherefore to employ more hands to manufacture things in England than are necessary to procure the like from India, is to employ so many to no profit that might otherwise be profitably employed. For there can be no want of profitable employment so long as England is not built, beautified, and improved to the utmost perfection ; so long as we either have or can produce any thing that others want, or that they have any thing that we want.

“ We are very fond of being restrained to the consumption of English manufactures, and, therefore, contrive laws either directly or by high customs, to prohibit all that come from foreign countries. By this time 'tis easy to see some of the natural consequences of this prohibition :—

“ 'Tis to oblige things to be provided by the labour of many, which might as well be done by few ; 'tis to oblige many to labour to no purpose, to no profit of the kingdom, nay, to throw away their labour which otherwise might be profitable. 'Tis to provide the conveniences of life at the dearest and most expensive rates, to labour for things that might be had without. 'Tis all one as to bid us refuse bread or clothes, though the providence of God or bounty of our neighbours should bestow them on us ; 'tis all one as to destroy an engine or navigable river, that the work which is done by few may be done by many.

“ As often as I consider these things, I am ready to say with myself, that God has bestowed his blessings upon men that have neither hearts

nor skill to use them. For, why are we surrounded with the sea? Surely that our wants at home might be supplied by our navigation into other countries. By this we taste the spices of Arabia, yet never feel the scorching sun that brings them forth; we shine in silks which our hands have never wrought; we drink of vineyards which we never planted; the treasures of those mines are ours, in which we have never digged; we only plough the deep and reap the harvest of every country in the world.”*

But these arguments, however conclusive and unanswerable they may now appear, made but little impression when they were published; and an Act was soon after passed prohibiting the importation of East India manufactured goods for home consumption.

The commercial and financial writings of Dr. Davenant, Inspector-General of Imports and Exports in the reign of Queen Anne, were published in the interval between 1695 and 1711. Though a partisan of the mercantile system, Dr. Davenant had emancipated himself from many of the prejudices of its more indiscriminate and zealous supporters. He considers a watchful attention to the balance of trade, and its “right government,” as of the highest importance; but he does not consider wealth as consisting exclusively of gold or silver; or that prohibitions and restrictions should be rashly imposed, even on the intercourse with those countries

* Pp. 51, 52, &c. It is probable that Addison had the concluding paragraph now quoted in his eye when he wrote his admirable paper on Commerce. See Spectator, No. 69.

with which the balance is supposed to be unfavourable. I am, however, very far from thinking, that the commercial writings of Dr. Davenant deserve the eulogies that have been bestowed on them; or that they had any material effect in accelerating the progress of sound commercial science. They do not contain a single principle that is not to be found in the work of Sir Josiah Child. Some of Dr. Davenant's paragraphs are exceedingly good; but the treatises of which they form a part are remarkably inconclusive, and are for the most part founded on narrow and illiberal principles. There is no evidence to show that Dr. Davenant was at all aware of the influence of commerce in facilitating the production of wealth, by enabling the inhabitants of each particular country to devote themselves, in preference, to those employments for the successful prosecution of which they have some natural advantage.*

In 1734, Jacob Vanderlint, who describes himself as a tradesman, published his tract, entitled, *Money answers all Things*. Mr. Stewart has referred to this tract in the *Appendix* to his valuable

* The progress of enlarged and liberal opinions with regard to commerce seems to have been in no small degree counteracted by the publication of the *British Merchant*. This work was written by some of the first merchants of the time, and was intended to expose the alleged defects in the commercial treaty with France negotiated by Queen Anne's Tory administration in 1713. It consists of a series of papers published weekly, and afterwards collected in three volumes. Public opinion being very much against the treaty, the *British Merchant* enjoyed a large share of popularity. Its authors appear to have been thoroughly imbued with all the prejudices of the mercantile sect; and the work is now only deserving of notice as containing the fullest exposition of their peculiar doctrines.

Life of Dr. Smith, and has quoted some passages, illustrative of the advantages of commercial freedom, which, he truly says, “ will bear a comparison, both in point of good sense and of liberality, with what was so ably urged by Mr. Hume twenty years afterwards, in his *Essay on the Jealousy of Trade*.” Vanderlint closes his pamphlet with an argument in favour of the substitution of a territorial tax in place of every other—an idea borrowed from Locke, and subsequently adopted by the French economists.

In 1744, Sir Matthew Decker, an extensive merchant, published his *Essay on the Causes of the Decline of Foreign Trade*. This essay has been frequently referred to by Dr. Smith, and it deserved his notice. Sir Matthew is a most intelligent and decided enemy of all *restrictions, monopolies, and prohibitions whatever*. To give full freedom to industry—he proposes that all *corporation privileges* should be abolished; and that all the existing taxes should be repealed, and replaced by a *single tax* laid on the consumers of luxuries, proportionally to their incomes. The following extracts will give an idea of the spirit which pervades Sir Matthew’s work, and of the ability with which it is written:—

“ Trade cannot, will not, be forced; let other nations prohibit, by what severity they please, interest will prevail; they may embarrass their own trade, but *cannot hurt a nation, whose trade is free, so much as themselves*. Spain has prohibited our woolens; but had a reduction of our taxes brought them to their natural value only, they would be

the cheapest in Europe of their goodness, consequently must be more demanded by the Spaniards, be smuggled into their country in spite of their government, and sold at better prices; their people would be dearer clothed, with duties and prohibitions, than without, consequently must sell their oil, wine, and other commodities, dearer; whereby other nations, raising the like growths, would gain ground upon them, and their balance of trade grow less and less. But should we, for that reason, prohibit their commodities? By no means; for the dearer they grow, no more than what are just necessary will be used; *their prohibition does their own business*; some may be necessary for us; *what are so, we should not make dearer to our own people*; some may be proper to assort cargoes for other countries, and why should we prohibit our people that advantage? WHY HURT OURSELVES TO HURT THE SPANIARDS? If we would retaliate effectually upon them for their ill-intent, handsome premiums given to our plantations to raise the same growths as Spain might enable them to supply us cheaper than the Spaniards could do, and establish a trade they could never return. Premiums may gain trade, but *prohibitions will destroy it.*”*

Sir Matthew applies the same argument to expose the absurdity and injurious effect of our restraints on the trade with France. “Would any wise dealer in London,” he asks, “buy goods of a Dutch shopkeeper for 15d. or 18d. when he could

* P. 163.

have the same from a French shopkeeper for 1s. ? Would he not consider, that, by so doing, he would empty his own pockets the sooner, and that, in the end, he would greatly injure his own family by such whims ? And *shall this nation commit an absurdity that stares every private man in the face ?* — The certain way to be secure is to be more powerful, that is, to extend our trade as far as it is capable of ; and as restraints have proved its ruin, to reject them, and *depend on freedom for our security ;* bidding defiance to the French, or any nation in Europe, that took umbrage at our exerting our natural advantages.”*

Of a work so well known as Mr. Hume’s *Political Essays*, published in 1752, it is almost superfluous to speak. The ability with which he has combated the prejudices against the French trade, and exposed the absurdity of the dread of being deprived of a sufficient supply of bullion ; the liberality and expansion of his views respecting commerce in general ; and the beauty of his illustrations, cannot be too highly praised. It did not, however, enter into Mr. Hume’s plan to give a systematic view of the effects of commerce, nor has he instituted any analysis of the sources of wealth. Mr. Harris has endeavoured to supply the latter deficiency ; and his *Essay upon Money and Coins*, published in 1757, is, perhaps, on the whole, the best economical treatise that had appeared previously to the publication of the *Wealth of Nations*. I have already noticed

* P. 184.

the mistake of Mr. Harris in supposing that it was more profitable to import durable rather than rapidly consumable commodities; and, as a writer on commerce, he is undoubtedly very inferior to either Sir Dudley North or Sir Matthew Decker. But the comprehensive and able manner in which he has treated the subject of money; the skill with which he has illustrated the effects of the division of labour in facilitating production and increasing wealth; and the near approach he has made to some of the fundamental doctrines of Dr. Smith, if they do not give him a pre-eminence, certainly place him in the first rank among his precursors.

The extensive treatise, entitled, "An Inquiry into the Principles of Political Economy," by Sir James Steuart, was published in 1767, in two vols. 4to. This work, though intended to serve as an exposition, or systematic view of the principles of the mercantile system, is in many respects destitute of enlarged and ingenious views. The first book treats of the mutual action and re-action of population and agriculture, and contains several passages in which the true theory of population is set in the clearest and most striking light. There are, besides, many judicious observations interspersed throughout the rest of the work, more especially in those parts which treat of money and exchange. It must, however, be acknowledged, that even when they are sound, the statements and reasonings are singularly perplexed, tedious, and inconclusive. Sir James had no clear idea of the real source of wealth, or of

the means by which it may be rendered most productive; and even as an exposition of the mercantile system, his work is certainly inferior to the *Lexioni* of Genovesi, published three years previously. Though Dr. Smith was well acquainted with Sir James Steuart, he has not once referred to his treatise; and if we except those parts of his first book in which he treats of the progress of population, it is difficult to discover what he could have learned from him, that he might not have equally learned from others.

I have been induced to treat of the progress of economical science in England at such considerable length, partly on account of the interest and importance of the subject, and because it has hitherto been very imperfectly investigated; and partly because it was necessary, in order to form a just estimate of the merits of Dr. Smith, to show what had been accomplished previously to the publication of the "Wealth of Nations."* M. Say and some other continental writers contend, that the Italians

* It will readily occur, that among the immense number of tracts on commercial and financial subjects, published in the seventeenth century, and during the early part of the eighteenth, there must be many besides those I have now referred to, in which sound principles are occasionally advanced. But I think I am entitled to say, after a pretty careful investigation, that I have specified most of those in which any of the distinguishing and peculiar prejudices of the age were openly attacked, or in which any of those germinal truths were elicited that have subsequently served as the foundation of systems. There are many interesting passages, and just and valuable remarks, in the tracts of Misselden, Lewis Roberts, Roger Coke, Graunt, &c. and in the *Britannia Languens*, and other anonymous publications; but so far as I know, none of them bears so directly on the principles of the science as those I have quoted.

and French were the first who discovered and established the correct principles of commercial intercourse. But the details that have now been given prove the indisputable priority of the English. The economical works of the early Italian writers, Davanzati, Serra, Turbolo, and Scaruffi, are almost wholly occupied with discussions respecting the effects of a forced reduction of the standard of money. They deserve credit for having opposed all tampering with the currency; but the arguments they employ to show its injustice and impolicy, are stated with much greater brevity and force in Sir Robert Cotton's speech* before the Privy Council in 1626. The *Discorso Economico* of

* This speech was originally printed in 1641 as the speech of Sir Thomas Rowe at the Council table in July 1640, with respect to brass money. But there is not a sentence in the speech that has any reference to any such subject, the whole relating to a project for enfeebling the standard of the coin. It was again printed in 1651, with some additions, as the speech of Sir Robert Cotton at the Council table, the 2d September 1626. And as it is known that a project for reducing the standard was then entertained, it seems most probable that Sir R. Cotton was its real author. But to whichever of these learned persons the honour of making this speech may be justly due, it is not too much to say that the injustice and impolicy of debasing the standard have never been more successfully demonstrated.

A "Discourse of Coin and Coinage" by Rice Vaughan, Esq. which has occasionally been referred to, was published in 12mo. in 1675. This is a very complete and valuable treatise; and is indeed but little inferior to any that have since appeared. We learn from the dedication that it was a posthumous publication; and had most probably been written several years previously.

The *Traité Historique des Monnoyes de France*, by M. Leblanc, published in 1689, is one of the best of the early treatises on money. It contains a vast deal of authentic information with respect to the history of French money, and the successive changes and debasements it has undergone, from the earliest ages of the monarchy.

Bandini, the earliest commercial writer whose works have been thought worthy of a place in the voluminous collection of Italian works on Political Economy,* was published so late as 1737. The essays of Belloni and Algarotti *On Commerce*, both very inferior to those of Sir Josiah Child and Sir Dudley North, were published, the former in 1750, and the latter in 1763.

The French have still less claim than the Italians to be considered the discoverers of the true principles of commerce. The *Détail de la France*, an anonymous publication, by Pierre le Pésant, Seigneur de Bois Guilbert, published in 1695, is, I believe, the earliest French work in which sound principles are developed, with respect to the functions of money, the freedom of commerce, and the equality of taxation. It is exceedingly prolix and ill arranged; but it deserves to be referred to not so much on account of the correctness of most of its views, as for the authentic information it communicates with respect to the state of France at the period when it was written, and as it exhibits the sentiments that were then beginning to be entertained by intelligent persons with respect to the abuses in the system of administration. The author is particularly severe on the restraints which had been imposed on the freedom of the corn trade; and he has exposed the unfairness, inequality, and injurious operation of the *taille*, tithe, and other burdens,

* *Scrittori Classici Italiani di Economia Politica*. This collection of the works of her economical writers does honour to Italy. It was begun in 1803, and finished in 1805, in 30 volumes 8vo.

with a freedom and boldness that alarmed those who were interested in their support. In consequence of the persecution that was thus excited against him, M. de Guilbert was deprived of his place of Advocate-General in the *Cour des Aides* in Normandy, and exiled to a distant part of the kingdom, where he ended his days in disgrace and poverty—a sacrifice to the vindictive spirit of the clergy and noblesse.

Twelve years after the publication of the *Détail de la France*, appeared the *Dixme Royale* of the famous Marshal Vauban. This work is equally creditable to the heart and head of its illustrious author. Though high in the favour of Louis XIV. by whom he had been advanced to the first dignities of the state, Marshal Vauban did not suffer his gratitude to his Prince to efface his sense of the duty which he owed to his country. In this work, a manuscript copy of which he himself placed in the hands of the King, he has not only borne, in express terms, the most unequivocal testimony to the truth of all that had been stated by M. de Guilbert, with respect to the gross inequality of the system of taxation, and the frauds and extortion practised by those employed in the collection of the revenue; but he has added many new and striking details of his own, to prove the miserable state to which the people were reduced from these abuses, and from the increased demands that were made upon them in consequence of the growing wants of the state. In order to remedy these grievances, and especially to get rid of the exemptions from taxation, enjoyed by the

nobility and clergy, Marshal Vauban proposed that all the existing taxes should be repealed, and that they should be replaced by a single tax, or *Dixme Royale*, made equally to affect all the lands of the kingdom. It is unnecessary to enter into any details with respect to this plan. Its enemies contended at the time that it was impracticable, and it is now very generally allowed that they were right in that opinion. Marshal Vauban died about the time that his work appeared; and had it not been for that circumstance, it may be doubted, considering the power and influence of the classes whose privileges and oppressive proceedings he had so fearlessly exposed, whether his unimpeachable integrity, his transcendent talents as an engineer, the signal services he had rendered to his country, or even his credit at Court, could have saved him from a fate similar to that of M. de Guilbert.*

It ought, however, to be observed, that the works of M. de Guilbert and Marshal Vauban are chiefly of a political cast; the discussions involving the consideration of the principles and conclusions of economical science occupying only a subsidiary and subordinate place in them: And it is for this reason that they are not generally reckoned, by the French themselves, among those writers who first contributed to the establishment of the sound principles of commercial intercourse.

It might have been supposed that the discussions which grew out of the disordered state of the

* The *Dixme Royale* was published in 4to. at Rouen, in 1707. Marshal Vauban died 30th March, same year.

finances in the latter part of the reign of Louis XIV., the projects of Law, and the bankruptcy in which they terminated, would have enabled the French writers to throw considerable light on many parts of the theory of money and taxation. But this does not seem to have been the case; and, with the exception of a *Mémoire* on the state of the Finances, at the death of Louis XIV, by a Committee of the Council of State, and a *Mémoire* subsequently presented by Law to the Duc d'Orleans, which contains some just, intermingled with many erroneous views,* none of the tracts published at that period, that I have been fortunate enough to meet with, deserves any particular notice. So slow, indeed, was the progress of enlarged and liberal opinions, with respect to these subjects in France, that even Montesquieu has a chapter, entitled “*À quelles nations il est désavantageux de faire le commerce.*” †

* These *Mémoires* are printed in the last volume of the *Recherches et Considerations sur les Finances de France*, by Forbonnais. The principles advanced in Law's *Mémoire* are substantially the same with those he had previously developed in his Treatise entitled *Money and Trade Considered*, published at Edinburgh, in 1705.

† Maupertuis, in his *Eloge de Montesquieu*, candidly admits that France is indebted for the science of commerce, finance, and population, or of Political Economy, to England. The passage is curious: “Comme le plan de Montesquieu,” he observes, “renfermoit tout ce qui peut être utile au genre humain, il n'a pas oublié cette partie essentielle qui regarde le commerce, les finances, la population: Science si nouvelle parmi nous, qu'elle n'y a encore point de nom.—C'est chez nos voisins qu'elle est née; et elle y demeura jusque à ce que M. Melon lui fit passer le mer.”

Métou's work, *Essai Politique sur le Commerce*, was published in 1734.—It is entirely founded on the principles of the mercantile system. Mr. Bindon translated it into English, and published it

M. de Gournay, who filled the place of Intendant of Commerce in France about the middle of last century, is represented by his contemporaries as a person who entertained the most comprehensive and liberal opinions with respect to commerce; and who, by his station, and reputation for talent, did a great deal to disseminate them among his countrymen. M. de Gournay did not publish any separate work of his own; but he assisted in the compilation of several; and a translation of Sir Josiah Child's Treatise, from his pen, appeared at Paris in 1752.

I am, however, disposed to think that the *Essai sur la Police des Grains*, the work of a M. Herbert, published at Berlin (Paris) in 1754, is decidedly the best of all the treatises, on any branch of commercial science, that had appeared either in France or any part of the Continent, previously to the era of M. Quesnay and the Economists. It is, indeed, in every respect, a most excellent Essay. It is clearly and ably written; and contains every argument that could be advanced to show the pernicious consequences of restrictions on the corn

along with some rather valuable annotations and remarks, at Dublin in 1739.

Melou had advocated the ruinous policy of raising the denomination of the coin. This gave occasion to the publication of a very acute work by Dutot, entitled, *Réflexions Politiques sur les Finances et le Commerce*, 2 tomes, 12mo, 1738. Dutot's work was in its turn very ably criticised by Duverney, in his *Examen des Réflexions Politiques sur les Finances*, &c. 2 tomes, 12mo, 1740. These works contain a great deal of very curious and interesting information respecting the French finances. Duverney's account of the *Mississippi Scheme* is particularly good.

trade, and the advantages of freedom, with the exception of those that have been deduced from the new doctrines with respect to rent and profits.

But the efforts hitherto made by the English and French writers were alike ineffectual to the subversion of the mercantile system. Their opinions respecting the nature of wealth were confused and contradictory; and as they neither attempted to investigate its sources with sufficient care, nor to trace the causes of national opulence, their arguments in favour of a liberal system of commerce had somewhat of an empirical aspect, and failed of making that impression which is always made by reasonings logically deduced from well-established principles, and shown to be consistent with experience. We have seen that Mr. Locke entertained very correct opinions respecting the paramount influence of labour in the production of wealth; but he did not prosecute his investigations in the view of elucidating the principles of the science, and made no reference to them in his subsequent writings. And though Mr. Harris adopted Mr. Locke's views, and deduced from them some practical inferences of great importance, his general principles are merely introduced by way of preface to his Treatise on Money, and are not explained at any length, or in that logical and systematic manner that is necessary in scientific investigations.

But, what had hitherto been left undone was now attempted by a French philosopher, equally distinguished for the subtlety and originality of his understanding, and the integrity and simplicity

of his character. This was the celebrated M. Quesnay, a physician, attached to the court of Louis XV. He has the unquestionable merit of being the first who attempted to investigate and analyze the sources of wealth, *with the intention of ascertaining the fundamental principles of Political Economy*; and who, in consequence, gave it a systematic form, and raised it to the rank of a science. Quesnay's father was a small proprietor, and having been educated in the country, he was naturally inclined to regard agriculture, with more than ordinary partiality. At an early period of his life he had been struck with its depressed state in France, and had set himself to discover the causes which had prevented its making that progress which the industry of the inhabitants, the fertility of the soil, and the excellence of the climate, seemed to insure. In the course of this inquiry he speedily discovered that the prevention of the exportation of corn to foreign countries, and the preference given by the regulations of Colbert to the manufacturing and commercial classes over the agriculturists, had formed the most powerful obstacles to the progress and improvement of agriculture. But Quesnay was not satisfied with exposing the injustice of this preference, and its pernicious consequences. His zeal for the interests of agriculture led him, not merely to place it on the same level with manufacturers and commerce, but to raise it above them,—by endeavouring to show that it was the only species of industry which contributed to increase the riches of a nation. Founding on the indisputable

fact, that every thing that either ministers to our wants or gratifies our desires, must be originally derived from the earth, Quesnay assumed as a self-evident truth, and as the basis of his system, that the *earth is the only source of wealth*; and held that industry was altogether incapable of producing any new value, except when employed in agriculture, including under that term fisheries and mines. His observation of the striking effects of the *vegetative* powers of nature, and his inability to explain the real origin and causes of *rent*, confirmed him in this opinion. The circumstance, that of those who are engaged in industrious undertakings, none but the cultivators of the soil paid rent for the use of *natural agents*, appeared to him an incontrovertible proof, that agriculture was the only species of industry which yielded a net surplus (*produit net*) over and above the expenses of production. Quesnay allowed that manufacturers and merchants were highly useful; but, as they realised no net surplus in the shape of rent, he contended they did not add any greater value to the raw material of the commodities they manufactured or carried from place to place, than was just equivalent to the value of the capital or stock consumed by them during the time they were necessarily engaged in these operations. These principles once established, Quesnay proceeded to divide society into three classes; the *first*, or *productive* class, by whose agency all wealth is produced, consists of the farmers and labourers engaged in agriculture, who subsist on a portion of the produce of the land reserved to themselves as

the wages of their labour, and as a reasonable profit on their capital; the *second*, or *proprietary* class, consists of those who live on the rent of the land, or on the *net surplus produce* raised by the cultivators after their necessary expenses have been deducted; and the *third*, or *unproductive* class, consists of manufacturers, merchants, menial servants, &c., whose labour, though exceedingly useful, adds nothing to the national wealth, and who subsist entirely on the wages paid them by the other two classes. It is obvious, supposing this classification made on just principles, that all taxes must fall on the landlords. The third, or unproductive class, have nothing but what they receive from the other two classes; and if any deduction were made from the fair and reasonable profits and wages of the husbandmen, it would have the effect to paralyse their exertions, and consequently to spread poverty and misery throughout the land, by drying up the only source of wealth. It necessarily follows, therefore, on M. Quesnay's theory, that the entire expenses of government, and the various public burdens, must, howsoever imposed, be ultimately defrayed out of the *produit net*, or rent of the landlords; and, consistently with this principle, he proposed that all the existing taxes should be repealed, and that a single tax, (*Impot unique*,) laid directly on the net produce, or rent, of the land, should be imposed in their stead.

But, however much impressed with the importance of agriculture over every other species of in-

dustry, Quesnay did not solicit for it any exclusive favour or protection. He successfully contended that the interests of the agriculturists, and of all the other classes, would be best promoted by establishing a system of perfect freedom. “Qu’on maintienne,” says he in one of his general Maxims, “l’entière liberté du commerce; *car la police du commerce intérieur et extérieur la plus sûre, la plus exacte, la plus profitable à la nation et à l’état, consiste dans LA PLEINE LIBERTÉ DE LA CONCURRENCE.*”* Quesnay showed that it could never be for the interest of the proprietors and cultivators of the soil to fetter or discourage the industry of merchants, artificers, and manufacturers; for the greater the liberty they enjoy, the greater will be their competition, and their services will, in consequence, be rendered so much the cheaper. Neither, on the other hand, can it ever be for the interest of the unproductive class to harass and oppress the agriculturists, either by preventing the free exportation of their products, or by any restrictive regulations whatsoever. When the cultivators enjoy the greatest degree of freedom, their industry, and, consequently, their net *surplus produce*—the only fund from which any accession of national wealth can be derived—will be carried to the greatest possible extent. According to this “liberal and generous system,”† the establishment of perfect liberty, perfect security, and perfect justice, is the only, as it is the infallible, means of se-

* *Physiocratie*, première partie, p. 119.

† *Wealth of Nations*, book iv. cap. 9.

curing the highest degree of prosperity to all classes of the society.*

• That M. Quesnay is entitled to the merit of originality cannot be disputed. It is certain, however, that he had been anticipated in several of his peculiar doctrines by some English writers of the previous century. The fundamental principles of the economical system are distinctly and clearly stated in a tract entitled *Reasons for a limited Exportation of Wool*, published in 1677. "That it is of the greatest concern and interest of the nation," says the author of the tract, "to preserve the nobility, gentry, and those to whom the land of the country belongs, at least, much greater than a few artificers employed in working the superfluity of our wool, or the merchants who gain by the exportation of our manufactures, is manifest—1. Because they are the *masters and proprietaries of the foundation of all the wealth in this nation, all profit arising out of the ground which is theirs.* 2. *Because they bear all taxes and public burdens; which, in truth, are only borne by those who buy, and sell not; all sellers, raising the price of their commodities, or abating of their goodness, according to their taxes.*"—p. 5.

In 1696, Mr. Asgill published a treatise entitled *Several Assertions Proved, in order to Create Another Species of Money than Gold*, in support of Dr. Chamberlayne's proposition for a Land Bank. The following extract from this treatise breathes, as Mr. Stewart has justly observed, in his *Life of Dr. Smith*, the very spirit of Quesnay's philosophy:—

"What we call commodities is nothing but land severed from the soil—*Man deals in nothing but earth.* The merchants are the factors of the world, to exchange one part of the earth for another. The king himself is fed by the labour of the ox: and the clothing of the army and victualling of the navy must all be paid for to the owner of the soil as the ultimate receiver. All things in the world are originally the produce of the ground, and there must all things be raised."—(This passage has been quoted in Lord Lauderdale's *Inquiry into the Nature and Origin of Public Wealth*, 2d ed. p. 109.)

These passages are interesting, as exhibiting the first germs of the theory of the Economists. But there is no reason whatever to suppose that Quesnay was aware of the existence of either of the tracts referred to. The subjects treated in them were of too local a description to excite the attention of foreigners; and Quesnay was too candid to conceal his obligations, had he really owed them any. It is probable he may have seen Mr. Locke's treatise on *Raising the Value*

“ On a vu,” says the ablest expositor of this system, M. Mercier de la Riviere, “ qu’il est de l’essence de l’ordre que l’interet particulier d’un seul ne puisse jamais être separée de l’interet commun de tous ; nous en trouvons une preuve bien convaincante dans les effets que produit naturellement et necessairement la plénitude de la liberté qui doit regner dans le commerce, pour ne point blesser la propriété. L’interet personnel encouragée par cette grande liberté, presse vivement et perpetuellement chaque homme en particulier, de perfectionner, de multiplier les choses dont il est vendeur ; de grossir ainsi la masse des jouissances qu’il peut procurer aux autres hommes, afin de grossir, par ce moyen, la masse des jouissances que les autres hommes peuvent lui procurer en échange. *Le monde alors va de lui-même* ; le desir de jouir, et la liberté de jouir, ne cessant de provoquer la multiplication des productions et l’accroissement de l’industrie, ils impriment à toute la société, un mouvement qui devient une tendance perpetuelle vers son meilleur état possible.”*

It would greatly exceed the limits of this Introductory Discourse, to enter into a full examination of the principles of this very ingenious theory. It is sufficient for my present purpose to remark, that, in assuming agriculture to be the only source of wealth, because the matter of which all commodi-

of Money, where the idea is thrown out that all taxes fall ultimately on the land. But there is an immeasurable difference between the suggestion of Locke and the well-digested system of Quesnay.

* *L’Ordre Naturel et Essentiel des Sociétés Politiques*, tome ii. p. 444.

ties are composed must be originally derived from the earth, M. Quesnay and his followers mistook altogether the nature of production, and really supposed wealth to consist of matter; whereas, in its natural state, matter is very rarely possessed of immediate and direct utility, and *is always destitute of value*. It is only by means of the *labour* which must be laid out in appropriating matter, and in fitting and preparing it for our use, that it acquires exchangeable value, and becomes wealth. Human industry does not produce wealth by making any additions to the matter of our globe; this being a quantity susceptible neither of augmentation nor diminution. Its real and only effect is to produce wealth *by giving utility to matter already in existence*; and it has been repeatedly demonstrated, that the labour employed in manufactures and commerce is just as productive of utility, and consequently of wealth, as the labour employed in agriculture. Neither is the cultivation of the soil, as M. Quesnay supposed, the only species of industry which yields a surplus produce after the expenses of production are deducted. When agriculture is most productive, that is, when none but the most fertile soils are cultivated, no rent, or *produit net*, is obtained from the land; and it is only after recourse has been had to poorer soils, and when, consequently, the productive powers of the labour and capital employed in cultivation begin to diminish, that rent begins to appear: So that, instead of being a consequence of the superior productiveness of agricultural industry, rent is

really a consequence of its becoming less productive than others !

The *Economical Table*, a formula constructed by M. Quesnay, and intended to exhibit the various phenomena attendant on the production of wealth, and its distribution among the productive, proprietary, and unproductive classes, was published at Versailles, with accompanying illustrations, in 1758 ; and the novelty and ingenuity of the theory which it expounded, its systematic and scientific shape, and the liberal system of commercial intercourse which it recommended, speedily obtained for it a very high degree of reputation. It is to be regretted that the friends and disciples of Quesnay, among whom we have to reckon the Marquis de Mirabeau, Mereier de la Riviere, Dupont de Nemours, Saint Peravy, Turgot, and other distinguished individuals, in France, Italy, and Germany, should, in their zeal for his peculiar doctrines, which they enthusiastically exerted themselves to defend and propagate, have exhibited more of the character of partisans, than of (what there is the best reason to think they really were) sincere and honest inquirers after truth. Hence it is that they have always been regarded as a sect, known by the name of *Economists*, or *Physiocrats* ; —and that their works are characterised by an unusual degree of sameness.*

* The following are the principal works published by the French Economists :—

Tableau Economique, et Maximes Générales du Gouvernement Economique, par Francis Quesnay, 4to, Versailles, 1758.

Théorie de l'Impôt, par M. de Mirabeau, 4to and 12mo, 1760.

But, in despite of all these defects, there can be no question that the labours of the French Economists powerfully contributed to accelerate the progress of economical science. In reasoning on subjects connected with national wealth, it was now found to be necessary to subject its sources, and the laws which regulate its production and distribution, to a more accurate and searching analysis. In the course of this examination, it was speedily ascertained that both the mercantile and economical theories were erroneous and defective; and that, to establish the science of Political Economy on a firm foundation, it was necessary to

La Philosophie Rurale, par M. de Mirabeau, 4to, and 3 tomes 12mo, 1763.

L'Ordre Naturel et Essentiel des Sociétés Politiques, par Mercier de la Riviere, 4to, and 2 tomes 12mo, 1767.

Sur l'Origine et Progrès d'une Science Nouvelle, par Dupont de Nemours, 1767.

La Physiocratie, ou Constitution Naturelle du Gouvernement le plus avantageux au Genre Humain, Recueil des Principaux Ouvrages Economiques de M. Quesnay, rédigé et publié par Dupont de Nemours, 2 Parties, 1767.

Lettres d'un Citoyen à un Magistrat, sur les Vingtièmes et les autres Impôts, par l'Abbé Baudeau, 1768.

Mémoire sur les Effets de l'Impôt indirect; qui a remporté le Prix proposé par la Société Royale d'Agriculture de Limoges, par Saint Peravy, 12mo, 1768.

Réflexions sur la Formation, et la Distribution des Richesses, par Turgot, 8vo, 1771. This is the best of all the works founded on the principles of the Economists; and is, in some respects, the best work on Political Economy published previously to the *Wealth of Nations*.

The *Journal d'Agriculture, &c.* and the *Ephemerides du Citoyen*, contain a variety of valuable articles by Quesnay and other leading Economists. The *Ephemerides* was begun in 1767, and was dropped in 1775; it was first conducted by the Abbé Baudeau, and then by Dupont.

take a much more extensive survey, and to seek for its principles, not in a few partial and distorted facts, or in metaphysical abstractions, but in the connexion and relation subsisting among the various phenomena manifested in the progress of civilization. The Count di Verri, whose *Meditations on Political Economy* were published in 1771, demonstrated the fallacy of the opinions entertained by the French Economists respecting the superior productiveness of the labour employed in agriculture; and showed that all the operations of industry really consist of *modifications of matter already in existence*.* But Verri did not trace the consequences of this important principle; and, possessing no clear and definite notions of what constituted wealth, did not attempt to discover the means by which labour might be facilitated. He made some valuable additions to particular branches of the science, and had sufficient acuteness to detect errors in the systems of others; but the task of constructing a better system in their stead required talents of a far higher order.

* *Accostare et separare* sono gli unici elementi che l'ingegno umano ritrova analizzando l'idea della riproduzione; e tanto è riproduzione di valore e di ricchezza se la terra, l'aria, e l'acqua ne' campi si trasmutino in grano, come se colla mano dello uomo il gluttile di un insetto si trasmuti in velluto, o vero alcuni pezzetti di metallo si organizzino a formare una ripetizione.— *Meditazioni sulla Economia Politica*, § 3.

II. PUBLICATION OF THE “WEALTH OF NATIONS”—
PRINCIPAL MERITS AND DEFECTS OF THAT WORK.

In 1776, our illustrious countryman, Adam Smith, published the “Wealth of Nations,”—a work which has done for Political Economy what the Essay of Locke did for the philosophy of mind. In this work the science was, for the first time, treated in its fullest extent; and the fundamental principles on which the *production* of wealth depends, were established beyond the reach of cavil and dispute. In opposition to the French Economists, Dr. Smith has shown that *labour* is the only source of wealth, and that the wish to augment our fortunes and to rise in the world—a wish that comes with us from the womb, and never leaves us till we go into the grave—is the cause of wealth being saved and accumulated: He has shown that labour is productive of wealth when employed in manufactures and commerce, as well as when it is employed in the cultivation of the land: He has traced the various means by which labour may be rendered most effective; and has given a most admirable analysis and exposition of the prodigious addition made to its powers by its *division* among different individuals, and by the employment of accumulated wealth, or *capital*, in industrious undertakings. Dr. Smith has also shown, in opposition to the commonly received opinions of the

merchants, politicians, and statesmen of his time, that wealth does not consist in the abundance of gold and silver, but in the abundance of the various necessaries, conveniences, and enjoyments of human life : He has shown that it is in every case sound policy, to leave individuals to pursue their own interest in their own way ; and that, in prosecuting branches of industry advantageous to themselves, they necessarily prosecute such as are at the same time advantageous to the public. He has shown at great length, and with a force of reasoning, and amplitude of illustration, that leaves nothing to be desired, that the principles of the mercantile or exclusive system are at once inconsistent and absurd ; and that every regulation intended to force industry into particular channels, or to determine the species of commercial intercourse to be carried on between different parts of the same country, or between distant and independent countries, is impolitic and pernicious—injurious to the rights of individuals—and adverse to the progress of *real* opulence and lasting prosperity. “ The statesman,” he observes, “ who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no senate or council whatever ; and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.”*

* Book iv. cap. 2.

But, however excellent in many respects, still it cannot be denied that there are errors, and those too of no slight importance, even in those parts of the “Wealth of Nations” which treat of the production of wealth. So long as Dr. Smith confines himself to an exposition of the advantages derived from the freedom of industry and of the injurious operation of the restraints by which its natural development has been curbed and fettered, his principles and reasonings are equally sound and conclusive. But they are less so in other instances. He does not say that in prosecuting such branches of industry as are *most advantageous* to themselves, individuals necessarily prosecute such as are at the same time *most advantageous to the public*. His leaning to the system of the Economists—a leaning perceptible in every part of his work—made him so far swerve from the principles of his own system, as to admit that individual advantage is not always a *true test* of the public advantageousness of different employments. He considered agriculture, though not the only productive employment, as the most productive of any; and he considered the home trade as more productive than a direct foreign trade, and the latter than the carrying trade. It is clear, however, that these distinctions are all fundamentally erroneous. A state being nothing more than a collection of individuals, it necessarily follows, that whatever is most advantageous to them individually must be most advantageous to the state; and it is obvious, that the self-interest of those concerned will always prevent them from engaging in manufactures and commerce, unless

when they yield as large profits, and are, consequently, as publicly beneficial as agriculture.

In showing that the labour of manufacturers and merchants is *productive*, Dr. Smith made a very great improvement on the system of the Economists. But his theory on this important point is, notwithstanding, essentially incomplete and defective. He limits his idea of productive labour to that which is "fixed and realised in some vendible commodity;" whereas all labour ought plainly to be held as productive, if it yields a revenue to the labourer without lessening the revenue of the society in which it is exerted. In fact, it is only by means of the security and protection afforded by the exertions of some of those who are placed by Dr. Smith in the unproductive class, that the quantity of those material products on which he has exclusively fixed his attention, can ever become considerable, or that society can emerge from barbarism.

I am, however, inclined to think, that the principal defect of the "Wealth of Nations," and the source from which most of the errors that infect it have been derived, consists in the erroneous doctrines Dr. Smith has advanced with respect to the circumstances which determine the value of commodities and the rise and progress of rent. He has truly stated, that in that remote period which preceded the accumulation of capital, and the establishment of a right of property in land, the quantities of labour required to produce different commodities formed the sole determining principle of their exchangeable value, or of their relative worth as compared with each other. But he sup-

posed that after capital had been accumulated, and workmen began to be employed for the benefit of others, and after land had been appropriated and rent began to be paid, the value of commodities would no longer depend wholly on the quantities of labour required to produce them and bring them to market; but that it would partly depend on that circumstance, and partly on the amount of profit, wages, and rent; and that, supposing one or other of these elements to remain constant, the value of commodities would fluctuate according to the variations in the others—rising when they rose, and falling when they fell. But in making this statement, Dr. Smith forgot to remark, that the variations in question are really nothing more than *changes in the distribution* of the produce of industry, or of commodities, and that as such they cannot in any degree affect the circumstances which determine their value, or their power or capacity to exchange for or buy each other. A is a commodity produced by independent workmen which freely exchanges for, or is worth a commodity, B, also produced by independent workmen. Suppose now that the workmen who produce these commodities hire themselves to capitalists, and work on their account: it is plain that this change cannot occasion the least difference in the relation which A and B bore to each other, or in their value; and it is farther plain, that though the wages paid to the workmen employed to produce these commodities should, on the one hand, rise from one shilling a day to five shillings, or should, on the other, fall from five shillings to one shilling, their

value would remain wholly unaltered. Whatever exerts the same proportional influence over different commodities must leave their relative values exactly where it found them. To vary their relations to each other, or their exchangeable values, *a change must be made in the circumstances under which some of them are produced which does not extend to others.* So long as they are *all equally affected*—and Dr. Smith has himself shown that, generally speaking, variations in the rate of wages and profit affect them all to precisely the same extent—it is quite impossible their value can vary. Before the relation of A to B can be disturbed, the value of A must be raised or depressed in a different ratio from that of B. This, however, it is plain, can only be done by varying the quantity of labour required to produce one or other of these commodities; for it has been repeatedly demonstrated, that such variations as take place in the rate of wages, or in the price paid for the labour by which A and B are produced, must necessarily affect them, and not only them, but all other commodities, in the *same degree*;* and cannot, therefore, occasion the slightest change or alteration in their relation to each other, or in their value.

Instead, therefore, of its being true, as Dr. Smith has supposed throughout his whole work, that the effect of variations in the price, or in the rate of

*. It is here assumed, in order to exemplify the principle, that the capitals employed in the production of commodities are of the same degree of durability, or that they are returnable in the same period. I shall afterwards point out the effects that differences in the durability of capitals have on the value of the commodities produced by their agency.

wages paid for the labour required to produce commodities, on their value, is the same with the effect of variations in the quantity of such labour, it is distinctly and completely different. The quantity of labour required for the production of any given commodity may vary, as compared with that required for the production of any other commodity; and every such variation must of course occasion a change in their relation to each other, or in their value. But wherever industry is free and unfettered, variations in the rate of wages are never confined to any particular class of workmen, but equally extend to all classes whatsoever: they cannot, therefore, in any degree modify or alter the relations previously subsisting among the commodities produced by them, or their value; and merely occasion a change in the proportions in which they are divided between the labourers and their employers.

It may also be worth while to remark, even in this short sketch of the more prominent principles advanced by Dr. Smith, that he has endeavoured to show, that corn is, upon an average, the most invariable of all commodities in its value. He founds this opinion principally on the assumption that, inasmuch as corn is the principal article of food, the number of consumers will be increased or diminished proportionally to variations in its quantity, and that "the raising of equal quantities of corn in the same soil and climate, will, at an average, require nearly equal quantities of labour, or, what comes to the same thing, the price of nearly

equal quantities.”* (Book i. cap. 11.) I shall have other opportunities of showing the fallacy of this doctrine; but it is obvious, at first sight, that it is altogether untenable. Corn, though the principal part certainly, does not by any means form the whole subsistence of the labourer, and its abundance or scarcity cannot, therefore, exclusively determine the increase or diminution of population: and it is farther evident, that when population is scanty, and when, consequently, it is only necessary to cultivate soils of the highest degree of fertility, the quantity of labour required to raise corn, and, of course, its value, must be less than when population has become comparatively dense, and when, therefore, it becomes necessary to cultivate inferior lands.

The views of Dr. Smith, with respect to the rent of land, are partly just and partly erroneous. His mistakes seem to be owing to his not having made a sufficiently careful analysis of the circumstances which determine the value of raw produce in different periods of society. Had he done this, he would have seen, that instead of the principle he has laid down, that all land which yields food must, at the same time, yield rent, being universally true, that, in the earlier stages of the progress of any country, when none but the best of the good soils are cultivated, and when, consequently, the greatest quantity of food is obtained by means of a given quantity of labour; no rent is ever paid: and he

* This is one of the many passages that might be produced to prove the identity which Dr. Smith uniformly supposes to exist between the quantity of labour required to produce a commodity, and the price paid for that quantity.

would also have seen, that although there are some circumstances among those which occasion the rise and progress, and which also limit the amount of rent, that partake of the nature of a *monopoly*, and might perhaps justify him in considering it as being, in a modified sense, and under peculiar qualifications, determined on that principle, it is notwithstanding certain, that the price of that raw produce out of which rent is paid, is *altogether uninfluenced by its payment*, and would not be affected though it were entirely relinquished.

In consequence of the incorrectness of the opinions entertained by Dr. Smith, on two such important and fundamental points as the value of commodities, and the nature and causes of rent, many of the principles which pervade other parts of his work are necessarily vitiated and unsound. This is particularly the case where he investigates the circumstances which determine the rate of wages and the rate of profit; and where he traces the ultimate incidence and practical operation of different taxes. It is true, indeed, that these, as well as all the other parts of the "Wealth of Nations," are enriched with numerous profound and valuable remarks and disquisitions; but it is at the same time essential to separate between them and the theoretical doctrines with which they are mixed up. Those who implicitly adopt all Dr. Smith's principles, assume that investigations which depend on a careful analysis and comparison of many circumstances which are constantly varying and exceedingly difficult to be correctly appreciated, could be completed by the efforts of one indi-

vidual. This, however, is really to suppose what is in the nature of things quite impossible. It is only by slow degrees, by the aid of the lights successively struck out by experience and observation, and the patient and continued researches of the most ingenious men, that sciences involving so many considerations can be perfected.

Previously to the publication of the "Wealth of Nations," it had been almost universally supposed that the price of commodities depended on the degree of their scarcity or abundance, or as it was more commonly expressed, on the proportion which their supply bore to the demand. But Dr. Smith has shown, that when reference is made to commodities, on the production of which competition is allowed to operate without restraint, and the supply of which may be indefinitely increased, this principle holds only for a *very limited period*; and that when a more extended period is taken into view, the average market price of such commodities corresponds with their average *necessary price*, or with the *cost of their production*. And though he erred in his estimate of the elements which enter into and form the natural or necessary price of commodities, the arguments by which he has shown its general identity with the market price, and the mode in which the discrepancies that occasionally take place between them are corrected, are not affected by that circumstance, and are alike ingenious and conclusive.

Some of the most valuable chapters in the "Wealth of Nations" are those in which Dr. Smith has shown that the differences which exist be-

tween the profits made by those who have capitals vested in different employments, and between the wages paid to the workmen engaged in them, are not real but apparent. He has shown that these variations depend entirely on the peculiar circumstances connected with each employment; and that when allowance is made for them, and when they are all reduced to the same common standard, the rate of profit and the rate of wages are respectively the same, or very nearly the same, in them all. A high rate of profit in a particular business is occasioned either by the extra risk to which the capital vested in it is exposed, or by some other unfavourable circumstance connected with it; while, on the other hand, a low rate of profit is occasioned by the more than ordinary security of the capital, or by some other favourable circumstances. The case is the same with respect to wages; when they are unusually high, it proceeds either from the greater severity of the labour to be performed, or from the unhealthiness, disagreeableness, or unsteadiness of the employment; and their unusual lowness proceeds from the opposite circumstances—the lightness of the labour to be performed, or its healthiness, agreeableness, or steadiness. Nothing can exceed the skill and ingenuity which Dr. Smith has manifested in his analysis of the various topics connected with these subjects. And though the principle of the equality, or rather of the constant tendency to equality, of the profits made by the capitalists, and of the wages paid to the workmen engaged in different employments, had been previously pointed out

by others, it is to him that we are indebted for its demonstration; and for a full and satisfactory explanation of the causes why the rate of profit in particular departments of industry, and the wages obtained by those engaged in particular businesses and professions, are so very different from the profits and wages obtained in others, without occasioning any transference of capital, or of individuals from the one to the other.

The arrangement which Dr. Smith has adopted has been described as perplexed and illogical; and it must be confessed that this censure is in a considerable degree well-founded. The thread of the investigation is often interrupted in order to enter into a digression upon some collateral topic. But though these digressions have frequently only a very slight connexion with the main subject to be investigated in the chapter in which they are placed, they uniformly turn upon some of the most important points in the whole range of moral and political science. They are evidently the favourite topics of the author, who has displayed in their treatment all that comprehensiveness and sagacity which formed the distinguishing and peculiar features of his mind. Although, therefore, it must be admitted that these digressions are not always introduced in the best and most natural manner, they notwithstanding add prodigiously to the value of the work; and have greatly increased the number of its readers, by rendering it as interesting as it is instructive, and recommending it to those who might have felt indisposed to study a more scientific and logically

arranged treatise, had it abounded less in collateral discussion and illustration.

Dr. Smith begins with a statement of the wonderful effects produced by the division of labour, on the productiveness of industry, and then proceeds to investigate the circumstances which determine the real and nominal (money) price of commodities, and the laws which determine the rate of wages, the profits of stock, and the rent of land. These subjects are discussed in the *first* and *second* books, which indeed contain all that strictly belongs to his theory with respect to the production and distribution of wealth. The *third* book is occupied with an investigation, partly resting on historical facts, and partly on probabilities only, of the natural progress of industry in countries in which full scope should be given to the principle of free and unrestricted competition; and of those circumstances in the policy of the different European countries which have contributed to produce the actually existing order of things; which he endeavours to show has not been the result of any theoretical views, or of the combinations of statesmen, but the necessary consequence of the peculiar situation in which they have been placed, and of the efforts of particular ranks and orders of men to advance their own interests. The *fourth* book is chiefly of a controversial character; and besides an examination of the system of the French economists, it contains a full and most masterly exposition and refutation of the principles and practical conclusions of the mercantile or exclusive system. The first half of the *fifth* and last book consists of

a series of disquisitions with respect to the principal objects on which the public revenue either is or ought to be expended ; but these, though generally excellent, undoubtedly belong more to politics than to political economy, properly so called : In the latter part of the book he investigates the principles of taxation, and the influence of national debts on the public welfare.

The style of the "Wealth of Nations" is, generally speaking, sufficiently clear and luminous ; though it cannot be denied that there is occasionally a great want of precision and distinctness in the definitions, and in the strictly scientific parts. The real scope and tendency of the doctrines it unfolds is not to be learned from particular sentences or even chapters ; and can only be properly understood and appreciated by those who have carefully studied and compared the whole work.

A considerable diversity of opinion has existed with respect to the claims of Dr. Smith to originality. And it is clear, from the extracts already made from the works of various authors, published before the "Wealth of Nations," that he had been anticipated in the distinct statement of some of his most important doctrines, and that obvious traces of them all may be found in previous writers. Still, however, I do not think that this can be justly considered as detracting in any, or but in a very slight, degree from the real merits of Dr. Smith. In adopting the discoveries of others, he has made them his own ; he has demonstrated the truth of principles on which his predecessors had, in most cases,

stumbled by chance ; has separated them from the errors by which they were previously incumbered ; has traced their remote consequences, and pointed out their limitations ; has shown their practical importance and real value—their mutual dependence and relation ; and has reduced them into a consistent, harmonious, and beautiful system.

If the observations I have now hazarded be well founded, it will be seen that it is highly necessary that, in studying the “Wealth of Nations,” we should exercise a reasonable degree of scepticism ; and not allow our admiration of the author’s talents, or his deserved celebrity, to induce us blindly to follow his steps, or to adopt his principles, without examination. This would neither be to profit by his example nor his precepts : For he has in no instance suffered himself to be misled through mere deference to the most illustrious names, but has uniformly instituted a patient and candid examination and comparison of the various arguments alleged in favour of the different theories and opinions he has occasion to review. And though those who study his work in this mode, should in consequence be led to reject several of his doctrines and conclusions, enough will still remain to reward their industry, as well as to justify the highest admiration of the individual who in investigating, for the first time, almost all the topics belonging to so extensive and difficult a field of inquiry, should have discovered and established so many interesting and important principles, and developed them in so instructive and admirable a work.

III.—PROGRESS OF THE SCIENCE OF POLITICAL ECONOMY SINCE THE PUBLICATION OF THE “WEALTH OF NATIONS.”

Mr. Malthus's Essay on the “*Principle of Population*,” published in 1798, was the first great contribution to the science made subsequently to the publication of the “Wealth of Nations.” The fact that the population of every country has a natural tendency not only to rise to the level of the means of subsistence, but to exceed them, had been frequently observed by previous writers, and had, among others, been very strikingly illustrated by Sir James Stewart, and the late Mr. Townsend in his “*Dissertation on the Poor Laws*,” published in 1786. But though not the original discoverer of the principle of population, Mr. Malthus was certainly the first to establish it on a secure foundation, and to show its vast consequence to a right understanding of almost all the great questions connected with the essential interests of society; and especially of those respecting the governing causes of the rate of wages and the condition of the poor. He has demonstrated, by an extensive and careful examination of the state of population in different countries, and in every stage of society, that *an increase in the means of subsistence is the only sure criterion of a real, and permanent, and beneficial increase in the numbers of*

any people; that, so far from there being the least risk of population falling below the level of subsistence, the danger is *all* on the other side; that, instead of there being a deficiency, there is, generally speaking, an excess of numbers in every country, as compared with the means of subsistence; and that, if population were not kept down to its natural level by the prevalence of moral restraint, or of a proper degree of prudence in the formation of matrimonial connections, it would necessarily be kept down by the prevalence of vice, want, and misery.

From the remotest antiquity down to our own times, it had been the uniform policy of legislators to give an artificial stimulus to population, by encouraging early marriages, and bestowing rewards on those who had reared the greatest number of children. But the doctrines of Mr. Malthus show the mischievous nature of all such interferences with the natural progress of multiplication. They show, that every increase in the numbers of the people, occasioned by artificial expedients, and which is not either preceded or accompanied by a corresponding increase in the means of subsistence, can be productive only of misery, or of increased mortality;—that the difficulty never is to bring human beings into the world, but to feed, clothe, and educate them when there;—that mankind *do* every where increase their numbers, till their further augmentation is restrained by the difficulty of providing subsistence, and the poverty of some part of the society;—and that, consequently, instead of attempting to strengthen the principle of increase, we

should invariably endeavour to control and regulate it.

A few words only will be required to satisfy the most sceptical, that the well-being and happiness of society must ever mainly depend on the degree in which the principle of increase is subjected to prudential control and regulation. Those who are least conversant with the principles of the science are aware, that the market rate of wages is exclusively dependent on the proportion which the capital of the country, or the means of employing labour, bears to the number of labourers. There is plainly, therefore, only one way of really and effectually improving the condition of the great majority of the community, or of the labouring class, and that is, *by increasing the ratio of capital to population*. If this be done, the rate of wages will be proportionally augmented, and the labourers will rise in the scale of society: but if this be not done, if the ratio of capital to population continues the same, no change will be made in their condition; and if this ratio be diminished, wages will be proportionally reduced, and the condition of the labourers changed for the worse. Unfortunately, the lower classes have very little power over the increase or diminution of the national capital, but they are all-powerful in respect to the increase or diminution of the supply of labour. And if they had only good sense and foresight sufficient to avail themselves of this power, they might, by understocking the market with labour, render their wages high, notwithstanding the demand for their services should happen to be diminished; while, if

they do not avail themselves of this power, but allow the principle of population to exert its natural tendency to overstock the market with labour, wages will be low, to whatever extent the demand for labour may be increased. It appears, therefore, that the labouring classes are in a very great degree the arbiters of their own fortune. What others can do for them is really, to use Mr. Malthus's words, but *as the dust of the balance compared with what they can do for themselves*. Nor is there any very great reason to think that their condition will ever be materially improved, until they are made acquainted with the circumstances which govern the rate of wages, and are impressed with an intimate conviction of the important and unquestionable truth, that they are themselves the masters of the *only* means by which their command of the necessaries and comforts of life can be materially extended.

These statements, though necessarily very brief and imperfect, are yet sufficient to show the fallacy of the opinions advanced by those who argue that the principles and conclusions of the "Essay on Population" are unfavourable to human happiness. The ignorant abuse with which Mr. Malthus has been so perseveringly assailed, disgraceful as it is to its authors, can have but little influence in retarding the adoption of sounder views: and the more general dissemination of the elementary principles of the science afford good grounds for hoping, that the period is not very far distant, when the prejudices and misrepresentations, so industriously propagated on this subject, will have

lost much of their influence, and when it will be generally admitted, that it is by the *condition* of the people—by the extent of their command over the necessaries and enjoyments of human life, and *not* by their *numbers*, that the power and prosperity of nations is to be estimated; and that the extent of this command must principally depend on the prudence and discretion displayed in supplying the market with labour.*

The *Traité d'Économie Politique* of M. J. B. Say of Paris, the first edition of which appeared in 1802, would deserve to be respectfully mentioned in a sketch of the progress of Political Economy, were it for nothing else than the effect that his well-digested and luminous exposition of the principles of Dr. Smith has had in accelerating the progress of the science on the Continent. But in addition to the merit of clear and logical arrangement, and the felicity of many of its illustrations, “it is enriched with several accurate, original, and profound discussions.”† Of these, the explanation of the real nature and causes of *gluts* is decidedly the most important and valuable. Dr. Smith had shown how the powers of production might be rendered most effective; and M. Say has completed his doctrine by showing that no conceivable increase of these powers can ever occasion a general glut, or universal overloading of the mar-

* These observations apply exclusively to the doctrines respecting population advocated by Mr. Malthus, and are not meant to express any approbation of that system of Political Economy, to which he has given his support.

† Preface to Mr. Ricardo's *Principles of Political Economy*.

ket.—Too much of one commodity may occasionally be produced ; but it is quite impossible there can be too great a supply of every species of commodities. For every excess there must be a corresponding deficiency. It is admitted on all hands, that however much the powers of production may be increased, such commodities as are produced in the view of being directly consumed by their producers, without the intervention of an exchange, can never be in excess ; for to suppose that *they* should be in excess, would really be to suppose a production without a motive—an effect without a cause ! It is only when commodities are carried to market and offered in exchange for others, that they can be in excess. But such commodities as are carried to market, are produced only in the view of obtaining others in exchange for them ; and the fact that any description of them is in excess, is of itself an unanswerable proof that there is a corresponding deficiency in the supply of those they were intended to exchange for, or buy. Those who offer products for sale are stimulated to produce, when they find a ready market for them, that is, when they can readily exchange them for such other products as they wish to acquire. And hence it is obvious that the genuine and only effectual encouragement of industry consists, not, as was formerly supposed, in the increase of unproductive and wasteful expenditure, but in *the increase of production*. Every new commodity necessarily forms a new equivalent for, or a new means of purchasing some other commodity. It must be remembered, that the mere ex-

istence of a *demand*, how intense soever it may be, cannot of itself be a means of encouraging production. To become a real demander, a man must not only have the *will*, but he must also have the *power*, to purchase the commodity he wishes to possess; or, in other words, he must be able to offer an equivalent for it. But there never has been, nor is it in the nature of things that there ever can be, any limits to our *wish* to possess the products of art and industry:—

*Nec Cræsi fortuna unquam, nec Persica Regna
Sufficient animo!*—————

It is the *power* to give effect to our wishes, or to furnish other products in exchange for those we are desirous to obtain, that is the real and the only desideratum. The more, then, that this power is increased,—that is, the more industrious every individual becomes, his means of offering equivalents for the products of others will be so much the more increased, and the market rendered so much the more extensive. It is clear, therefore, that a glut cannot originate in a too great aggregate production, but that it is in every case a consequence of the wrong application of productive power—of the production of particular commodities which either do not suit the tastes of those with whom we wish to exchange them, or which we cannot ourselves consume. If we attend to these two grand requisites—if we produce such commodities only as can be taken off by those to whom we offer them for sale, or such as are directly available to our own use, we may increase the power of production ten or ten thousand times, and we shall be

quite as free of all excess as if we diminished them in the same proportion. Miscalculation, and the too great ardour of speculation, occasionally divert capital into channels in which it ought not to have flowed; but, if Government do not interfere to relieve the parties concerned from the effects of their improvidence, a regard to their own interest will make them withdraw from the losing businesses in which they have engaged; and will, sooner than any artificial remedy, correct the improper distribution of capital, and reproduce the natural equilibrium between the price and the cost of producing commodities. Unproductive expenditure is not, therefore, necessary to prevent the overloading of the market; and to maintain that it contributes to increase national wealth in any other way, is really quite the same thing as to maintain, that wealth would be increased by throwing a portion of it into the sea or the fire!

While M. Say was thus successfully cultivating the science in France, it was every day rising in importance, and acquiring fresh converts in England. The extraordinary changes occasioned by the late war in every department of the public economy, deeply affecting, as they necessarily did, the interests of all classes, created the most anxious and universal attention. The experience of previous centuries was crowded into the short space of thirty years; and new combinations of circumstances not only served as tests by which to try existing theories, but enabled even inferior writers to extend the boundaries of the science, and to become the discoverers of new truths. It is no

too much to say, that the discussions that grew out of the enactment of the restriction on cash payments by the Bank of England, and the consequent depreciation of the currency, have *perfected* the theory of money: and the discussions respecting the policy of restrictions on the corn trade, and the causes of the heavy fall of prices which took place subsequently to the late peace, by inciting some of the ablest men that this country has ever produced to investigate the laws regulating the price of raw produce, the rent of land, and the rate of profit, have elicited many important principles; and have given birth to a work which, though certainly inferior in interest to the "Wealth of Nations," rivals it in importance, and is perhaps superior in profoundness and originality.

The first considerable step towards the successful investigation of the laws which regulate the distribution of wealth among the various classes of society was made in 1815, when the real nature, origin, and causes of rents were, for the first time, explained in two pamphlets of extraordinary merit, published nearly at the same moment, by "A Fellow of University College, Oxford,"* and Mr. Malthus.† But the investigations of these gentlemen, though of great importance, were comparatively limited in their object; and it was reserved for Mr. Ricardo to carry his researches into every department of the science, to correct errors sanc-

* *Essay on the Application of Capital to Land*, by a Fellow of University College, Oxford. (Mr. West, a Barrister.)

† *An Inquiry into the Nature and Progress of Rent*, by the Rev. T. R. Malthus.

tioned by the highest authority, and to elucidate and establish many hitherto undiscovered, and most important principles. The appearance of his work on the "*Principles of Political Economy and Taxation*," in 1817, forms a new and memorable era in the history of the science. Exclusive of many admirable correlative discussions, Mr. Ricardo has there analyzed the principles which determine the exchangeable value of commodities, and has given a full view of the science of the distribution of wealth. The powers of mind displayed in these investigations—the dexterity with which the most abstruse and difficult questions are unravelled—the sagacity with which the operation of general and fixed principles is investigated—the skill with which they are separated and disentangled from such as are of a secondary and accidental nature—and the penetration with which their remotest consequences are perceived and estimated, have never been surpassed; and will for ever secure the name of Ricardo a high and conspicuous place in the list of those who have done most to unfold the complex mechanism of society, and to carry this science to perfection.

Mr. Ricardo was the first who perceived the error into which Dr. Smith had fallen, in supposing that the effects consequent upon an increase or diminution of the quantity of labour required to produce commodities, were the same with those consequent upon an increase of the wages or price paid for that labour. He showed, that inasmuch as variations in the rate of profit, or in the rate of wages, affect all descriptions of non-monopolised

commodities, to the same, or nearly the same extent, they would either have no effect on their value in exchange, or if they had any it would depend on the degree in which the variations in question occasionally affect some more than others: And, as Mr. West and Mr. Malthus had shown that rent does not enter into the price of raw produce, nor consequently into that of any commodity, it necessarily follows that the value of all freely produced commodities entirely depends, in highly cultivated and refined societies, as well as in those that are rudest and poorest, on the quantities of labour required to produce them and bring them to market.

This fundamental principle being established, it is plain, since the employers of labour are not indemnified for a rise of wages, by an increase in the value or price of commodities, that the *proportion* or total share of the produce of industry that would otherwise belong to them must be diminished in its aggregate amount to the same extent to which wages are reduced. It is not true, however, as Mr. Ricardo has stated, that the *rate of profit* is necessarily reduced in the same proportion in which wages are increased. For by profit is meant the surplus produce, or the value of the surplus produce, accruing to an individual who has capital employed in an industrious undertaking after the capital, or such part of it as has been wasted in the undertaking, has been replaced; and the *rate of profit* is always estimated in aliquot parts of the capital employed, and is in fact merely the expression of the proportion which the whole

profit bears to the whole capital. And hence, it is clear that whenever the productiveness of industry is increased, the quantity of produce assigned to the labourer, as his wages, may also be increased without any diminution taking place in the quantity remaining to his employer, or in the *rate* of profit.

Having shown the very great influence which variations in the rate of wages exercise on the rate of profit, Mr. Ricardo applied himself to discover the circumstances which determine wages. These he found to depend principally on the cost of producing the articles required for the consumption of the labourer. However high the price of such articles may rise, the labourer, it is plain, must always receive such a supply of them as is sufficient to enable him to exist, and continue his race. And, as raw produce must ever form a principal part of the subsistence of the labourer; and as its price has a constant tendency to rise, because of the constantly increasing sterility of the soils to which recourse must be had in advancing societies,*

* The rise in the price of raw produce, occasioned by the decreasing fertility of the soils to which every advancing society must resort, was, I believe, first distinctly shown in a work, in which there are many just and ingenious, intermixed with many fanciful and erroneous views, entitled, *Principes de tout Gouvernement*, in two volumes 12mo, published in 1766. The author has, on one occasion, hit upon the real origin of rent—" *Quand les cultivateurs, devenus nombreux,*" says he, "*auront défriché toutes les bonnes terres ; par leur augmentation successive, et par la continuité du défrichement, il se trouvera un point où il sera plus avantageux à un nouveau colon de prendre à ferme des terres fécondes, que d'en défricher de nouvelles beaucoup moins bonnes.*"—(Tome i. p. 126.) It is plain, however, from his not reverting to the subject, that he was not at all aware of

it follows that while the quantity of the produce of industry to be divided between capitalists and labourers has a natural tendency to diminish, the proportion of that produce falling to the share of the labourer, has a natural tendency to increase : So that the rate of profits must be diminished, as well by a diminution in the absolute quantity of produce obtained by the exertion of a given amount of labour, as by an increase in the share of that produce that must go to the labourers. That such a fall of profits invariably takes place in the progress of society, is a fact of which there neither is nor can be any doubt. It had, however, been universally supposed that this fall was a consequence of the increase of capital, or rather of the increased competition of its possessors, or of their efforts to undersell each other. But Mr. Ricardo has shown the fallacy of this opinion : And it has since been sufficiently established that all permanent reductions in the rate of profit are a consequence either (1) of an increase in the rate of wages, or (2) of a diminution in the productiveness of industry, caused by the greater difficulty of raising raw produce on the poorer soils successively brought under cultivation as population is augmented, or (3) of an increase of such taxes or public burdens as affect those engaged in industrious undertakings.

In establishing his peculiar doctrines Mr. Ricardo has not only made a very great addition to the mass of useful and universally interesting

the importance of the principle he had stated ; and it is apparent, indeed, from other passages of the work, that he supposed rent entered into price.

truths; but has exhibited some of the finest examples to be met with of discriminating analysis and profound and refined discussion. His doctrines are not, as has sometimes been stated, merely speculative. On the contrary, they enter deeply into almost all the investigations of the science. That part of Mr. Ricardo's work, in which he applies his principles to discover the real incidence and effect of taxes on rent, profit, wages, and raw produce, is altogether practical; and must always be a subject of careful study to those who wish to render themselves thoroughly acquainted with this great department of economical science.

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

ADVERTISEMENT

TO THE

THIRD EDITION.

THE first edition of the following work was printed in the end of the year 1775, and in the beginning of the year 1776. Through the greater part of the book, therefore, whenever the present state of things is mentioned, it is to be understood of the state they were in, either about that time, or at some earlier period, during the time I was employed in writing the book. To the third edition, however, I have made several additions, particularly to the chapter upon Drawbacks, and to that upon Bounties; likewise a new chapter entitled, *The Conclusion of the Mercantile System*; and a new article to the chapter upon the expenses of the sovereign. In all these additions, *the present state of things* means always the state in which they were during the year 1783 and the beginning of the year 1784.

ADVERTISEMENT

to THE

FOURTH EDITION.

IN this fourth edition I have made no alterations of any kind. I now, however, find myself at liberty to acknowledge my very great obligations to Mr. HENRY HOPE of Amsterdam. To that gentleman I owe the most distinct, as well as liberal information, concerning a very interesting and important subject, the Bank of Amsterdam; of which no printed account had ever appeared to me satisfactory, or even intelligible. The name of that gentleman is so well known in Europe, the information which comes from him must do so much honour to whoever has been favoured with it, and my vanity is so much interested in making this acknowledgment, that I can no longer refuse myself the pleasure of prefixing this advertisement to the new edition of my book.

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

INTRODUCTION AND PLAN OF THE WORK.

THE annual labour of every nation is the fund which originally supplies it with all the necessaries and conveniencies of life which it annually consumes, and which consist always either in the im-

• Dr. Smith has not explicitly stated the precise meaning he attached to the term *wealth*; though he most commonly describes it to be the “annual produce of land and labour.” Mr. Malthus, however, has justly objected to this definition, that it refers to the *sources* of wealth, before we know what wealth is, and that it includes all the useless products of the earth, as well as those that are appropriated and enjoyed by man.

I am inclined to think that wealth ought to be considered as comprising all those articles or products that are either necessary, useful, or agreeable to man, and are at the same time possessed of exchangeable value—meaning by exchangeable value, the power or capacity to exchange for or buy some quantity of labour, or of one or more commodities or products obtainable only by means of labour. By this definition we distinguish between wealth, and such articles as are bestowed

mediate produce of that labour, or in what is purchased with that produce from other nations.

According, therefore, as this produce, or what is purchased with it, bears a greater or smaller proportion to the number of those who are to consume it, the nation will be better or worse supplied with all the necessaries and conveniencies for which it has occasion.

But this proportion must in every nation be regulated by two different circumstances ; first, by the skill, dexterity, and judgment with which its labour is generally applied ; and, secondly, by the proportion between the number of those who are

gratuitously in unlimited quantities by Providence on man. The latter, though they may be of the very highest degree of utility, are necessarily altogether destitute of exchangeable value ; for, we may be assured that no one will ever exert any labour, or give any portion of its produce, to obtain what he can command at all times, and in any quantity, without any exertion. The grounds on which the distinction between wealth and articles or products not possessed of exchangeable value is made, are, therefore, obvious, and have been universally recognised. A man is not said to be wealthy because he can command inexhaustible supplies of atmospheric air, this being a privilege which he enjoys in common with every one else, and which, for that reason, can form no ground of distinction ; but he is said to be wealthy according to the degree in which he can afford to command those necessaries, conveniences, and luxuries which cannot be procured or preserved without the exertion of some labour or industry, and which may be appropriated by one individual, and enjoyed by him to the exclusion of others. These articles or products are alone possessed of exchangeable value ; and they alone form what is properly understood by wealth. The results of the industry of man are the only objects with which the Political Economist is conversant. The science which he professes might, indeed, be defined to be the *science of values* ; for nothing which is not possessed of exchangeable value, or which will not be received as an equivalent for something else which it has taken some labour to produce or obtain, can ever fairly be brought within the scope of its inquiries.

employed in useful labour, and that of those who are not so employed. Whatever be the soil, climate, or extent of territory of any particular nation, the abundance or scantiness of its annual supply must, in that particular situation, depend upon those two circumstances.

The abundance or scantiness of this supply too seems to depend more upon the former of those two circumstances than upon the latter. Among the savage nations of hunters and fishers, every individual who is able to work, is more or less employed in useful labour, and endeavours to provide, as well as he can, the necessaries and conveniencies of life, for himself, or such of his family or tribe as are either too old, or too young, or too infirm to go a hunting and fishing. Such nations, however, are so miserably poor, that, from mere want, they are frequently reduced, or, at least, think themselves reduced, to the necessity sometimes of directly destroying, and sometimes of abandoning their infants, their old people, and those afflicted with lingering diseases, to perish with hunger, or to be devoured by wild beasts. Among civilized and thriving nations, on the contrary, though a great number of people do not labour at all, many of whom consume the produce of ten times, frequently of a hundred times more labour than the greater part of those who work; yet the produce of the whole labour of the society is so great, that all are often abundantly supplied, and a workman, even of the lowest and poorest order, if he is frugal and industrious, may enjoy a greater share of the necessaries and conveniencies of life than it is possible for any savage to acquire.

The causes of this improvement, in the productive powers of labour, and the order, according to which its produce is naturally distributed among the different ranks and conditions of men in the society, make the subject of the First Book of this Inquiry.

Whatever be the actual state of the skill, dexterity, and judgment with which labour is applied in any nation, the abundance or scantiness of its annual supply must depend, during the continuance of that state, upon the proportion between the number of those who are annually employed in useful labour, and that of those who are not so employed. The number of useful and productive labourers, it will hereafter appear, is every where in proportion to the quantity of capital stock which is employed in setting them to work, and to the particular way in which it is so employed. The Second Book, therefore, treats of the nature of capital stock, of the manner in which it is gradually accumulated, and of the different quantities of labour which it puts into motion, according to the different ways in which it is employed.

Nations tolerably well advanced as to skill, dexterity, and judgment, in the application of labour, have followed very different plans in the general conduct or direction of it; and those plans have not all been equally favourable to the greatness of its produce. The policy of some nations has given extraordinary encouragement to the industry of the country; that of others to the industry of towns. Scarce any nation has dealt equally and impartially with every sort of industry. Since the

downfal of the Roman empire, the policy of Europe has been more favourable to arts, manufactures, and commerce, the industry of towns; than to agriculture, the industry of the country. The circumstances which seem to have introduced and established this policy are explained in the Third Book.

Though those different plans were, perhaps, first introduced by the private interests and prejudices of particular orders of men, without any regard to, or foresight of, their consequences upon the general welfare of the society; yet they have given occasion to very different theories of political economy; of which some magnify the importance of that industry which is carried on in towns, others of that which is carried on in the country. Those theories have had a considerable influence, not only upon the opinions of men of learning, but upon the public conduct of princes and sovereign states. I have endeavoured, in the Fourth Book, to explain, as fully and distinctly as I can, those different theories, and the principal effects they have produced in different ages and nations.

To explain in what has consisted the revenue of the great body of the people, or what has been the nature of those funds, which, in different ages and nations, have supplied their annual consumption, is the object of these four first books. The Fifth and last Book treats of the revenue of the sovereign, or commonwealth. In this book I have endeavoured to show; first, what are the necessary expenses of the sovereign, or commonwealth; which of those expenses ought to be defrayed by

the general contribution of the whole society ; and which of them, by that of some particular part only, or of some particular members of it : secondly, what are the different methods in which the whole society may be made to contribute towards defraying the expenses incumbent on the whole society, and what are the principal advantages and inconveniences of each of those methods : and, thirdly and lastly, what are the reasons and causes which have induced almost all modern governments to mortgage some part of this revenue, or to contract debts, and what have been the effects of those debts upon the real wealth, the annual produce of the land and labour of the society.

BOOK I.

OF THE CAUSES OF IMPROVEMENT IN THE PRODUCTIVE POWERS OF LABOUR, AND OF THE ORDER ACCORDING TO WHICH ITS PRODUCE IS NATURALLY DISTRIBUTED AMONG THE DIFFERENT RANKS OF THE PEOPLE.

CHAP. I.

OF THE DIVISION OF LABOUR.

THE greatest improvement in the productive powers of labour; and the greater part of the skill, dexterity, and judgment, with which it is any where directed or applied, seem to have been the effects of the division of labour.

The effects of the division of labour, in the general business of society, will be more easily understood, by considering in what manner it operates in some particular manufactures. It is commonly supposed to be carried furthest in some very trifling ones; not perhaps that it really is carried further in them than in others of more importance: but in those trifling manufactures which are destined to supply the small wants of but a small number of people, the whole number of workmen must necessarily be small; and those employed in every different branch of the work

can often be collected into the same workhouse, and placed at once under the view of the spectator. In those great manufactures, on the contrary, which are destined to supply the great wants of the great body of the people, every different branch of the work employs so great a number of workmen, that it is impossible to collect them all into the same workhouse. We can seldom see more, at one time, than those employed in one single branch. Though in such manufactures, therefore, the work may really be divided into a much greater number of parts, than in those of a more trifling nature, the division is not near so obvious, and has accordingly been much less observed.

To take an example, therefore, from a very trifling manufacture, but one in which the division of labour has been very often taken notice of, the trade of the pin-maker; a workman not educated to this business, (which the division of labour has rendered a distinct trade,) nor acquainted with the use of the machinery employed in it, (to the invention of which the same division of labour has probably given occasion,) could scarce, perhaps, with his utmost industry, make one pin in a day, and certainly could not make twenty. But in the way in which this business is now carried on, not only the whole work is a peculiar trade, but it is divided into a number of branches, of which the greater part are likewise peculiar trades. One man draws out the wire, another straightens it, a third cuts it, a fourth points it, a fifth grinds it at the top for receiving the head; to make the head

requires two or three distinct operations ; to put it on, is a peculiar business, to whiten the pins is another ; it is even a trade by itself to put them into the paper ; and the important business of making a pin is, in this manner, divided into about eighteen distinct operations, which, in some manufactories, are all performed by distinct hands, though in others the same man will sometimes perform two or three of them. I have seen a small manufactory of this kind where ten men only were employed, and where some of them consequently performed two or three distinct operations. But though they were very poor, and therefore but indifferently accommodated with the necessary machinery, they could, when they exerted themselves, make among them about twelve pounds of pins in a day. There are in a pound upwards of four thousand pins of a middling size. Those ten persons, therefore, could make among them upwards of forty-eight thousand pins in a day. Each person, therefore, making a tenth part of forty-eight thousand pins, might be considered as making four thousand eight hundred pins in a day. But if they had all wrought separately and independently, and without any of them having been educated to this peculiar business, they certainly could not each of them have made twenty, perhaps not one pin in a day ; that is, certainly, not the two hundred and fortieth, perhaps not the four thousand eight hundredth part of what they are at present capable of performing, in consequence of a proper division and combination of their different operations.

In every other art and manufacture, the effects of the division of labour are similar to what they are in this very trifling one ; though, in many of them, the labour can neither be so much subdivided, nor reduced to so great a simplicity of operation. The division of labour, however, so far as it can be introduced, occasions, in every art, a proportionable increase of the productive powers of labour. The separation of different trades and employments from one another, seems to have taken place, in consequence of this advantage. This separation, too, is generally carried furthest in those countries which enjoy the highest degree of industry and improvement ; what is the work of one man in a rude state of society, being generally that of several in an improved one. In every improved society, the farmer is generally nothing but a farmer ; the manufacturer, nothing but a manufacturer. The labour too which is necessary to produce any one complete manufacture, is almost always divided among a great number of hands. How many different trades are employed in each branch of the linen and woollen manufactures, from the growers of the flax and the wool, to the bleachers and smoothers of the linen, or to the dyers and dressers of the cloth ! The nature of agriculture, indeed, does not admit of so many subdivisions of labour, nor of so complete a separation of one business from another, as manufactures. It is impossible to separate so entirely, the business of the grazier from that of the corn-farmer, as the trade of the carpenter is commonly separated from that of the smith. The spinner is

almost always a distinct person from the weaver ; but the ploughman, the harrower, the sower of the seed, and the reaper of the corn, are often the same. The occasions for those different sorts of labour returning with the different seasons of the year, it is impossible that one man should be constantly employed in any one of them. This impossibility of making so complete and entire a separation of all the different branches of labour employed in agriculture, is perhaps the reason why the improvement of the productive powers of labour in this art, does not always keep pace with their improvement in manufactures. The most opulent nations, indeed, generally excel all their neighbours in agriculture as well as in manufactures ; but they are commonly more distinguished by their superiority in the latter than in the former. Their lands are in general better cultivated, and having more labour and expense bestowed upon them, produce more in proportion to the extent and natural fertility of the ground. But this superiority of produce is seldom much more than in proportion to the superiority of labour and expense. In agriculture, the labour of the rich country is not always much more productive than that of the poor ; or, at least, it is never so much more productive, as it commonly is in manufactures. The corn of the rich country, therefore, will not always, in the same degree of goodness, come cheaper to market than that of the poor. The corn of Poland, in the same degree of goodness, is as cheap as that of France, notwithstanding the superior opulence and improvement of the latter

country. The corn of France is, in the corn provinces, fully as good, and in most years nearly about the same price with the corn of England, though, in opulence and improvement, France is perhaps inferior to England. The corn lands of England, however, are better cultivated than those of France, and the corn lands of France are said to be much better cultivated than those of Poland. But though the poor country, notwithstanding the inferiority of its cultivation, can, in some measure, rival the rich in the cheapness and goodness of its corn, it can pretend to no such competition in its manufactures; at least if those manufactures suit the soil, climate, and situation of the rich country. The silks of France are better and cheaper than those of England, because the silk manufacture, at least under the present high duties upon the importation of raw silk, does not so well suit the climate of England as that of France. But the hardware and the coarse woollens of England are beyond all comparison superior to those of France, and much cheaper too in the same degree of goodness. In Poland there are said to be scarce any manufactures of any kind, a few of those coarser household manufactures excepted, without which no country can well subsist.*

* The statement in the text, with respect to the impossibility of carrying the division of labour to the same extent in agriculture as in either manufactures or commerce, is undoubtedly correct; but this circumstance is not, as Dr. Smith supposes, the only or even the principal reason why the price of corn in highly cultivated countries is generally as high, and frequently much higher, than in those that are comparatively ill cultivated and barbarous. If superiority of agriculture—if a greater subdivision of rural employments, and a

This great increase of the quantity of work, which, in consequence of the division of labour, the same number of people are capable of performing, is owing to three different circumstances; first, to the increase of dexterity in every particular workman; secondly, to the saving of the time which is commonly lost in passing from one species of work to another; and lastly, to the invention of a great number of machines which facilitate and abridge labour, and enable one man to do the work of many.

more extensive introduction of machinery into the labours of the field, were of themselves sufficient to determine the price of raw produce, there can be no question that it would be very decidedly lower in Great Britain than in Poland or Russia. But it is obvious that the price of corn in different countries is only partially dependent on the system of cultivation followed in them, and that it is also very materially dependent on the *comparative fertility of the soils they have under cultivation*—an element which Dr. Smith has by some strange oversight totally neglected. The scantiness of the population of rude nations renders it unnecessary for them to cultivate any but lands of the highest degree of fertility; but as society advances, and population increases, it becomes necessary to resort to less fertile soils, the produce of which must, because of the greater amount of capital and labour required in their cultivation, be comparatively dear. It was stated, by several of the witnesses examined by the Committee of the House of Commons appointed to inquire into the depressed state of agriculture, in 1821, that the produce obtained from the lands under cultivation in England and Wales, estimated in wheat, varied from 36 and 40 to 8 and 9 bushels an acre. But it is clear that the required supplies of food could not be obtained without cultivating these inferior lands; and it is *this necessity* of resorting to soils of a diminished degree of fertility, that is the real cause of the comparatively high price of corn and other raw products in highly populous countries.

* I shall state and explain this fundamental doctrine with that degree of fulness which its importance demands, in the notes on Rent and Wages, in the last Volume.

First, the improvement of the dexterity of the workman necessarily increases the quantity of the work he can perform ; and the division of labour, by reducing every man's business to some one simple operation, and by making this operation the sole employment of his life, necessarily increases very much the dexterity of the workman. A common smith, who, though accustomed to handle the hammer, has never been used to make nails, if upon some particular occasion he is obliged to attempt it, will scarce, I am assured, be able to make above two or three hundred nails in a day, and those too very bad ones. A smith who has been accustomed to make nails, but whose sole or principal business has not been that of a nailer, can seldom with his utmost diligence make more than eight hundred or a thousand nails in a day. I have seen several boys under twenty years of age who had never exercised any other trade but that of making nails, and who, when they exerted themselves, could make, each of them, upwards of two thousand three hundred nails in a day. The making of a nail, however, is by no means one of the simplest operations. The same person blows the bellows, stirs or mends the fire as there is occasion, heats the iron, and forges every part of the nail : in forging the head too he is obliged to change his tools. The different operations into which the making of a pin, or of a metal button, is subdivided, are all of them much more simple, and the dexterity of the person, of whose life it has been the sole business to perform them, is usually much greater. The rapidity with which

some of the operations of those manufactures are performed, exceeds what the human hand could, by those who had never seen them, be supposed capable of acquiring.

Secondly, the advantage which is gained by saving the time commonly lost in passing from one sort of work to another, is much greater than we should at first view be apt to imagine it. It is impossible to pass very quickly from one kind of work to another, that is carried on in a different place, and with quite different tools. A country weaver, who cultivates a small farm, must lose a good deal of time in passing from his loom to the field, and from the field to his loom. When the two trades can be carried on in the same work-house, the loss of time is no doubt much less. It is even in this case, however, very considerable. A man commonly saunters a little in turning his hand from one sort of employment to another. When he first begins the new work he is seldom very keen and hearty; his mind, as they say, does not go to it, and for some time he rather trifles than applies to good purpose. The habit of sauntering and of indolent careless application, which is naturally, or rather necessarily acquired by every country workman who is obliged to change his work and his tools every half hour, and to apply his hand in twenty different ways almost every day of his life; renders him almost always slothful and lazy, and incapable of any vigorous application even on the most pressing occasions. Independent, therefore, of his deficiency in point of dexterity, this cause alone must always reduce

considerably the quantity of work which he is capable of performing.

Thirdly, and lastly, every body must be sensible how much labour is facilitated and abridged by the application of proper machinery. It is unnecessary to give any example. I shall only observe, therefore, that the invention of all those machines by which labour is so much facilitated and abridged, seems to have been originally owing to the division of labour. Men are much more likely to discover easier and readier methods of attaining any object, when the whole attention of their minds is directed towards that single object, than when it is dissipated among a great variety of things. But in consequence of the division of labour, the whole of every man's attention comes naturally to be directed towards some one very simple object. It is naturally to be expected, therefore, that some one or other of those who are employed in each particular branch of labour should soon find out easier and readier methods of performing their own particular work, wherever the nature of it admits of such improvement. A great part of the machines made use of in those manufactures in which labour is most subdivided, were originally the inventions of common workmen, who, being each of them employed in some very simple operation, naturally turned their thoughts towards finding out easier and readier methods of performing it. Whoever has been much accustomed to visit such manufactures, must frequently have been shown very pretty machines, which were the inventions of such workmen, in

order to facilitate and quicken their own particular part of the work. In the first fire-engines, a boy was constantly employed to open and shut alternately the communication between the boiler and the cylinder, according as the piston either ascended or descended. One of those boys, who loved to play with his companions, observed that, by tying a string from the handle of the valve which opened this communication to another part of the machine, the valve would open and shut without his assistance, and leave him at liberty to divert himself with his play-fellows. One of the greatest improvements that has been made upon this machine, since it was first invented, was in this manner the discovery of a boy who wanted to save his own labour.

All the improvements in machinery, however, have by no means been the inventions of those who had occasion to use the machines. Many improvements have been made by the ingenuity of the makers of the machines, when to make them became the business of a peculiar trade; and some by that of those who are called philosophers, or men of speculation, whose trade it is not to do any thing, but to observe every thing; and who, upon that account, are often capable of combining together the powers of the most distant and dissimilar objects. In the progress of society, philosophy or speculation becomes, like every other employment, the principal or sole trade and occupation of a particular class of citizens. Like every other employment too, it is subdivided into a great number of different branches, each of which affords

occupation to a peculiar tribe or class of philosophers; and this subdivision of employment in philosophy, as well as in every other business, improves dexterity, and saves time. Each individual becomes more expert in his own peculiar branch, more work is done upon the whole, and the quantity of science is considerably increased by it.

It is the great multiplication of the productions of all the different arts, in consequence of the division of labour, which occasions, in a well-governed society, that universal opulence which extends itself to the lowest ranks of the people. Every workman has a great quantity of his own work to dispose of beyond what he himself has occasion for; and every other workman being exactly in the same situation, he is enabled to exchange a great quantity of his own goods for a great quantity, or, what comes to the same thing, for the price of a great quantity of theirs. He supplies them abundantly with what they have occasion for, and they accommodate him as amply with what he has occasion for, and a general plenty diffuses itself through all the different ranks of the society.

Observe the accommodation of the most common artificer or day-labourer in a civilized and thriving country, and you will perceive that the number of people of whose industry a part, though but a small part, has been employed in procuring him this accommodation, exceeds all computation. The woollen coat, for example, which covers the day-labourer, as coarse and rough as it may appear, is the produce of the joint labour of a great multitude of workmen. The shepherd, the sorter

of the wool, the wool-comber or carder, the dyer, the scribbler, the spinner, the weaver, the fuller, the dresser, with many others, must all join their different arts in order to complete even this homely production. How many merchants and carriers, besides, must have been employed in transporting the materials from some of those workmen to others who often live in a very distant part of the country! how much commerce and navigation in particular, how many ship-builders, sailors, sail-makers, rope-makers, must have been employed in order to bring together the different drugs made use of by the dyer, which often come from the remotest corners of the world! What a variety of labour too is necessary in order to produce the tools of the meanest of those workmen! To say nothing of such complicated machines as the ship of the sailor, the mill of the fuller, or even the loom of the weaver, let us consider only what a variety of labour is requisite in order to form that very simple machine, the shears with which the shepherd clips the wool. The miner, the builder of the furnace for smelting the ore, the feller of the timber, the burner of the charcoal to be made use of in the smelting-house, the brick-maker, the brick-layer, the workmen who attend the furnace, the mill-wright, the forger, the smith, must all of them join their different arts in order to produce them. Were we to examine, in the same manner, all the different parts of his dress and household furniture, the coarse linen shirt which he wears next his skin, the shoes which cover his feet, the bed which he lies on, and all the different parts

which compose it, the kitchen-grate at which he prepares his victuals, the coals which he makes use of for that purpose, dug from the bowels of the earth, and brought to him perhaps by a long sea and a long land carriage, all the other utensils of his kitchen, all the furniture of his table, the knives and forks, the earthen or pewter plates upon which he serves up and divides his victuals, the different hands employed in preparing his bread and his beer, the glass window which lets in the heat and the light, and keeps out the wind and the rain, with all the knowledge and art requisite for preparing that beautiful and happy invention, without which these northern parts of the world could scarce have afforded a very comfortable habitation, together with the tools of all the different workmen employed in producing those different conveniences ; if we examine, I say, all these things, and consider what a variety of labour is employed about each of them, we shall be sensible that without the assistance and co-operation of many thousands, the very meanest person in a civilized country could not be provided, even according to, what we very falsely imagine, the easy and simple manner in which he is commonly accommodated. Compared, indeed, with the more extravagant luxury of the great, his accommodation must no doubt appear extremely simple and easy ; and yet it may be true, perhaps, that the accommodation of an European prince does not always so much exceed that of an industrious and frugal peasant, as the accommodation of the latter exceeds that of many an African king, the absolute

master of the lives and liberties of ten thousand naked savages.

CHAP. II.

OF THE PRINCIPLE WHICH GIVES OCCASION TO THE DIVISION OF LABOUR.

THIS division of labour, from which so many advantages are derived, is not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion. It is the necessary, though very slow and gradual consequence of a certain propensity in human nature which has in view no such extensive utility; the propensity to truck, barter, and exchange one thing for another.

Whether this propensity be one of those original principles in human nature, of which no further account can be given; or whether, as seems more probable, it be the necessary consequence of the faculties of reason and speech, it belongs not to our present subject to inquire. It is common to all men, and to be found in no other race of animals, which seem to know neither this nor any other species of contracts. Two greyhounds, in running down the same hare, have sometimes the appearance of acting in some sort of concert. Each turns her towards his companion, or endea-

vours to intercept her when his companion turns her towards himself. This, however, is not the effect of any contract, but of the accidental concurrence of their passions in the same object at that particular time. Nobody ever saw a dog make a fair and deliberate exchange of one bone for another with another dog. Nobody ever saw one animal by its gestures and natural cries signify to another, this is mine, that yours ; I am willing to give this for that. When an animal wants to obtain something either of a man or of another animal, it has no other means of persuasion but to gain the favour of those whose service it requires. A puppy fawns upon its dam, and a spaniel endeavours by a thousand attractions to engage the attention of its master who is at dinner, when it wants to be fed by him. Man sometimes uses the same arts with his brethren, and when he has no other means of engaging them to act according to his inclinations, endeavours by every servile and fawning attention to obtain their good will. He has not time, however, to do this upon every occasion. In civilized society he stands at all times in need of the cooperation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons. In almost every other race of animals each individual, when it is grown up to maturity, is entirely independent, and in its natural state has occasion for the assistance of no other living creature. But man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence

only. He will be more likely to prevail if he can interest their self-love in his favour, and show them that it is for their own advantage to do for him what he requires of them. Whoever offers to another a bargain of any kind, proposes to do this. Give me that which I want, and you shall have this which you want, is the meaning of every such offer ; and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of. It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages. Nobody but a beggar chooses to depend chiefly upon the benevolence of his fellow-citizens. Even a beggar does not depend upon it entirely. The charity of well-disposed people, indeed, supplies him with the whole fund of his subsistence. But though this principle ultimately provides him with all the necessaries of life which he has occasion for, it neither does nor can provide him with them as he has occasion for them. The greater part of his occasional wants are supplied in the same manner as those of other people, by treaty, by barter, and by purchase. With the money which one man gives him he purchases food. The old clothes which another bestows upon him he exchanges for other old clothes which suit him better, or for lodging, or for food, or for money, with which he can buy either food, clothes, or lodging, as he has occasion.

As it is by treaty, by barter, and by purchase, that we obtain from one another the greater part of those mutual good offices which we stand in need of, so it is this same trucking disposition which originally gives occasion to the division of labour. In a tribe of hunters or shepherds a particular person makes bows and arrows, for example, with more readiness and dexterity than any other. He frequently exchanges them for cattle or for venison with his companions; and he finds at last that he can in this manner get more cattle and venison, than if he himself went to the field to catch them. From a regard to his own interest, therefore, the making of bows and arrows grows to be his chief business, and he becomes a sort of armourer. Another excels in making the frames and covers of their little huts or moveable houses. He is accustomed to be of use in this way to his neighbours, who reward him in the same manner with cattle and with venison, till at last he finds it his interest to dedicate himself entirely to this employment, and to become a sort of house-carpenter. In the same manner a third becomes a smith or a brazier, a fourth a tanner or dresser of hides or skins, the principal part of the clothing of savages. And thus the certainty of being able to exchange all that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men's labour as he may have occasion for, encourages every man to apply himself to a particular occupation, and to cultivate and bring to perfection what-

ever talent or genius he may possess for that particular species of business.

The difference of natural talents in different men is, in reality, much less than we are aware of; and the very different genius which appears to distinguish men of different professions, when grown up to maturity, is not upon many occasions so much the cause, as the effect of the division of labour. The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature, as from habit, custom, and education. When they came into the world, and for the first six or eight years of their existence, they were very much alike, and neither their parents nor play-fellows could perceive any remarkable difference. About that age, or soon after, they come to be employed in very different occupations. The difference of talents comes then to be taken notice of, and widens by degrees, till at last the vanity of the philosopher is willing to acknowledge scarce any resemblance. But without the disposition to truck, barter, and exchange, every man must have procured to himself every necessary and conveniency of life which he wanted. All must have had the same duties to perform, and the same work to do, and there could have been no such difference of employment as could alone give occasion to any great difference of talents.

As it is this disposition which forms that difference of talents, so remarkable among men of different professions, so it is this same disposition

which renders that difference useful. Many tribes of animals acknowledged to be all of the same species, derive from nature a much more remarkable distinction of genius, than what, antecedent to custom and education, appears to take place among men. By nature a philosopher is not in genius and disposition half so different from a street porter, as a mastiff is from a greyhound, or a greyhound from a spaniel, or this last from a shepherd's dog. Those different tribes of animals, however, though all of the same species, are of scarce any use to one another. The strength of the mastiff is not, in the least, supported either by the swiftness of the greyhound, or by the sagacity of the spaniel, or by the docility of the shepherd's dog. The effects of those different geniuses and talents, for want of the power or disposition to barter and exchange, cannot be brought into a common stock, and do not in the least contribute to the better accommodation and conveniency of the species. Each animal is still obliged to support and defend itself, separately and independently, and derives no sort of advantage from that variety of talents with which nature has distinguished its fellows. Among men, on the contrary, the most dissimilar geniuses are of use to one another; the different produces of their respective talents, by the general disposition to truck, barter, and exchange, being brought, as it were, into a common stock, where every man may purchase whatever part of the produce of other men's talents he has occasion for.*

* Dr. Smith's speculations with respect to the principle which gives occasion to the division of labour, though sufficiently ingenious, do not

CHAP. III.

THAT THE DIVISION OF LABOUR IS LIMITED BY THE
EXTENT OF THE MARKET.

As it is the power of exchanging that gives occasion to the division of labour, so the extent of this

seem to rest on any very solid foundation. The division in question is plainly a consequence of our being enabled to perceive, or at all events to conjecture, with more or less accuracy, what is, under any given circumstances, most advantageous or useful for ourselves. The savages who are slow of foot or lame, have certainly no innate propensity to become makers of bows and arrows, and to truck or barter these articles with their fellow savages for game; but they have no difficulty in discovering that it will be *very much for their interest to do so*, and that such is, in fact, the only way by which they can expect to obtain supplies of food: while, on the other hand, the savages who are swift footed perceive that it is for their interest to follow that species of industry for which they have a peculiar aptitude, and to exchange a portion of their prey with the others for the implements they stand in need of. The physical capacities, talents, and dispositions, as well as the circumstances under which different men are placed, differ exceedingly; and nothing can be more natural than that each individual should endeavour to apply himself in preference to those occupations which, all things considered, he reckons most suitable or beneficial for himself; exchanging such portions of his own produce as exceed his own consumption, for such portions of the produce of others, as he may be desirous to obtain, and they may be willing to part with. The inhabitants of the Highlands of Perthshire do not take to the breeding of cattle, the inhabitants of the Carse of Gowrie to the raising of wheat, or those of the Shetland isles to the catching of fish, because they have any instinctive propensity impelling them to produce such articles; but because they have learned from experience that they will obtain the largest supply of the necessaries and conveniences of human life by confining themselves exclusively to branches of industry, for the prosecution of which they have a decided advantage, and then bartering their surplus products with each other.

division must always be limited by the extent of that power, or, in other words, by the extent of the market. When the market is very small, no person can have any encouragement to dedicate himself entirely to one employment, for want of the power to exchange all that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men's labour as he has occasion for.

There are some sorts of industry, even of the lowest kind, which can be carried on no where but in a great town. A porter, for example, can find employment and subsistence in no other place. A village is by much too narrow a sphere for him; even an ordinary market town is scarce large enough to afford him constant occupation. In the lone houses and very small villages which are scattered about in so desert a country as the Highlands of Scotland, every farmer must be butcher, baker, and brewer for his own family. In such situations we can scarce expect to find even a smith, a carpenter; or a mason, within less than twenty miles of another of the same trade. The scattered families that live at eight or ten miles distance from the nearest of them, must learn to perform themselves a great number of little pieces of work, for which, in more populous countries, they would call in the assistance of those workmen. Country workmen are almost every where obliged to apply themselves to all the different branches of industry that have so much affinity to one another as to be employed about the same sort of materials. A country carpenter deals

in every sort of work that is made of wood: a country smith in every sort of work that is made of iron. The former is not only a carpenter, but a joiner, a cabinet-maker, and even a carver in wood, as well as a wheel-wright, a plough-wright, a cart and waggon maker. The employments of the latter are still more various: It is impossible there should be such a trade as even that of a nailer in the remote and inland parts of the Highlands of Scotland. Such a workman at the rate of a thousand nails a day, and three hundred working days in the year, will make three hundred thousand nails in the year. But in such a situation it would be impossible to dispose of one thousand, that is, of one day's work in the year.

As by means of water-carriage a more extensive market is opened to every sort of industry than what land-carriage alone can afford it, so it is upon the sea-coast, and along the banks of navigable rivers, that industry of every kind naturally begins to subdivide and improve itself, and it is frequently not till a long time after that those improvements extend themselves to the inland parts of the country. A broad-wheeled waggon, attended by two men, and drawn by eight horses, in about six weeks time carries and brings back between London and Edinburgh near four ton weight of goods.* In about the same time, a ship navigated by six or eight men, and sailing between the ports of London and Leith, frequently carries and brings back two hundred ton

* The expenses attending the conveyance of goods by land have been very much diminished since "the Wealth of Nations" was published, though they are still greatly superior to the expenses attending their conveyance by sea.

weight of goods. Six or eight men, therefore, by the help of water-carriage, can carry and bring back in the same time the same quantity of goods between London and Edinburgh, as fifty broad-wheeled waggons, attended by a hundred men, and drawn by four hundred horses. Upon two hundred tons of goods, therefore, carried by the cheapest land-carriage from London to Edinburgh, there must be charged the maintenance of a hundred men for three weeks, and both the maintenance, and, what is nearly equal to the maintenance, the wear and tear of four hundred horses as well as of fifty great waggons. Whereas, upon the same quantity of goods carried by water, there is to be charged only the maintenance of six or eight men, and the wear and tear of a ship of two hundred tons burden, together with the value of the superior risk, or the difference of the insurance between land and water-carriage. Were there no other communication between those two places, therefore, but by land-carriage, as no goods could be transported from the one to the other, except such whose price was very considerable in proportion to their weight, they could carry on but a small part of that commerce which at present subsists between them, and consequently could give but a small part of that encouragement which they at present mutually afford to each other's industry. There could be little or no commerce of any kind between the different parts of the world. What goods could bear the expense of land-carriage between London and Calcutta? Or if there were any so precious as to be able to support this expense, with what

safety could they be transported through the territories of so many barbarous nations? Those two cities, however, at present carry on a very considerable commerce with each other, and by mutually affording a market, give a good deal of encouragement to each other's industry.

Since such, therefore, are the advantages of water-carriage, it is natural that the first improvements of art and industry should be made where this conveniency opens the whole world for a market to the produce of every sort of labour, and that they should always be much later in extending themselves into the inland parts of the country. The inland parts of the country can for a long time have no other market for the greater part of their goods, but the country which lies round about them, and separates them from the sea-coast, and the great navigable rivers. The extent of their market, therefore, must for a long time be in proportion to the riches and populousness of that country, and consequently their improvement must always be posterior to the improvement of that country. In our North American colonies the plantations have constantly followed either the sea-coast or the banks of the navigable rivers, and have scarce any where extended themselves to any considerable distance from both.

The nations that, according to the best authenticated history, appear to have been first civilized, were those that dwelt round the coast of the Mediterranean sea. That sea, by far the greatest inlet that is known in the world, having no tides, nor consequently any waves except such as are caused

by the wind only, was, by the smoothness of its surface, as well as by the multitude of its islands, and the proximity of its neighbouring shores, extremely favourable to the infant navigation of the world; when, from their ignorance of the compass, men were afraid to quit the view of the coast, and from the imperfection of the art of ship-building, to abandon themselves to the boisterous waves of the ocean. To pass beyond the pillars of Hercules, that is, to sail out of the Streights of Gibraltar, was, in the ancient world, long considered as a most wonderful and dangerous exploit of navigation. It was late before even the Phenicians and Carthaginians, the most skilful navigators and ship-builders of those old times, attempted it, and they were for a long time the only nations that did attempt it.

Of all the countries on the coast of the Mediterranean sea, Egypt seems to have been the first in which either agriculture or manufactures were cultivated and improved to any considerable degree. Upper Egypt extends itself nowhere above a few miles from the Nile, and in Lower Egypt that great river breaks itself into many different canals, which, with the assistance of a little art, seem to have afforded a communication by water-carriage, not only between all the great towns, but between all the considerable villages, and even to many farm-houses in the country; nearly in the same manner as the Rhine and the Maese do in Holland at present. The extent and easiness of this inland navigation was probably one of the principal causes of the early improvement of Egypt.

The improvements in agriculture and manufactures seem likewise to have been of very great antiquity in the provinces of Bengal in the East Indies, and in some of the eastern provinces of China; though the great extent of this antiquity is not authenticated by any histories of whose authority we, in this part of the world, are well assured. In Bengal the Ganges and several other great rivers form a great number of navigable canals in the same manner as the Nile does in Egypt. In the eastern provinces of China too, several great rivers form, by their different branches, a multitude of canals, and by communicating with one another afford an inland navigation much more extensive than that either of the Nile or the Ganges, or perhaps than both of them put together. It is remarkable that neither the ancient Egyptians, nor the Indians, nor the Chinese, encouraged foreign commerce, but seem all to have derived their great opulence from this inland navigation.

All the inland parts of Africa, and all that part of Asia which lies any considerable way north of the Euxine and Caspian seas, the ancient Scythia, the modern Tartary and Siberia, seem in all ages of the world to have been in the same barbarous and uncivilized state in which we find them at present. The sea of Tartary is the frozen ocean which admits of no navigation, and though some of the greatest rivers in the world run through that country, they are at too great a distance from one another to carry commerce and communication through the greater part of it. There are in Africa none of those great inlets, such as the Baltic and

Adriatic seas in Europe, the Mediterranean and Euxine seas in both Europe and Asia, and the gulfs of Arabia, Persia, India, Bengal, and Siam, in Asia, to carry maritime commerce into the interior parts of that great continent : and the great rivers of Africa are at too great a distance from one another to give occasion to any considerable inland navigation. The commerce besides which any nation can carry on by means of a river which does not break itself into any great number of branches or canals, and which runs into another territory before it reaches the sea, can never be very considerable ; because it is always in the power of the nations who possess that other territory to obstruct the communication between the upper country and the sea. The navigation of the Danube is of very little use to the different states of Bavaria, Austria and Hungary, in comparison of what it would be if any of them possessed the whole of its course till it falls into the Black Sea.

CHAP. IV.

OF THE ORIGIN AND USE OF MONEY.

WHEN the division of labour has been once thoroughly established, it is but a very small part of a man's wants which the produce of his own labour can supply. He supplies the far greater

part of them by exchanging that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men's labour as he has occasion for. Every man thus lives by exchanging, or becomes in some measure a merchant, and the society itself grows to be what is properly a commercial society.

But when the division of labour first began to take place, this power of exchanging must frequently have been very much clogged and embarrassed in its operations. One man, we shall suppose, has more of a certain commodity than he himself has occasion for, while another has less. The former consequently would be glad to dispose of, and the latter to purchase, a part of this superfluity. But if this latter should chance to have nothing that the former stands in need of, no exchange can be made between them. The butcher has more meat in his shop than he himself can consume, and the brewer and the baker would each of them be willing to purchase a part of it. But they have nothing to offer in exchange, except the different productions of their respective trades; and the butcher is already provided with all the bread and beer which he has immediate occasion for. No exchange can, in this case, be made between them. He cannot be their merchant, nor they his customers; and they are all of them thus mutually less serviceable to one another. In order to avoid the inconveniency of such situations, every prudent man in every period of society, after the first establishment of the division of labour, must naturally

have endeavoured to manage his affairs in such a manner, as to have at all times by him, besides the peculiar produce of his own industry, a certain quantity of some one commodity or other, such as he imagined few people would be likely to refuse in exchange for the produce of their industry.

Many different commodities, it is probable, were successively both thought of and employed for this purpose. In the rude ages of society, cattle are said to have been the common instrument of commerce; and, though they must have been a most inconvenient one, yet in old times we find things were frequently valued according to the number of cattle which had been given in exchange for them. The armour of Diomed, says Homer, cost only nine oxen; but that of Glaucus cost an hundred oxen.* Salt is said to be the common instrument

* The Marquis Garnier has attempted to controvert this statement in a note to his translation of "the Wealth of Nations," (*Richesse des Nations*, tom. v. p. 18, ed. 1822.) M. Garnier contends that the cattle occasionally mentioned in ancient authors as having been used as money, were really pieces of gold or silver, or coins, marked with the figure of an ox, a sheep, &c. and that they derived their names of *boves*, *oves*, &c. from that circumstance. M. Garnier supports this opinion with great learning and ingenuity. But although there can be no question that coins, impressed with the figures of animals, and passing by their names, were current in antiquity, still the questions remain—Were not cattle used as money previously to the formation of these coins?—and was it not from that circumstance that these coins were impressed with their figures? I apprehend there can be little doubt that both these questions must be answered in the affirmative: and therefore, although M. Garnier is perhaps right in saying that the oxen Homer had in view in comparing the armour of Glaucus and Diomed, were really coins marked with the figure of an ox, still there does not seem to be any good ground for impeaching the statement of Dr. Smith, that cattle were used as money in the early stages of society.

of commerce and exchanges in Abyssinia; a species of shells in some parts of the coast of India; dried cod at Newfoundland; tobacco in Virginia; sugar in some of our West India colonies; hides or dressed leather in some other countries; and there is at this day a village in Scotland where it is not uncommon, I am told, for a workman to carry nails instead of money to the baker's shop or the ale-house.

In all countries, however, men seem at last to have been determined by irresistible reasons to give the preference, for this employment, to metals above every other commodity. Metals can not only be kept with as little loss as any other commodity, scarce any thing being less perishable than they are, but they can likewise, without any loss, be divided into any number of parts, as by fusion those parts can easily be reunited again; a quality which no other equally durable commodities possess, and which more than any other quality renders them fit to be the instruments of commerce and circulation. The man who wanted to buy salt, for example, and had nothing but cattle to give in exchange for it, must have been obliged to buy salt to the value of a whole ox, or a whole sheep at a time. He could seldom buy less than this, because what he was to give for it could seldom be divided without loss; and if he had a mind to buy more, he must, for the same reasons, have been obliged to buy double or triple the quantity, the value, to wit, of two or three oxen, or of two or three sheep. If, on the contrary, instead of sheep or oxen, he had metals to give in exchange for it, he could ea-

sily proportion the quantity of the metal to the precise quantity of the commodity which he had immediate occasion for.

Different metals have been made use of by different nations for this purpose. Iron was the common instrument of commerce among the ancient Spartans; copper among the ancient Romans; and gold and silver among all rich and commercial nations.

Those metals seem originally to have been made use of for this purpose in rude bars, without any stamp or coinage. Thus we are told by Pliny, * upon the authority of Timæus, an ancient historian, that, till the time of Servius Tullius, the Romans had no coined money, but made use of unstamped bars of copper, to purchase whatever they had occasion for. These rude bars, therefore, performed at this time the function of money.

The use of metals in this rude state was attended with two very considerable inconveniencies; first, with the trouble of weighing; and, secondly, with that of assaying them. In the precious metals, where a small difference in the quantity makes a great difference in the value, even the business of weighing, with proper exactness, requires at least very accurate weights and scales. The weighing of gold in particular is an operation of some nicety. In the coarser metals, indeed, where a small error would be of little consequence, less accuracy would, no doubt, be necessary. Yet we should find it excessively troublesome, if every time a poor man had occasion either to buy or sell a farthing's

* Plin. Hist. Nat. lib. xxxiii. cap. 3.

worth of goods, he was obliged to weigh the farthing. The operation of assaying is still more difficult, still more tedious, and, unless a part of the metal is fairly melted in the crucible, with proper dissolvents, any conclusion that can be drawn from it, is extremely uncertain. Before the institution of coined money, however, unless they went through this tedious and difficult operation, people must always have been liable to the grossest frauds and impositions, and instead of a pound weight of pure silver, or pure copper, might receive in exchange for their goods, an adulterated composition of the coarsest and cheapest materials, which had, however, in their outward appearance, been made to resemble those metals. To prevent such abuses, to facilitate exchanges, and thereby to encourage all sorts of industry and commerce, it has been found necessary, in all countries that have made any considerable advances towards improvement, to affix a public stamp upon certain quantities of such particular metals, as were in those countries commonly made use of to purchase goods. Hence the origin of coined money, and of those public offices called mints; institutions exactly of the same nature with those of the aulnagers and stampmasters of woollen and linen cloth. All of them are equally meant to ascertain, by means of a public stamp, the quantity and uniform goodness of those different commodities when brought to market.

The first public stamps of this kind that were affixed to the current metals, seem in many cases to have been intended to ascertain, what it was

both most difficult and most important to ascertain, the goodness or fineness of the metal, and to have resembled the sterling mark which is at present affixed to plate and bars of silver, or the Spanish mark which is sometimes affixed to ingots of gold, and which being struck only upon one side of the piece, and not covering the whole surface, ascertains the fineness, but not the weight of the metal. Abraham weighs to Ephron the four hundred shekels of silver which he had agreed to pay for the field of Machpelah. They are said, however, to be the current money of the merchant, and yet are received by weight and not by tale, in the same manner as ingots of gold and bars of silver are at present. The revenues of the ancient Saxon kings of England are said to have been paid, not in money but in kind, that is, in victuals and provisions of all sorts. William the Conqueror introduced the custom of paying them in money. This money, however, was, for a long time, received at the exchequer, by weight and not by tale.

The inconveniency and difficulty of weighing those metals with exactness gave occasion to the institution of coins, of which the stamp, covering entirely both sides of the piece and sometimes the edges too, was supposed to ascertain not only the fineness, but the weight of the metal. Such coins, therefore, were received by tale as at present, without the trouble of weighing.

The denominations of those coins seem originally to have expressed the weight or quantity of metal contained in them. In the time of Servius

Tullius, who first coined money at Rome, the Roman As or Pondo contained a Roman pound of good copper. It was divided in the same manner as our Troyes pound, into twelve ounces, each of which contained a real ounce of good copper. The English pound sterling, in the time of Edward I. contained a pound, Tower weight, of silver of a known fineness. The Tower pound seems to have been something more than the Roman pound, and something less than the Troyes pound. This last was not introduced into the mint of England till the 18th of Henry VIII. The French livre contained in the time of Charlemagne a pound, Troyes weight, of silver of a known fineness. The fair of Troyes in Champaign was at that time frequented by all the nations of Europe, and the weights and measures of so famous a market were generally known and esteemed. The Scots money pound contained, from the time of Alexander the First to that of Robert Bruce, a pound of silver of the same weight and fineness with the English pound sterling. English, French, and Scots pennies too, contained all of them originally a real pennyweight of silver, the twentieth part of an ounce, and the two-hundred-and-fortieth part of a pound. The shilling too seems originally to have been the denomination of a weight. *When wheat is at twelve shillings the quarter, says an ancient statute of Henry III. then wastel bread of a farthing shall weigh eleven shillings and four pence.* The proportion, however, between the shilling and either the penny on the one hand, or the pound on the other, seems

not to have been so constant and uniform as that between the penny and the pound. During the first race of the kings of France, the French sou or shilling appears upon different occasions to have contained five, twelve, twenty, and forty pennies. Among the ancient Saxons a shilling appears at one time to have contained only five pennies, and it is not improbable that it may have been as variable among them as among their neighbours, the ancient Franks. From the time of Charlemagne among the French, and from that of William the Conqueror among the English, the proportion between the pound, the shilling, and the penny, seems to have been uniformly the same as at present, though the value of each has been very different. For in every country of the world, I believe, the avarice and injustice of princes and sovereign states, abusing the confidence of their subjects, have by degrees diminished the real quantity of metal, which had been originally contained in their coins. The Roman As, in the latter ages of the republic, was reduced to the twenty-fourth part of its original value, and, instead of weighing a pound, came to weigh only half an ounce. The English pound and penny contain at present about a third only; the Scots pound and penny about a thirty-sixth; and the French pound and penny about a sixty-sixth part of their original value. By means of those operations the princes and sovereign states which performed them were enabled, in appearance, to pay their debts and to fulfil their engagements with a smaller quantity of silver than would

otherwise have been requisite. It was indeed in appearance only; for their creditors were really defrauded of a part of what was due to them. All other debtors in the state were allowed the same privilege, and might pay with the same nominal sum of the new and debased coin whatever they had borrowed in the old. Such operations, therefore, have always proved favourable to the debtor, and ruinous to the creditor, and have sometimes produced a greater and more universal revolution in the fortunes of private persons, than could have been occasioned by a very great public calamity.*

It is in this manner that money has become in all civilized nations the universal instrument of commerce, by the intervention of which goods of all kinds are bought and sold, or exchanged for one another.

What are the rules which men naturally observe in exchanging them either for money or for one another, I shall now proceed to examine. These rules determine what may be called the relative or exchangeable value of goods.

The word *VALUE*, it is to be observed, has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys. The one may be called "value in use;" the other, "value in exchange." The things which have the greatest va-

* In the notes on Money, added to this work, the reader will find an account of the successive debasements practised on the coins of England, Scotland, France, and some other countries.

lue in use have frequently little or no value in exchange ; and, on the contrary, those which have the greatest value in exchange have frequently little or no value in use. Nothing is more useful than water : but it will purchase scarce any thing ; scarce any thing can be had in exchange for it. A diamond, on the contrary, has scarce any value in use ; but a very great quantity of other goods may frequently be had in exchange for it.

In order to investigate the principles which regulate the exchangeable value of commodities, I shall endeavour to show,

First, What is the real measure of this exchangeable value ; or, wherein consists the real price of all commodities.

Secondly, What are the different parts of which this real price is composed or made up.

And, *Lastly*, What are the different circumstances which sometimes raise some or all of these different parts of price above, and sometimes sink them below their natural or ordinary rate ; or, what are the causes which sometimes hinder the market price, that is, the actual price of commodities, from coinciding exactly with what may be called their natural price.

I shall endeavour to explain, as fully and distinctly as I can, those three subjects in the three following chapters, for which I must very earnestly entreat both the patience and attention of the reader : his patience in order to examine a detail which may perhaps in some places appear unnecessarily tedious ; and his attention, in order to understand what may, perhaps, after the fullest explication

which I am capable of giving of it, appear still in some degree obscure. I am always willing to run some hazard of being tedious in order to be sure that I am perspicuous; and after taking the utmost pains that I can to be perspicuous, some obscurity may still appear to remain upon a subject in its own nature extremely abstracted.

CHAP. V.

OF THE REAL AND NOMINAL PRICE OF COMMODITIES,
OR OF THEIR PRICE IN LABOUR, AND THEIR PRICE
IN MONEY.*

EVERY man is rich or poor according to the degree in which he can afford to enjoy the necessaries, conveniencies, and amusements of human life. But after the division of labour has once thoroughly taken place, it is but a very small part of these with which a man's own labour can supply him. The far greater part of them he must derive from the labour of other people, and he must be rich or poor according to the quantity of that labour which he

* The determination of the circumstances which regulate the value of commodities, forms one of the most important and difficult inquiries in the whole science of Political Economy. But as no consistent or intelligible view of what appears to me to be the true doctrine on the subject could be given in detached notes, on those parts of this chapter which require modification, I have preferred giving my own views in relation to it in a combined form in the note on Value in the last volume.

can command, or which he can afford to purchase. The value of any commodity, therefore, to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labour which it enables him to purchase or command. Labour, therefore, is the real measure of the exchangeable value of all commodities.

The real price of every thing, 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 by 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.

Wealth, as Mr. Hobbes says, is power. But the person who either acquires, or succeeds to a great fortune, does not necessarily acquire or suc-

ceed to any political power, either civil or military. His fortune may, perhaps, afford him the means of acquiring both, but the mere possession of that fortune does not necessarily convey to him either. The power which that possession immediately and directly conveys to him, is the power of purchasing; a certain command over all the labour, or over all the produce of labour, which is then in the market. His fortune is greater or less, precisely in proportion to the extent of this power; or to the quantity either of other men's labour, or, what is the same thing, of the produce of other men's labour, which it enables him to purchase or command. The exchangeable value of every thing must always be precisely equal to the extent of this power which it conveys to its owner.

But though labour be the real measure of the exchangeable value of all commodities, it is not that by which their value is commonly estimated. It is often difficult to ascertain the proportion between two different quantities of labour. The time spent in two different sorts of work will not always alone determine this proportion. The different degrees of hardship endured, and of ingenuity exercised, must likewise be taken into account. There may be more labour in an hour's hard work than in two hours easy business; or in an hour's application to a trade which it cost ten years labour to learn, than in a month's industry at an ordinary and obvious employment. But it is not easy to find any accurate measure either of hardship or ingenuity. In exchanging indeed the different productions of different sorts of labour

for one another, some allowance is commonly made for both. It is adjusted, however, not by any accurate measure, but by the higgling and bargaining of the market, according to that sort of rough equality which, though not exact, is sufficient for carrying on the business of common life.

Every commodity besides, is more frequently exchanged for, and thereby compared with, other commodities than with labour. It is more natural, therefore, to estimate its exchangeable value by the quantity of some other commodity, than by that of the labour which it can purchase. The greater part of people too understand better what is meant by a quantity of a particular commodity, than by a quantity of labour. The one is a plain palpable object; the other an abstract notion, which, though it can be made sufficiently intelligible, is not altogether so natural and obvious.

But when barter ceases, and money has become the common instrument of commerce, every particular commodity is more frequently exchanged for money than for any other commodity. The butcher seldom carries his beef or his mutton to the baker, or the brewer, in order to exchange them for bread or for beer; but he carries them to the market, where he exchanges them for money, and afterwards exchanges that money for bread and for beer. The quantity of money which he gets for them regulates too the quantity of bread and beer which he can afterwards purchase. It is more natural and obvious to him, therefore, to estimate their value by the quantity of money, the commodity for which he immediately exchanges

them, than by that of bread and beer, the commodities for which he can exchange them only by the intervention of another commodity ; and rather to say that his butcher's meat is worth threepence or fourpence a pound, than that it is worth three or four pounds of bread, or three or four quarts of small beer. Hence it comes to pass, that the exchangeable value of every commodity is more frequently estimated by the quantity of money, than by the quantity either of labour or of any other commodity which can be had in exchange for it.

Gold and silver, however, 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 purchase 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. But as a measure of quantity, such as the natural foot, fathom, or handful, which is continually varying in its own quantity, can never be an accurate measure of the quantity of other things ; so a commo-

dity which is itself continually varying in its own value, can never be an accurate measure of the value of other commodities. Equal quantities of labour, at all times and places, may be said to be of equal value to the labourer. In his ordinary state of health, strength, and spirits, in the ordinary degree of his skill and dexterity, he must always lay down the same portion of his ease, his liberty, and his happiness. The price which he pays must always be the same, whatever may be the quantity of goods which he receives in return for it. Of these, indeed, it may sometimes purchase a greater and sometimes a smaller quantity; but it is their value which varies, not that of the labour which purchases them. At all times and places that is dear which it is difficult to come at, or which it costs much labour to acquire; and that cheap which is to be had easily, or with very little labour. Labour alone, therefore, never varying in its own value, is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared. It is their real price; money is their nominal price only.

But though equal quantities of labour are always of equal value to the labourer, yet to the person who employs him they appear sometimes to be of greater and sometimes of smaller value. He purchases them sometimes with a greater and sometimes with a smaller quantity of goods, and to him the price of labour seems to vary like that of all other things. It appears to him dear in the one case, and cheap in the other. In reality, however,

it is the goods which are cheap in the one case, and dear in the other.

In this popular sense, therefore, labour, like commodities, may be said to have a real and a nominal price. Its real price may be said to consist in the quantity of the necessaries and conveniencies of life which are given for it; its nominal price in the quantity of money. The labourer is rich or poor, is well or ill rewarded, in proportion to the real, not to the nominal price of his labour.

The distinction between the real and the nominal price of commodities and labour, is not a matter of mere speculation, but may sometimes be of considerable use in practice. The same real price is always of the same value; but on account of the variations in the value of gold and silver, the same nominal price is sometimes of very different values. When a landed estate, therefore, is sold with a reservation of a perpetual rent, if it is intended that this rent should always be of the same value, it is of importance to the family in whose favour it is reserved, that it should not consist in a particular sum of money. Its value would in this case be liable to variations of two different kinds; first, to those which arise from the different quantities of gold and silver which are contained at different times in coin of the same denomination; and, secondly, to those which arise from the different values of equal quantities of gold and silver at different times.

Princes and sovereign states have frequently fancied that they had a temporary interest to diminish the quantity of pure metal contained in their coins; but they seldom have fancied that

they had any to augment it. The quantity of metal contained in the coins, I believe of all nations, has, accordingly, been almost continually diminishing, and hardly ever augmenting. Such variations therefore tend almost always to diminish the value of a money rent.

The discovery of the mines of America diminished the value of gold and silver in Europe. This diminution, it is commonly supposed, though I apprehend without any certain proof, is still going on gradually, and is likely to continue to do so for a long time. Upon this supposition, therefore, such variations are more likely to diminish, than to augment the value of a money rent, even though it should be stipulated to be paid, not in such a quantity of coined money of such a denomination, (in so many pounds sterling, for example,) but in so many ounces either of pure silver, or of silver of a certain standard.

The rents which have been reserved in corn have preserved their value much better than those which have been reserved in money, even where the denomination of the coin has not been altered.* By the 18th of Elizabeth it was enacted, That a third of the rent of all college leases should be reserved in corn, to be paid either in kind or according to the current prices at the nearest public market. The money arising from this corn rent, though originally but a third of the whole, is in

* This has arisen, not as Dr. Smith erroneously supposes, from the value of corn being comparatively invariable, but from its having a *natural tendency to rise* in value or price, according as society advances or population becomes denser.—See notes on Rent and Wages in the last volume.

the present times, according to Dr. Blackstone, commonly near double of what arises from the other two-thirds. The old money rents of colleges must, according to this account, have sunk almost to a fourth part of their ancient value; or are worth little more than a fourth part of the corn which they were formerly worth. But, since the reign of Philip and Mary, the denomination of the English coin has undergone little or no alteration, and the same number of pounds, shillings, and pence, have contained very nearly the same quantity of pure silver. This degradation, therefore, in the value of the money rents of colleges, has arisen altogether from the degradation in the value of silver.

When the degradation in the value of silver is combined with the diminution of the quantity of it contained in the coin of the same denomination, the loss is frequently still greater. In Scotland, where the denomination of the coin has undergone much greater alterations than it ever did in England, and in France, where it has undergone still greater than it ever did in Scotland, some ancient rents, originally of considerable value, have in this manner been reduced almost to nothing.

Equal quantities of labour will at distant times be purchased more nearly with equal quantities of corn, the subsistence of the labourer, than with equal quantities of gold and silver, or perhaps of any other commodity. Equal quantities of corn, therefore, will, at distant times, be more nearly of the same real value, or enable the possessor to purchase or command more nearly the same quantity of the labour of other people. They will do this, I say, more nearly than equal quantities of almost

any other commodity ; for even equal quantities of corn will not do it exactly. The subsistence of the labourer, or the real price of labour, as I shall endeavour to show hereafter, is very different upon different occasions ; more liberal in a society advancing to opulence, than in one that is standing still ; and in one that is standing still, than in one that is going backwards. Every other commodity, however, will at any particular time purchase a greater or smaller quantity of labour in proportion to the quantity of subsistence which it can purchase at that time. A rent therefore reserved in corn is liable only to the variations in the quantity of labour which a certain quantity of corn can purchase. But a rent reserved in any other commodity is liable, not only to the variations in the quantity of labour which any particular quantity of corn can purchase, but to the variations in the quantity of corn which can be purchased by any particular quantity of that commodity.

Though the real value of a corn rent, it is to be observed, however, varies much less from century to century than that of a money rent, it varies much more from year to year. The money price of labour, as I shall endeavour to show hereafter, does not fluctuate from year to year with the money price of corn, but seems to be every where accommodated, not to the temporary or occasional, but to the average or ordinary price of that necessary of life. The average or ordinary price of corn again is regulated, as I shall likewise endeavour to show hereafter, by the value of silver, by the richness or barrenness of the mines which supply the

market with that metal, or by the quantity of labour which must be employed, and consequently of corn which must be consumed, in order to bring any particular quantity of silver from the mine to the market. But the value of silver, though it sometimes varies greatly from century to century, seldom varies much from year to year, but frequently continues the same, or very nearly the same, for half a century or a century together. The ordinary or average money price of corn, therefore, may, during so long a period, continue the same or very nearly the same too, and along with it the money price of labour, provided, at least, the society continues, in other respects, in the same or nearly in the same condition. In the mean time the temporary and occasional price of corn may frequently be double, one year, of what it had been the year before, or fluctuate, for example, from five and twenty to fifty shillings the quarter. But when corn is at the latter price, not only the nominal, but the real value of a corn rent will be double of what it is when at the former, or will command double the quantity either of labour or of the greater part of other commodities; the money price of labour, and along with it that of most other things, continuing the same during all these fluctuations.

Labour, therefore, it appears evidently, is the only universal, as well as the only accurate measure of value, or the only standard by which we can compare the values of different commodities at all times and at all places. We cannot estimate, it is allowed, the real value of different commodities from century to century by the quantities of

silver which were given for them. We cannot estimate it from year to year by the quantities of corn. By the quantities of labour we can, with the greatest accuracy, estimate it both from century to century and from year to year. From century to century, corn is a better measure than silver, because, from century to century, equal quantities of corn will command the same quantity of labour more nearly than equal quantities of silver. From year to year, on the contrary, silver is a better measure than corn, because equal quantities of it will more nearly command the same quantity of labour.

But though in establishing perpetual rents, or even in letting very long leases, it may be of use to distinguish between real and nominal price; it is of none in buying and selling, the more common and ordinary transactions of human life.

At the same time and place the real and the nominal price of all commodities are exactly in proportion to one another. The more or less money you get for any commodity, in the London market, for example, the more or less labour it will at that time and place enable you to purchase or command. At the same time and place, therefore, money is the exact measure of the real exchangeable value of all commodities. It is so, however, at the same time and place only.

Though at distant places, there is no regular proportion between the real and the money price of commodities, yet the merchant who carries goods from the one to the other has nothing to consider but their money price, or the difference between the quantity of silver for which he buys

them, and that for which he is likely to sell them. Half an ounce of silver at Canton in China may command a greater quantity both of labour and of the necessaries and conveniencies of life, than an ounce at London. A commodity, therefore, which sells for half an ounce of silver at Canton may there be really dearer, of more real importance to the man who possesses it there, than a commodity which sells for an ounce at London is to the man who possesses it at London. If a London merchant, however, can buy at Canton for half an ounce of silver, a commodity which he can afterwards sell at London for an ounce, he gains a hundred per cent. by the bargain, just as much as if an ounce of silver was at London exactly of the same value as at Canton. It is of no importance to him that half an ounce of silver at Canton would have given him the command of more labour and of a greater quantity of the necessaries and conveniencies of life than an ounce can do at London. An ounce at London will always give him the command of double the quantity of all these which half an ounce could have done there, and this is precisely what he wants.

As it is the nominal or money price of goods, therefore, which finally determines the prudence or imprudence of all purchases and sales, and thereby regulates almost the whole business of common life in which price is concerned, we cannot wonder that it should have been so much more attended to than the real price.

↳ In such a work as this, however, it may sometimes be of use to compare the different real values of a particular commodity at different times and

places, or the different degrees of power over the labour of other people which it may, upon different occasions, have given to those who possessed it. We must in this case compare, not so much the different quantities of silver for which it was commonly sold, as the different quantities of labour which those different quantities of silver could have purchased. But the current prices of labour at distant times and places can scarce ever be known with any degree of exactness. Those of corn, though they have in few places been regularly recorded, are in general better known and have been more frequently taken notice of by historians and other writers. We must generally, therefore, content ourselves with them, not as being always exactly in the same proportion as the current prices of labour; but as being the nearest approximation which can commonly be had to that proportion. I shall hereafter have occasion to make several comparisons of this kind.

In the progress of industry, commercial nations have found it convenient to coin several different metals into money; gold for larger payments, silver for purchases of moderate value, and copper, or some other coarse metal, for those of still smaller consideration. They have always, however, considered one of those metals as more peculiarly the measure of value than any of the other two; and this preference seems generally to have been given to the metal which they happened first to make use of as the instrument of commerce. Having once begun to use it as their standard, which they must have done when they had no other money,

they have generally continued to do so even when the necessity was not the same.

The Romans are said to have had nothing but copper money till within five years before the first Punic war,* when they first began to coin silver. Copper, therefore, appears to have continued always the measure of value in that republic. At Rome all accounts appear to have been kept, and the value of all estates to have been computed either in *Asses* or in *Sestertii*. The *As* was always the denomination of a copper coin. The word *Sestertius* signifies two *Asses* and a half. Though the *Sestertius*, therefore, was originally a silver coin, its value was estimated in copper. At Rome, one who owed a great deal of money, was said to have a great deal of other people's copper.

The northern nations who established themselves upon the ruins of the Roman empire, seem to have had silver money from the first beginning of their settlements, and not to have known either gold or copper coins for several ages thereafter. There were silver coins in England in the time of the Saxons; but there was little gold coined till the time of Edward III. nor any copper till that of James I. of Great Britain. In England, therefore, and for the same reason, I believe, in all other modern nations of Europe, all accounts are kept, and the value of all goods and of all estates is generally computed in silver: and when we mean to express the amount of a person's fortune, we seldom mention the number of guineas, but the number of pounds sterling which we suppose would be given for it.

* Pliny, lib. xxxiii. c. 3.

Originally, in all countries, I believe, a legal tender of payment could be made only in the coin of that metal, which was peculiarly considered as the standard or measure of value. In England, gold was not considered as a legal tender for a long time after it was coined into money. The proportion between the values of gold and silver money was not fixed by any public law or proclamation; but was left to be settled by the market. If a debtor offered payment in gold, the creditor might either reject such payment altogether, or accept of it at such a valuation of the gold as he and his debtor could agree upon.* Copper is not at

* According to the late Lord Liverpool, who has very carefully investigated this subject, (*Treatise on Coins*, p. 128,) gold coins passed current at certain rates fixed from time to time by royal proclamation, and have consequently been legal tenders, from the time gold began to be coined in England in 1257 till 1664, when the guinea, which was then first coined, and the other gold coins, were permitted to pass current, without any valuation according to the relative worth of gold and silver at the market. This practice continued till 1717, when the rate or value at which a guinea should exchange was fixed at twenty-one shillings. From this period, till 1774, gold and silver coins were equally legal tender; but from the circumstance of gold having been overvalued with respect to silver, in the proportion fixed in 1717, almost all large payments were made in gold, silver coins of full weight being exported as soon as they came from the mint, and none but those that were worn and debased remaining in circulation. In 1774 it was enacted, that no tender made in silver coin by *tale* should be legal for more than £25; and that any tender for a larger sum in silver coin must be made by weight at the rate of 5s. 2d. an ounce. And finally, in 1816, the value of silver was raised above its just proportion, as compared with gold, by coining sixty-six shillings instead of sixty-two out of the pound troy, the additional four shillings being retained by government as a seignorage, or duty, of $6\frac{14}{31}$ per cent. on the coinage: But, in order to prevent this overvalued silver currency from driving the gold currency out of the country, and becoming the sole medium of exchange, it was at the same time enacted, that silver should only be legal tender to the extent of forty shillings; while, to prevent its

present a legal tender, except in the change of the smaller silver coins. In this state of things the distinction between the metal which was the standard, and that which was not the standard, was something more than a nominal distinction.

In process of time, and as people became gradually more familiar with the use of the different metals in coin, and consequently better acquainted with the proportion between their respective values, it has in most countries, I believe, been found convenient to ascertain this proportion, and to declare by a public law that a guinea, for example, of such a weight and fineness, should exchange for one-and-twenty shillings, or be a legal tender for a debt of that amount. In this state of things, and during the continuance of any one regulated proportion of this kind, the distinction between the metal which is the standard, and that which is not the standard, becomes little more than a nominal distinction.

In consequence of any change, however, in this regulated proportion, this distinction becomes, or at least seems to become, something more than nominal again. If the regulated value of a guinea, for example, was either reduced to twenty, or raised to two-and-twenty shillings, all accounts being kept and almost all obligations for debt being expressed in silver money, the greater part of payments could in either case be made with the same quantity of silver money as before; but would re-

sinking in value from redundancy, the power to issue it was placed exclusively in the hands of government. Under these regulations, silver has become a merely subsidiary and subordinate species of currency, occupying the same place in relation to gold that copper occupies in relation to itself. This system has been found to answer extremely well.

quire very different quantities of gold money; a greater in the one case, and a smaller in the other. Silver would appear to be more invariable in its value than gold. Silver would appear to measure the value of gold, and gold would not appear to measure the value of silver. The value of gold would seem to depend upon the quantity of silver which it would exchange for; and the value of silver would not seem to depend upon the quantity of gold which it would exchange for. This difference, however, would be altogether owing to the custom of keeping accounts, and of expressing the amount of all great and small sums rather in silver than in gold money. One of Mr. Drummond's notes for five-and-twenty or fifty guineas would, after an alteration of this kind, be still payable with five-and-twenty or fifty guineas in the same manner as before. It would, after such an alteration, be payable with the same quantity of gold as before, but with very different quantities of silver. In the payment of such a note, gold would appear to be more invariable in its value than silver. Gold would appear to measure the value of silver, and silver would not appear to measure the value of gold. If the custom of keeping accounts, and of expressing promissory notes and other obligations for money in this manner, should ever become general, gold, and not silver, would be considered as the metal which was peculiarly the standard or measure of value.

In reality, during the continuance of any one regulated proportion between the respective values of the different metals in coin, the value of the most precious metal regulates the value of the whole

coin.* Twelve copper pence contain half a pound, avoirdupois, of copper, of not the best quality, which, before it is coined, is seldom worth sevenpence in silver. But as by the regulation twelve

* This is an error. The value of silver is in no respect, nor under any circumstances, dependent upon or regulated by the value of gold, and conversely; and the same principle holds with respect to the values of such gold and silver coins as are *equally legal tender*. The reason why the currency of some countries consists principally of gold, while that of others consists principally of silver, is most commonly to be found in their mint regulations. The value of each of the precious metals being liable, like that of all other commodities, to perpetual variations, it necessarily follows that the proportion fixed by the government at which they shall be interchangeable, how accurately soever it may have been adjusted to the proportion which they actually bore to each other in the market, at the time when it was fixed, must soon cease to express their real relation to one another. As soon, however, as this discrepancy takes place, it becomes the obvious interest of all debtors to pay their debts in coin of that metal which is *overvalued* in the mint proportion; the undervalued metal being exported by the bullion merchants to other countries. The histories of the coinages of France and England afford abundant proofs of the truth of this principle. In France, for example, previously to the re-coinage in 1785, the *Louis d'or* was rated in the mint proportion at only 24 livres, when it was really worth 25 liv. 10 sols. Those, therefore, who should have discharged the obligations they had contracted, by payments of gold coin in preference to silver, would plainly have lost 1 liv. 10 sols on every sum of 24 livres! The consequence was, that very few such payments were made; that gold was comparatively banished from circulation, and that silver became almost the only species of metallic currency used in France. (Say, *Traité d'Economie Politique*, tome i. p. 393, edit. 4me.) In England, the over-valuation of gold with respect to silver in the mint proportion fixed in 1717, produced, as we have already seen, (p. 68) a directly opposite effect. This over-valuation is estimated by the late Lord Liverpool, to have been at the time about equal to fourpence on the guinea, or to $1\frac{19}{21}$ per cent; and as the real value of silver, with respect to gold, continued to increase during the greater part of last century, the advantage of paying in gold in preference to silver, became more decided; and ultimately led, as has been previously observed, to the universal use of gold in all large payments, and to the exportation of all silver coins of full weight.

such pence are ordered to exchange for a shilling, they are in the market considered as worth a shilling, and a shilling can at any time be had for them. Even before the late reformation of the gold coin of Great Britain, the gold, that part of it at least which circulated in London and its neighbourhood, was in general less degraded below its standard weight than the greater part of the silver. One-and-twenty worn and defaced shillings, however, were considered as equivalent to a guinea, which perhaps, indeed, was worn and defaced too, but seldom so much so. The late regulations have brought the gold coin as near perhaps to its standard weight as it is possible to bring the current coin of any nation; and the order, to receive no gold at the public offices but by weight, is likely to preserve it so long as that order is enforced. The silver coin still continues in the same worn and degraded state as before the reformation of the gold coin. In the market, however, one-and-twenty shillings of this degraded silver coin are still considered as worth a guinea of this excellent gold coin.

The reformation of the gold coin has evidently raised the value of the silver coin which can be exchanged for it.

In the English mint a pound weight of gold is coined into forty-four guineas and a half, which, at one-and-twenty shillings the guinea, is equal to forty-six pounds fourteen shillings and sixpence. An ounce of such gold coin, therefore, is worth L.3, 17s. 10½d. in silver. In England no duty or seignorage is paid upon the coinage, and he who carries a pound weight or an ounce weight of standard gold bullion to the mint, gets back a pound

weight or an ounce weight of gold in coin, without any deduction. Three pounds seventeen shillings and ten-pence halfpenny an ounce, therefore, is said to be the mint price of gold in England, or the quantity of gold coin which the mint gives in return for standard gold bullion.

Before the reformation of the gold coin, the price of standard gold bullion in the market had for many years been upwards of L.3, 18s. sometimes L.3, 19s. and very frequently L.4 an ounce; that sum, it is probable, in the worn and degraded gold coin, seldom containing more than an ounce of standard gold. Since the reformation of the gold coin, the market price of standard gold bullion seldom exceeds L.3, 17s. 7d. an ounce. Before the reformation of the gold coin, the market price was always more or less above the mint price. Since that reformation, the market price has been constantly below the mint price. But that market price is the same whether it is paid in gold or in silver coin. The late reformation of the gold coin, therefore, has raised not only the value of the gold coin, but likewise that of the silver coin in proportion to gold bullion, and probably too in proportion to all other commodities; though the price of the greater part of other commodities being influenced by so many other causes, the rise in the value either of gold or silver coin in proportion to them, may not be so distinct and sensible.

In the English mint a pound weight of standard silver bullion is coined into sixty-two shillings, containing in the same manner, a pound weight of standard silver.* Five shillings and two-pence an

* Since 1816 a pound of standard silver bullion has been coined

ounce, therefore, is said to be the mint price of silver in England, or the quantity of silver coin which the mint gives in return for standard silver bullion. Before the reformation of the gold coin, the market price of standard silver bullion was, upon different occasions, five shillings and four-pence, five shillings and five-pence, five shillings and six-pence, five shillings and seven-pence, and very often five shillings and eight-pence an ounce. Five shillings and seven-pence, however, seems to have been the most common price. Since the reformation of the gold coin, the market price of standard silver bullion has fallen occasionally to five shillings and three-pence, five shillings and four-pence, and five shillings and five-pence an ounce, which last price it has scarce ever exceeded. Though the market price of silver bullion has fallen considerably since the reformation in the gold coin, it has not fallen so low as the mint price.*

In the proportion between the different metals in the English coin, as copper is rated very much above its real value, so silver is rated somewhat below it. In the market of Europe, in the French coin and in the Dutch coin, an ounce of fine gold exchanges for about fourteen ounces of fine silver. In the English coin, it exchanges for about fifteen

into sixty-six shillings, but its mint price is still fixed at five shillings and two-pence an ounce, the additional four shillings being retained as a seignorage or duty on the coinage.

* The account given in the text of the fluctuations in the market price of bullion at different periods, is, in many respects, inaccurate. I have endeavoured to place the subject in its true point of view, in the notes on Money in the last volume.

ounces, that is, for more silver than it is worth according to the common estimation of Europe. But as the price of copper in bars is not, even in England, raised by the high price of copper in English coin, so the price of silver in bullion is not sunk by the low rate of silver in English coin. Silver in bullion still preserves its proper proportion to gold; for the same reason that copper in bars preserves its proper proportion to silver.

Upon the reformation of the silver coin in the reign of William III. the price of silver bullion still continued to be somewhat above the mint price. Mr. Locke imputed this high price to the permission of exporting silver bullion, and to the prohibition of exporting silver coin. This permission of exporting, he said, rendered the demand for silver bullion greater than the demand for silver coin. But the number of people who want silver coin for the common uses of buying and selling at home; is surely much greater than that of those who want silver bullion either for the use of exportation or for any other use. There subsists at present a like permission of exporting gold bullion, and a like prohibition of exporting gold coin;* and yet the price of gold bullion has fallen below the mint price. But in the English coin silver was then, in the same manner as now, under-rated in proportion to gold; and the gold coin (which at that time too was not supposed to require any reformation) regulated then, as well as now, the real

* The prohibition of exporting gold and silver coin was repealed in 1819. Both may now be exported without check or control of any sort.

value of the whole coin. As the reformation of the silver coin did not then reduce the price of silver bullion to the mint price, it is not very probable that a like reformation will do so now.

Were the silver coin brought back as near to its standard weight as the gold, a guinea, it is probable, would, according to the present proportion, exchange for more silver in coin than it would purchase in bullion. The silver coin containing its full standard weight, there would in this case be a profit in melting it down, in order, first, to sell the bullion for gold coin, and afterwards to exchange this gold coin for silver coin to be melted down in the same manner. Some alteration in the present proportion seems to be the only method of preventing this inconveniency.

The inconveniency perhaps would be less if silver was rated in the coin as much above its proper proportion to gold as it is at present rated below it; provided it was at the same time enacted that silver should not be a legal tender for more than the change of a guinea; in the same manner as copper is not a legal tender for more than the change of a shilling.* No creditor could in this case be cheated in consequence of the high valuation of silver in coin; as no creditor can at present be cheated in consequence of the high valuation of copper. The bankers only would suffer by this regulation. When a run comes upon them they sometimes endeavour to gain time by paying in sixpences, and they would be precluded by this regu-

* This suggestion has been acted upon;—silver is now rated above its proper proportion to gold, and is a legal tender only to the extent of 40s. See note, p. 68.

lation from this discreditable method of evading immediate payment. They would be obliged in consequence to keep at all times in their coffers a greater quantity of cash than at present; and though this might no doubt be a considerable inconveniency to them, it would at the same time be a considerable security to their creditors.

- Three pounds seventeen shillings and ten-pence halfpenny (the mint price of gold) certainly does not contain, even in our present excellent gold coin, more than an ounce of standard gold, and it may be thought, therefore, should not purchase more standard bullion. But gold in coin is more convenient than gold in bullion, and though, in England, the coinage is free, yet the gold which is carried in bullion to the mint, can seldom be returned in coin to the owner till after a delay of several weeks. In the present hurry of the mint, it could not be returned till after a delay of several months. This delay is equivalent to a small duty, and renders gold in coin somewhat more valuable than an equal quantity of gold in bullion. If in the English coin silver was rated according to its proper proportion to gold, the price of silver bullion would probably fall below the mint price even without any reformation of the silver coin; the value even of the present worn and defaced silver coin being regulated by the value of the excellent gold coin for which it can be changed.

A small seignorage or duty upon the coinage of both gold and silver would probably increase still more the superiority of those metals in coin above an equal quantity of either of them in bullion.

The coinage would in this case increase the value of the metal coined in proportion to the extent of this small duty ; for the same reason that the fashion increases the value of plate in proportion to the price of that fashion. The superiority of coin above bullion would prevent the melting down of the coin, and would discourage its exportation. If upon any public exigency it should become necessary to export the coin, the greater part of it would soon return again of its own accord. Abroad it could sell only for its weight in bullion. At home it would buy more than that weight. There would be a profit, therefore, in bringing it home again. In France a seignorage of about eight per cent.* is imposed upon the coinage, and the French coin, when exported, is said to return home again of its own accord.†

The occasional fluctuations in the market price of gold and silver bullion arise from the same causes as the like fluctuations in that of all other commodities. The frequent loss of those metals from various accidents by sea and by land, the continual waste of them in gilding and plating, in lace and embroidery, in the wear and tear of coin, and in that of plate, require, in all countries which possess

* This is an error into which Dr. Smith was betrayed by trusting to the *Dictionnaire des Monnoies* of Bazinghen. In 1771 the seignorage on gold in France was fixed at $1\frac{4}{13}$ per cent, and on silver at $1\frac{7}{24}$ per cent. At this moment it is so low as hardly to cover the expense of coinage, being only about $\frac{1}{3}$ per cent. on gold, and $1\frac{1}{2}$ per cent. on silver. See Necker, *Administration des Finances*, tome iii. p. 8.

† For a farther illustration of this principle, see the notes on Money in the last volume.

no mines of their own, a continual importation, in order to repair this loss and this waste. The merchant importers, like all other merchants, we may believe, endeavour, as well as they can, to suit their occasional importations to what, they judge, is likely to be the immediate demand. With all their attention, however, they sometimes over-do the business, and sometimes under-do it. When they import more bullion than is wanted, rather than incur the risk and trouble of exporting it again, they are sometimes willing to sell a part of it for something less than the ordinary or average price. When, on the other hand, they import less than is wanted, they get something more than this price. But when, under all those occasional fluctuations, the market price either of gold or silver bullion continues for several years together steadily and constantly, either more or less above, or more or less below the mint price, we may be assured that this steady and constant, either superiority or inferiority of price, is the effect of something in the state of the coin, which, at that time, renders a certain quantity of coin either of more value or of less value than the precise quantity of bullion which it ought to contain. The constancy and steadiness of the effect supposes a proportionable constancy and steadiness in the cause.

The money of any particular country is, at any particular time and place, more or less an accurate measure of value according as the current coin is more or less exactly agreeable to its standard, or contains more or less exactly the precise quantity of pure gold or pure silver which it ought to contain.

If in England, for example, forty-four guineas and a half contained exactly a pound weight of standard gold; or eleven ounces of fine gold and one ounce of alloy, the gold coin of England would be as accurate a measure of the actual value of goods at any particular time and place as the nature of the thing would admit. But if, by rubbing and wearing, forty-four guineas and a half generally contain less than a pound weight of standard gold; the diminution, however, being greater in some pieces than in others; the measure of value comes to be liable to the same sort of uncertainty to which all other weights and measures are commonly exposed. As it rarely happens that these are exactly agreeable to their standard, the merchant adjusts the price of his goods, as well as he can, not to what those weights and measures ought to be, but to what, upon an average, he finds by experience they actually are. In consequence of a like disorder in the coin the price of goods comes, in the same manner, to be adjusted, not to the quantity of pure gold or silver which the coin ought to contain, but to that which, upon an average, it is found by experience, it actually does contain.

By the money price of goods, it is to be observed, I understand always the quantity of pure gold or silver for which they are sold, without any regard to the denomination of the coin. Six shillings and eight-pence, for example, in the time of Edward I., I consider as the same money price with a pound sterling in the present times; because it contained, as nearly as we can judge, the same quantity of pure silver.

CHAP. VI.

OF THE COMPONENT PARTS OF THE PRICE OF
COMMODITIES.*

IN that early and rude state of society, which precedes both the accumulation of stock and the appropriation of land, the proportion between the quantities of labour necessary for acquiring different objects seems to be the only circumstance which can afford any rule for exchanging them for one another. If among a nation of hunters, for example, it usually costs twice the labour to kill a beaver which it does to kill a deer, one beaver should naturally exchange for or be worth two deer. It is natural 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.

* I have already shown—(Introductory Discourse, p. lxxi.)—that the doctrine laid down in this chapter, that the value of commodities in the advanced stages of society varies according to the variations of rent, profit, and wages, is fundamentally erroneous. The variations alluded to merely affect the *distribution of commodities*, or the proportions in which they are divided among the three great classes of landlords, capitalists, and labourers; and have nothing to do with their value, or with their power to exchange for, or buy each other, or labour. For a farther discussion of this important principle, the reader is referred to the note in the last volume, on the Effect of Variations in the Rate of Wages and the Rate of Profits on the Value of Commodities.

If the one species of labour should be more severe than the other, some allowance will naturally be made for this superior hardship; and the produce of one hour's labour in the one way may frequently exchange for that of two hours labour in the other.

Or if the one species of labour requires an uncommon degree of dexterity and ingenuity, the esteem which men have for such talents, will naturally give a value to their produce, superior to what would be due to the time employed about it. Such talents can seldom be acquired but in consequence of long application, and the superior value of their produce may frequently be no more than a reasonable compensation for the time and labour which must be spent in acquiring them. In the advanced state of society, allowances of this kind, for superior hardship and superior skill, are commonly made in the wages of labour; and something of the same kind must probably have taken place in its earliest and rudest period.

"In this state of things, the whole produce of labour belongs to the labourer; and the quantity of labour commonly employed in acquiring or producing any commodity, is the only circumstance which can regulate the quantity of labour which it ought commonly to purchase, command, or exchange for.

As soon as stock has accumulated in the hands of particular persons, some of them will naturally employ it in setting to work industrious people, whom they will supply with materials and subsistence, in order to make a profit by the sale of their

work, or by what their labour adds to the value of the materials. In exchanging the complete manufacture either for money, for labour, or for other goods, over and above what may be sufficient to pay the price of the materials, and the wages of the workmen, something must be given for the profits of the undertaker of the work who hazards his stock in this adventure. The value which the workmen add to the materials, therefore, resolves itself in this case into two parts, of which the one pays their wages, the other the profits of their employer upon the whole stock of materials and wages which he advanced. He could have no interest to employ them, unless he expected from the sale of their work something more than what was sufficient to replace his stock to him; and he could have no interest to employ a great stock rather than a small one, unless his profits were to bear some proportion to the extent of his stock.

The profits of stock, it may perhaps be thought, are only a different name for the wages of a particular sort of labour, the labour of inspection and direction.* They are, however, altogether different, are regulated by quite different principles, and bear no proportion to the quantity, the hardship, or the ingenuity of this supposed labour of inspection and

* The wages of a capitalist in superintending and inspecting the employment of his capital or stock, in any department of industry, are most commonly reckoned as a portion of the profits of his capital. They are, however, totally distinct and separate from them; and when they are, as they always may be, deducted and set aside, the remainder forms the return to, or the wages of the labour originally expended in the formation of the capital, or that would now be required for the formation of an equal capital.

direction. They are regulated altogether by the value of the stock employed, and are greater or smaller in proportion to the extent of this stock.* Let us suppose, for example, that in some particular place, where the common annual profits of manufacturing stock are ten per cent. there are two different manufactures, in each of which twenty workmen are employed at the rate of fifteen pounds a year each, or at the expense of three hundred a year in each manufactory. Let us suppose too, that the coarse materials annually wrought up in the one cost only seven hundred pounds, while the finer materials in the other cost seven thousand. The capital annually employed in the one will in this case amount only to one thousand pounds; whereas that employed in the other will amount to seven thousand three hundred pounds. At the rate of ten per cent. therefore, the undertaker of the one will expect an yearly profit of about one hundred pounds only; while that of the other will expect about seven hundred and thirty pounds. But though their profits are so very different,† their labour of inspection and direction may be either altogether or very nearly the same. In many great works, almost the whole labour of this kind is committed to some principal clerk. His wages properly express the value of this labour of inspec-

* The *gross amount* of profits depends, of course, on the amount of the capital employed; but the *rate* of profit is the same, whether the capital employed be large or small.

† The amount of their profits is different, because the capitals they employ are different; but the rate of profit accruing to each is precisely the same.

tion and direction. Though in settling them some regard is had commonly, not only to his labour and skill, but to the trust which is reposed in him, yet they never bear any regular proportion to the capital of which he oversees the management; and the owner of this capital, though he is thus discharged of almost all labour, still expects that his profits should bear a regular proportion to his capital. In the price of commodities, therefore, the profits of stock constitute a component part altogether different from the wages of labour, and regulated by quite different principles.

In this state of things, the whole produce of labour does not always 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

* See note, p. 81.

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.*

The real value of all the different component parts of price, it must be observed, is measured by the quantity of labour which they can, each of them, purchase or command. Labour measures the value not only of that part of price which resolves itself into labour, but of that which resolves itself into rent, and of that which resolves itself into profit.

In every society the price of every commodity finally resolves itself into some one or other, or all of those three parts; and in every improved society, all the three enter more or less, as component parts, into the price of the far greater part of commodities.

In the price of corn, for example, one part pays the rent of the landlord, another pays the wages or maintenance of the labourers and labouring cattle employed in producing it, and the third pays the profit of the farmer. These three parts seem either immediately or ultimately to make up the whole price of corn. A fourth part, it may perhaps be thought, is necessary for replacing the

* See note on Rent in the last volume.

stock of the farmer, or for compensating the wear and tear of his labouring cattle, and other instruments of husbandry. But it must be considered that the price of any instrument of husbandry, such as a labouring horse, is itself made up of the same three parts; the rent of the land upon which he is reared, the labour of tending and rearing him, and the profits of the farmer who advances both the rent of this land, and the wages of this labour. Though the price of the corn, therefore, may pay the price as we¹¹ as the maintenance of the horse, the whole price still resolves itself either immediately or ultimately into the same three parts of rent, of labour, and profit.

In the price of flour or meal, we must add to the price of the corn, the profits of the miller, and the wages of his servants; in the price of bread, the profits of the baker, and the wages of his servants; and in the price of both, the labour of transporting the corn from the house of the farmer to that of the miller, and from that of the miller to that of the baker, together with the profits of those who advance the wages of that labour.

The price of flax resolves itself into the same three parts as that of corn. In the price of linen we must add to this price the wages of the flax-dresser, of the spinner, of the weaver, of the bleacher, &c. together with the profits of their respective employers.

As any particular commodity comes to be more manufactured, that part of the price which resolves itself into wages and profit, comes to be greater in proportion to that which resolves itself into rent.

In the progress of the manufacture, not only the number of profits increase, but every subsequent profit is greater than the foregoing; because the capital from which it is derived must always be greater. The capital which employs the weavers, for example, must be greater than that which employs the spinners; because it not only replaces that capital with its profits, but pays, besides, the wages of the weavers; and the profits must always bear some proportion to the capital.

In the most improved societies, however, there are always a few commodities of which the price resolves itself into two parts only, the wages of labour, and the profits of stock; and a still smaller number, in which it consists altogether in the wages of labour. In the price of sea-fish, for example, one part pays the labour of the fishermen, and the other the profits of the capital employed in the fishery. Rent very seldom makes any part of it, though it does sometimes, as I shall show hereafter. It is otherwise, at least through the greater part of Europe, in river fisheries. A salmon fishery pays a rent, and rent, though it cannot well be called the rent of land, makes a part of the price of a salmon as well as wages and profit. In some parts of Scotland a few poor people make a trade of gathering, along the sea-shore, those little variegated stones commonly known by the name of Scotch Pebbles. The price which is paid to them by the stone-cutter is altogether the wages of their labour; neither rent nor profit make any part of it.

But the whole price of any commodity must still

finally resolve itself into some one or other, or all of those three parts; as whatever part of it remains after paying the rent of the land, and the price of the whole labour employed in raising, manufacturing, and bringing it to market, must necessarily be profit to somebody.

As the price or exchangeable value of every particular commodity, taken separately, resolves itself into some one or other or all of those three parts; so that of all the commodities which compose the whole annual produce of the labour of every country, taken complexly, must resolve itself into the same three parts, and be parcelled out among different inhabitants of the country, either as the wages of their labour, the profits of their stock, or the rent of their land. The whole of what is annually either collected or produced by the labour of every society, or what comes to the same thing, the whole price of it, is in this manner originally distributed among some of its different members. Wages, profit, and rent, are the three original sources of all revenue as well as of all exchangeable value. All other revenue is ultimately derived from some one or other of these.

Whoever derives his revenue from a fund which is his own, must draw it either from his labour, from his stock, or from his land. The revenue derived from labour is called wages. That derived from stock, by the person who manages or employs it, is called profit. That derived from it by the person who does not employ it himself, but lends it to another, is called the interest or the use

of money. It is the compensation which the borrower pays to the lender, for the profit which he has an opportunity of making by the use of the money. Part of that profit naturally belongs to the borrower, who runs the risk and takes the trouble of employing it; and part to the lender, who affords him the opportunity of making this profit. The interest of money is always a derivative revenue, which, if it is not paid from the profit which is made by the use of the money, must be paid from some other source of revenue, unless perhaps the borrower is a spendthrift, who contracts a second debt in order to pay the interest of the first. The revenue which proceeds altogether from land, is called rent, and belongs to the landlord. The revenue of the farmer is derived partly from his labour, and partly from his stock. To him, land is only the instrument which enables him to earn the wages of this labour, and to make the profits of this stock. All taxes, and all the revenue which is founded upon them, all salaries, pensions, and annuities of every kind, are ultimately derived from some one or other of those three original sources of revenue, and are paid either immediately or mediately from the wages of labour, the profits of stock, or the rent of land.

When those three different sorts of revenue belong to different persons, they are readily distinguished; but when they belong to the same they are sometimes confounded with one another, at least in common language.

A gentleman who farms a part of his own estate, after paying the expense of cultivation, should

gain both the rent of the landlord and the profit of the farmer. He is apt to denominate, however, his whole gain, profit, and thus confounds rent with profit, at least in common language. The greater part of our North American and West Indian planters are in this situation. They farm, the greater part of them, their own estates, and accordingly we seldom hear of the rent of a plantation, but frequently of its profit.

Common farmers seldom employ any overseer to direct the general operations of the farm. They generally too work a good deal with their own hands, as ploughmen, harrowers, &c. What remains of the crop after paying the rent, therefore, should not only replace to them their stock employed in cultivation, together with its ordinary profits, but pay them the wages which are due to them, both as labourers and overseers. Whatever remains, however, after paying the rent and keeping up the stock, is called profit. But wages evidently make a part of it. The farmer, by saving these wages, must necessarily gain them. Wages, therefore, are in this case confounded with profit.

An independent manufacturer, who has stock enough both to purchase materials, and to maintain himself till he can carry his work to market, should gain both the wages of a journeyman who works under a master, and the profit which that master makes by the sale of the journeyman's work. His whole gains, however, are commonly called profit, and wages are, in this case too, confounded with profit.

A gardener who cultivates his own garden with

his own hands, unites in his own person the three different characters of landlord, farmer, and labourer. His produce, therefore, should pay him the rent of the first, the profit of the second, and the wages of the third. The whole, however, is commonly considered as the earnings of his labour. Both rent and profit are, in this case, confounded with wages.

As in a civilized country there are but few commodities of which the exchangeable value arises from labour only, rent and profit contributing largely to that of the far greater part of them;* so the annual produce of its labour will always be sufficient to purchase or command a much greater quantity of labour than what was employed in raising, preparing, and bringing that produce to market. If the society were annually to employ all the labour which it can annually purchase, as the quantity of labour would increase greatly every year, so the produce of every succeeding year would be of vastly greater value than that of the foregoing. But there is no country in which the whole annual produce is employed in maintaining the industrious. The idle every where consume a great part of it; and according to the different proportions in which it is annually divided between those two different orders of people, its ordinary or average value must either annually increase, or diminish, or continue the same from one year to another.

* An erroneous position. See note on the Effect of Variations in the Rates of Wages and Profits on the Value of Commodities in the last volume.

CHAP. VII.

OF THE NATURAL AND MARKET PRICE OF COMMODITIES.*

THERE is in every society or neighbourhood an ordinary or average rate both of wages and profit in every different employment of labour and stock. This rate is naturally regulated, as I shall show hereafter, partly by the general circumstances of the society, their riches or poverty, their advancing, stationary, or declining condition; and partly by the particular nature of each employment.

There is likewise in every society or neighbourhood an ordinary or average rate of rent, which is regulated too, as I shall show hereafter, partly by the general circumstances of the society or neighbourhood in which the land is situated, and partly by the natural or improved fertility of the land.

These ordinary or average rates may be called the natural rates of wages, profit, and rent, at the time and place in which they commonly prevail.

When the price of any commodity is neither

* Though Dr. Smith has erred in forming his estimate of the elements that enter into, and form the natural price of commodities, the principle laid down in this chapter, that their market price is perpetually gravitating towards, and cannot, generally speaking, ever diverge considerably from their natural price, or, as it is now more commonly termed, their *cost of production*, is equally true and important. For some farther illustrations of this principle, see my *Principles of Political Economy*, p. 248.

more nor less than what is sufficient to pay the rent of the land, the wages of the labour, and the profits of the stock employed in raising, preparing, and bringing it to market, according to their natural rates, the commodity is then sold for what may be called its natural price.

The commodity is then sold precisely for what it is worth, or for what it really costs the person who brings it to market; for though in common language what is called the prime cost of any commodity does not comprehend the profit of the person who is to sell it again, yet if he sells it at a price which does not allow him the ordinary rate of profit in his neighbourhood, he is evidently a loser by the trade; since by employing his stock in some other way he might have made that profit. His profit, besides, is his revenue, the proper fund of his subsistence. As, while he is preparing and bringing the goods to market, he advances to his workmen their wages, or their subsistence; so he advances to himself, in the same manner, his own subsistence, which is generally suitable to the profit which he may reasonably expect from the sale of his goods. Unless they yield him this profit, therefore, they do not repay him what they may very properly be said to have really cost him.

Though the price, therefore, which leaves him this profit, is not always the lowest at which a dealer may sometimes sell his goods, it is the lowest at which he is likely to sell them for any considerable time; at least where there is perfect liberty, or where he may change his trade as often as he pleases.

The actual price at which any commodity is commonly sold is called its market price. It may either be above, or below, or exactly the same with its natural price.

The market price of every particular commodity is regulated by the proportion between the quantity which is actually brought to market, and the demand of those who are willing to pay the natural price of the commodity, or the whole value of the rent, labour, and profit, which must be paid in order to bring it thither. Such people may be called the effectual demanders, and their demand the effectual demand; since it may be sufficient to effectuate the bringing of the commodity to market. It is different from the absolute demand. A very poor man may be said in some sense to have a demand for a coach and six; he might like to have it; but his demand is not an effectual demand, as the commodity can never be brought to market in order to satisfy it.

When the quantity of any commodity which is brought to market falls short of the effectual demand, all those who are willing to pay the whole value of the rent, wages, and profit, which must be paid in order to bring it thither, cannot be supplied with the quantity which they want. Rather than want it altogether, some of them will be willing to give more. A competition will immediately begin among them, and the market price will rise more, or less above the natural price, according as either the greatness of the deficiency, or the wealth and wanton luxury of the competitors, happen to animate more or less the eagerness of the competition.

Among competitors of equal wealth and luxury the same deficiency will generally occasion a more or less eager competition, according as the acquisition of the commodity happens to be of more or less importance to them. Hence the exorbitant price of the necessaries of life during the blockade of a town or in a famine.

When the quantity brought to market exceeds the effectual demand, it cannot be all sold to those who are willing to pay the whole value of the rent, wages, and profit, which must be paid in order to bring it thither. Some part must be sold to those who are willing to pay less, and the low price which they give for it must reduce the price of the whole. The market price will sink more or less below the natural price, according as the greatness of the excess increases more or less the competition of the sellers, or, according as it happens to be more or less important to them to get immediately rid of the commodity. The same excess in the importation of perishable, will occasion a much greater competition than in that of durable commodities; in the importation of oranges, for example, than in that of old iron.

When the quantity brought to market is just sufficient to supply the effectual demand and no more, the market price naturally comes to be either exactly, or as nearly as can be judged of, the same with the natural price. The whole quantity upon hand can be disposed of for this price, and cannot be disposed of for more. The competition of the different dealers obliges them

all to accept of this price, but does not oblige them to accept of less.

The quantity of every commodity brought to market naturally suits itself to the effectual demand. It is the interest of all those who employ their land, labour, or stock, in bringing any commodity to market, that the quantity never should exceed the effectual demand; and it is the interest of all other people that it never should fall short of that demand.

If at any time it exceeds the effectual demand, some of the component parts of its price must be paid below their natural rate. If it is rent, the interest of the landlords will immediately prompt them to withdraw a part of their land; and if it is wages or profit, the interest of the labourers in the one case, and of their employers in the other, will prompt them to withdraw a part of their labour or stock from this employment. The quantity brought to market will soon be no more than sufficient to supply the effectual demand. All the different parts of its price will rise to their natural rate, and the whole price to its natural price.

If, on the contrary, the quantity brought to market should at any time fall short of the effectual demand, some of the component parts of its price must rise above their natural rate. If it is rent, the interest of all other landlords will naturally prompt them to prepare more land for the raising of this commodity; if it is wages or profit, the interest of all other labourers and dealers will soon prompt them to employ more labour and stock in preparing and bringing it to market. The

quantity brought thither will soon be sufficient to supply the effectual demand. All the different parts of its price will soon sink to their natural rate, and the whole price to its natural price.

The natural price, therefore, is, as it were, the central price, to which the prices of all commodities are continually gravitating. Different accidents may sometimes keep them suspended a good deal above it, and sometimes force them down even somewhat below it. But whatever may be the obstacles which hinder them from settling in this centre of repose and continuance, they are constantly tending towards it.

The whole quantity of industry annually employed in order to bring any commodity to market, naturally suits itself in this manner to the effectual demand. It naturally aims at bringing always that precise quantity thither which may be sufficient to supply, and no more than supply, that demand.

But in some employments the same quantity of industry will in different years produce very different quantities of commodities; while in others it will produce always the same, or very nearly the same. The same number of labourers in husbandry will, in different years, produce very different quantities of corn; wine, oil, hops, &c. But the same number of spinners and weavers will every year produce the same or very nearly the same quantity of linen and woollen cloth. It is only the average produce of the one species of industry which can be suited in any respect to the effectual demand; and as its actual produce is frequently much greater and frequently much less

than its average produce, the quantity of the commodities brought to market will sometimes exceed a good deal, and sometimes fall short a good deal, of the effectual demand. Even though that demand therefore should continue always the same, their market price will be liable to great fluctuations, will sometimes fall a good deal below, and sometimes rise a good deal above their natural price. In the other species of industry, the produce of equal quantities of labour being always the same, or very nearly the same, it can be more exactly suited to the effectual demand. While that demand continues the same, therefore, the market price of the commodities is likely to do so too, and to be either altogether, or as nearly as can be judged of, the same with the natural price. That the price of linen and woollen cloth is liable neither to such frequent nor to such great variations as the price of corn, every man's experience will inform him. The price of the one species of commodities varies only with the variations in the demand: that of the other varies, not only with the variations in the demand, but with the much greater and more frequent variations in the quantity of what is brought to market in order to supply that demand.

The occasional and temporary fluctuations in the market price of any commodity fall chiefly upon those parts of its price which resolve themselves into wages and profit. That part which resolves itself into rent is less affected by them. A rent certain in money is not in the least affected by them either in its rate or in its value. A rent

haps for a twelvemonth. The market is here overstocked, both with commodities and with labour.

But though the market price of every particular commodity is in this manner continually gravitating, if one may say so, towards the natural price, yet sometimes particular accidents, sometimes natural causes, and sometimes particular regulations of police, may, in many commodities, keep up the market price, for a long time together, a good deal above the natural price.

When by an increase in the effectual demand, the market price of some particular commodity happens to rise a good deal above the natural price, those who employ their stocks in supplying that market, are generally careful to conceal this change. If it was commonly known, their great profit would tempt so many new rivals to employ their stocks in the same way, that, the effectual demand being fully supplied, the market price would soon be reduced to the natural price, and perhaps for some time even below it. If the market is at a great distance from the residence of those who supply it, they may sometimes be able to keep the secret for several years together, and may so long enjoy their extraordinary profits without any new rivals. Secrets of this kind, however, it must be acknowledged, can seldom be long kept; and the extraordinary profit can last very little longer than they are kept.

Secrets in manufactures are capable of being longer kept than secrets in trade. A dyer who has found the means of producing a particular colour with materials which cost only half the price of

those commonly made use of, may, with good management, enjoy the advantage of his discovery as long as he lives, and even leave it as a legacy to his posterity. His extraordinary gains arise from the high price which is paid for his private labour.* They properly consist in the high wages of that labour. But as they are repeated upon every part of his stock, and as their whole amount bears, upon that account, a regular proportion to it, they are commonly considered as extraordinary profits of stock.

Such enhancements of the market price are evidently the effects of particular accidents, of which, however, the operation may sometimes last for many years together.

Some natural productions require such a singularity of soil and situation, that all the land in a great country, which is fit for producing them, may not be sufficient to supply the effectual demand. The whole quantity brought to market, therefore, may be disposed of to those who are willing to give more than what is sufficient to pay the rent of the land which produced them, together with the wages of the labour, and the profits of the stock which were employed in preparing and bringing them to market, according to their natural rates. Such commodities may continue for whole centuries together to be sold at this high price ; and that part

* They really arise from the *monopoly* he enjoys of his discovery, or from his being able to avail himself of it without being exposed to the competition of others. This gives him the power of producing articles at a comparatively small expense, which sell in the market at the same price as those that are produced by a more costly process.

of it which resolves itself into the rent of land is in this case the part which is generally paid above its natural rate. The rent of the land which affords such singular and esteemed productions, like the rent of some vineyards in France of a peculiarly happy soil and situation, bears no regular proportion to the rent of other equally fertile and equally well-cultivated land in its neighbourhood. The wages of the labour and the profits of the stock employed in bringing such commodities to market, on the contrary, are seldom out of their natural proportion to those of the other employments of labour and stock in their neighbourhood.

Such enhancements of the market price are evidently the effect of natural causes which may hinder the effectual demand from ever being fully supplied, and which may continue, therefore, to operate for ever.

A monopoly granted either to an individual or to a trading company has the same effect as a secret in trade or manufactures. The monopolists, by keeping the market constantly understocked, by never fully supplying the effectual demand, sell their commodities much above the natural price, and raise their emoluments, whether they consist in wages or profit, greatly above their natural rate.

The price of monopoly is upon every occasion the highest which can be got.* The natural price, or the price of free competition, on the contrary,

* This is too strongly stated. Monopoly prices are generally, but they are not always, the highest that can be got.

is the lowest which can be taken, not upon every occasion, indeed, but for any considerable time together. The one is upon every occasion the highest which can be squeezed out of the buyers, or which, it is supposed, they will consent to give: the other is the lowest which the sellers can commonly afford to take, and at the same time continue their business.

The exclusive privileges of corporations, statutes of apprenticeship, and all those laws which restrain, in particular employments, the competition to a smaller number than might otherwise go into them, have the same tendency, though in a less degree. They are a sort of enlarged monopolies, and may frequently, for ages together, and in whole classes of employments, keep up the market price of particular commodities above the natural price, and maintain both the wages of the labour and the profits of the stock employed about them somewhat above their natural rate.*.

Such enhancements of the market price may last as long as the regulations of police which give occasion to them.

The market price of any particular commodity, though it may continue long above, can seldom continue long below its natural price. Whatever

* Perhaps Dr. Smith has rather overrated the effect of corporation privileges. But, at all events, they do not enrich those whom they protect from competition, by enabling them to gain greater wages and profits than they would do were they abolished, but by enabling them to gain a sum which is over and above both the one and the other, and which is wholly the result of their monopoly.

part of it was paid below the natural rate, the persons whose interest it affected would immediately feel the loss, and would immediately withdraw either so much land, or so much labour, or so much stock, from being employed about it, that the quantity brought to market would soon be no more than sufficient to supply the effectual demand. Its market price, therefore, would soon rise to the natural price. This at least would be the case where there was perfect liberty.

The same statutes of apprenticeship and other corporation laws indeed, which, when a manufacture is in prosperity, enable the workman to raise his wages a good deal above their natural rate, sometimes oblige him, when it decays, to let them down a good deal below it. As in the one case they exclude many people from his employment, so in the other they exclude him from many employments. The effect of such regulations, however, is not near so durable in sinking the workman's wages below, as in raising them above their natural rate. Their operation in the one way may endure for many centuries, but in the other it can last no longer than the lives of some of the workmen who were bred to the business in the time of its prosperity. When they are gone, the number of those who are afterwards educated to the trade will naturally suit itself to the effectual demand. The police must be as violent as that of Indostan or ancient Egypt, (where every man was bound by a principle of religion to follow the occupation of his father, and was supposed to commit the most horrid sacrilege if he changed it for another,) which

can in any particular employment, and for several generations together, sink either the wages of labour or the profits of stock below their natural rate.

This is all that I think necessary to be observed at present concerning the deviations, whether occasional or permanent, of the market price of commodities from the natural price.

The natural price itself varies with the natural rate of each of its component parts, of wages, profit, and rent; and in every society this rate varies according to their circumstances, according to their riches or poverty, their advancing, stationary, or declining condition. I shall, in the four following chapters, endeavour to explain, as fully and distinctly as I can, the causes of those different variations.

First, I shall endeavour to explain what are the circumstances which naturally determine the rate of wages, and in what manner those circumstances are affected by the riches or poverty, by the advancing, stationary, or declining state of the society.

Secondly, I shall endeavour to show what are the circumstances which naturally determine the rate of profit, and in what manner too those circumstances are affected by the like variations in the state of the society.

Though pecuniary wages and profit are very different in the different employments of labour and stock, yet a certain proportion seems commonly to take place between both the pecuniary wages in all the different employments of labour, and the pecuniary profits in all the different em-

ployments of stock. This proportion, it will appear hereafter, depends partly upon the nature of the different employments, and partly upon the different laws and policy of the society in which they are carried on. But though in many respects dependent upon the laws and policy, this proportion seems to be little affected by the riches or poverty of that society; by its advancing, stationary, or declining condition; but to remain the same or very nearly the same in all those different states. I shall, in the third place, endeavour to explain all the different circumstances which regulate this proportion.

In the fourth and last place, I shall endeavour to show what are the circumstances which regulate the rent of land, and which either raise or lower the real price of all the different substances which it produces.

CHAP. VIII.

OF THE WAGES OF LABOUR.*

THE produce of labour constitutes the natural recompence or wages of labour.

In that original state of things, which precedes

* The statements and reasonings in this chapter are, generally speaking, accurate, liberal, and conclusive. I have added a few supplemental observations in the note on Wages in the last volume.

both the appropriation of land and the accumulation of stock, the whole produce of labour belongs to the labourer. He has neither landlord nor master to share with him.

Had this state continued, the wages of labour would have augmented with all those improvements in its productive powers, to which the division of labour gives occasion. All things would gradually have become cheaper. They would have been produced by a smaller quantity of labour; and as the commodities produced by equal quantities of labour would naturally in this state of things be exchanged for one another, they would have been purchased likewise with the produce of a smaller quantity.

But though all things would have become cheaper in reality, in appearance many things might have become dearer than before, or have been exchanged for a greater quantity of other goods. Let us suppose, for example, that in the greater part of employments the productive powers of labour had been improved to tenfold, or that a day's labour could produce ten times the quantity of work which it had done originally; but that in a particular employment they had been improved only to double, or that a day's labour could produce only twice the quantity of work which it had done before. In exchanging the produce of a day's labour in the greater part of employments, for that of a day's labour in this particular one, ten times the original quantity of work in them would purchase only twice the original quantity in it. Any particular quantity in it, therefore, a pound weight, for example, would appear to be five times dearer than

before. In reality, however, it would be twice as cheap. Though it required five times the quantity of other goods to purchase it, it would require only half the quantity of labour either to purchase or to produce it. The acquisition, therefore, would be twice as easy as before.

But this original state of things, in which the labourer enjoyed the whole produce of his own labour, could not last beyond the first introduction of the appropriation of land and the accumulation of stock. It was at an end, therefore, long before the most considerable improvements were made in the productive powers of labour, and it would be to no purpose to trace further what might have been its effects upon the recompence or wages of labour.

As soon as land becomes private property, the landlord demands a share of almost all the produce which the labourer can either raise, or collect from it. His rent makes the first deduction from the produce of the labour which is employed upon land.

It seldom happens that the person who tills the ground has wherewithal to maintain himself till he reaps the harvest. His maintenance is generally advanced to him from the stock of a master, the farmer who employs him, and who would have no interest to employ him, unless he was to share in the produce of his labour, or unless his stock was to be replaced to him with a profit. This profit makes a second deduction from the produce of the labour which is employed upon land.

The produce of almost all other labour is liable

to the like deduction of profit. In all arts and manufactures the greater part of the workmen stand in need of a master to advance them the materials of their work, and their wages and maintenance till it be completed. He shares in the produce of their labour, or in the value which it adds to the materials upon which it is bestowed; and in this share consists his profit.

It sometimes happens, indeed, that a single independent workman has stock sufficient both to purchase the materials of his work, and to maintain himself till it be completed. He is both master and workman, and enjoys the whole produce of his own labour, or the whole value which it adds to the materials upon which it is bestowed. It includes what are usually two distinct revenues, belonging to two distinct persons, the profits of stock, and the wages of labour.*

Such cases, however, are not very frequent, and in every part of Europe, twenty workmen serve under a master for one that is independent; and the wages of labour are every where understood to be, what they usually are, when the labourer is one person, and the owner of the stock which employs him another.

What are the common wages of labour, depends every where upon the contract usually made between those two parties, whose interests are by no means the same. The workmen desire to get as

* The common and ordinary rate of wages in any country, really depends on the amount of that portion of its capital which is appropriated to the payment of wages, compared with the number of its labourers. See note on Wages in the last volume.

much, the masters to give as little as possible. The former are disposed to combine in order to raise, the latter in order to lower the wages of labour.

It is not, however, difficult to foresee which of the two parties must, upon all ordinary occasions, have the advantage in the dispute, and force the other into a compliance with their terms. The masters, being fewer in number, can combine much more easily; and the law, besides, authorises, or at least does not prohibit their combinations, while it prohibits those of the workmen.* We have no acts of parliament against combining to lower the price of work; but many against combining to raise it. In all such disputes the masters can hold out much longer. A landlord, a farmer, a master manufacturer, or merchant, though they did not employ a single workman, could generally live a year or two upon the stocks which they have already acquired. Many workmen could not subsist a week, few could subsist a month, and scarce any a year without employment. In the long-run the workman may be as necessary to his master as his master is to him; but the necessity is not so immediate.

We rarely hear, it has been said, of the combinations of masters, though frequently of those of workmen. But whoever imagines, upon this account, that masters rarely combine, is as ignorant

* The laws preventing *voluntary* combinations among workmen for advancing their wages, or for regulating the terms on which they should sell their labour, were repealed in 1824 by the stat. 5 Geo. IV. cap. 95. See note on the Combination Laws, last volume. ✓

of the world as of the subject. Masters are always and every where in a sort of tacit, but constant and uniform combination, not to raise the wages of labour above their actual rate. To violate this combination is every where a most unpopular action, and a sort of reproach to a master among his neighbours and equals. We seldom, indeed, hear of this combination, because it is the usual, and one may say, the natural state of things, which nobody ever hears of. Masters too sometimes enter into particular combinations to sink the wages of labour even below this rate. These are always conducted with the utmost silence and secrecy, till the moment of execution, and when the workmen yield, as they sometimes do, without resistance, though severely felt by them, they are never heard of by other people. Such combinations, however, are frequently resisted by a contrary defensive combination of the workmen; who sometimes too, without any provocation of this kind, combine of their own accord to raise the price of their labour. Their usual pretences are, sometimes the high price of provisions; sometimes the great profit which their masters make by their work. But whether their combinations be offensive or defensive, they are always abundantly heard of. In order to bring the point to a speedy decision, they have always recourse to the loudest clamour, and sometimes to the most shocking violence and outrage. They are desperate, and act with the folly and extravagance of desperate men, who must either starve, or frighten their masters

into an immediate compliance with their demands.* The masters upon these occasions are just as clamorous upon the other side, and never cease to call aloud for the assistance of the civil magistrate, and the rigorous execution of those laws which have been enacted with so much severity against the combinations of servants, labourers, and journeymen. The workmen, accordingly, very seldom derive any advantage from the violence of those tumultuous combinations, which, partly from the interposition of the civil magistrate, partly from the superior steadiness of the masters, partly from the necessity which the greater part of the workmen are under of submitting for the sake of present subsistence, generally end in nothing but the punishment or ruin of the ringleaders.

But though in disputes with their workmen, masters must generally have the advantage, there is however a certain rate below which it seems impossible to reduce, for any considerable time, the ordinary wages even of the lowest species of labour.

A man must always live by his work, and his wages must at least be sufficient to maintain him. They must even upon most occasions be somewhat more; otherwise it would be impossible for him to bring up a family, and the race of such workmen could not last beyond the first genera-

* This, though not unfrequently, is very far indeed from being always the case. On the contrary, the proceedings of some of the most obstinate combinations for an advance of wages have been distinguished by the most perfect abstinence from any thing approaching to violence.

tion. Mr. Cantillon seems, upon this account, to suppose that the lowest species of common labourers must every where earn at least double their own maintenance, in order that one with another they may be enabled to bring up two children; the labour of the wife, on account of her necessary attendance on the children, being supposed no more than sufficient to provide for herself. But one-half the children born, it is computed, die before the age of manhood. The poorest labourers, therefore, according to this account, must, one with another, attempt to rear at least four children, in order that two may have an equal chance of living to that age. But the necessary maintenance of four children, it is supposed, may be nearly equal to that of one man. The labour of an able-bodied slave, the same author adds, is computed to be worth double his maintenance; and that of the meanest labourer, he thinks, cannot be worth less than that of an able-bodied slave. Thus far at least seems certain, that, in order to bring up a family, the labour of the husband and wife together must, even in the lowest species of common labour, be able to earn something more than what is precisely necessary for their own maintenance; but in what proportion, whether in that above mentioned, or in any other, I shall not take upon me to determine.

There are certain circumstances, however, which sometimes give the labourers an advantage, and enable them to raise their wages considerably above this rate; evidently the lowest which is consistent with common humanity.

When in any country the demand for those who live by wages—labourers, journeymen, servants of every kind—is continually increasing; when every year furnishes employment for a greater number than had been employed the year before, the workmen have no occasion to combine in order to raise their wages. The scarcity of hands occasions a competition among masters, who bid against one another, in order to get workmen, and thus voluntarily break through the natural combination of masters not to raise wages.

The demand for those who live by wages, it is evident, cannot increase but in proportion to the increase of the funds which are destined for the payment of wages. These funds are of two kinds; first, the revenue which is over and above what is necessary for the maintenance; and, secondly, the stock which is over and above what is necessary for the employment of their masters.

When the landlord, annuitant, or monied man, has a greater revenue than what he judges sufficient to maintain his own family, he employs either the whole or a part of the surplus in maintaining one or more menial servants. Increase this surplus, and he will naturally increase the number of those servants.

When an independent workman, such as a weaver or shoemaker, has got more stock than what is sufficient to purchase the materials of his own work, and to maintain himself till he can dispose of it, he naturally employs one or more journeymen with the surplus, in order to make a profit by

their work. Increase this surplus, and he will naturally increase the number of his journeymen.

The demand for those who live by wages, therefore, necessarily increases with the increase of the revenue and stock of every country, and cannot possibly increase without it. The increase of revenue and stock is the increase of national wealth. The demand for those who live by wages, therefore, naturally increases with the increase of national wealth, and cannot possibly increase without it.

It is not the actual greatness of national wealth, but its continual increase, which occasions a rise in the wages of labour. It is not, accordingly, in the richest countries, but in the most thriving, or in those which are growing rich the fastest, that the wages of labour are highest. England is certainly, in the present times, a much richer country than any part of North America. The wages of labour, however, are much higher in North America than in any part of England. In the province of New York, common labourers earn* three shillings and sixpence currency, equal to two shillings sterling, a day; ship carpenters, ten shillings and sixpence currency, with a pint of rum worth sixpence sterling, equal in all to six shillings and sixpence sterling; house carpenters and bricklayers, eight shillings currency, equal to four shillings and sixpence sterling; journeymen tailors, five shillings currency, equal to about two shillings

* This was written in 1773, before the commencement of the late disturbances. (Note by the author.)

and ten pence sterling. These prices are all above the London price; and wages are said to be as high in the other colonies as in New York. The price of provisions is every where in North America much lower than in England. A dearth has never been known there. In the worst seasons, they have always had a sufficiency for themselves, though less for exportation. If the money price of labour, therefore, be higher than it is any where in the mother country, its real price, the real command of the necessaries and conveniencies of life which it conveys to the labourer, must be higher in a still greater proportion.

But though North America is not yet so rich as England, it is much more thriving, and advancing with much greater rapidity to the further acquisition of riches. The most decisive mark of the prosperity of any country is the increase of the number of its inhabitants. In Great Britain, and most other European countries, they are not supposed to double in less than five hundred years.* In the British colonies in North America, it has been found, that they double in twenty or five-and-twenty years. Nor in the present times is this increase principally owing to the continual importation of new inhabitants, but to the great multiplication of the species. Those who live to old age, it is said, frequently see there from fifty to a hundred, and sometimes many more, descen-

* The increase of population in Great Britain has been greatly accelerated since 1776, when the *Wealth of Nations* was published. See tables annexed to the note on Population in the last volume.

dants from their own body. Labour is there so well rewarded that a numerous family of children, instead of being a burthen, is a source of opulence and prosperity to the parents. The labour of each child, before it can leave their house, is computed to be worth a hundred pounds clear gain to them. A young widow with four or five young children, who, among the middling or inferior ranks of people in Europe, would have so little chance for a second husband, is there frequently courted as a sort of fortune. The value of children is the greatest of all encouragements to marriage. We cannot, therefore, wonder that the people in North America should generally marry very young. Notwithstanding the great increase occasioned by such early marriages, there is a continual complaint of the scarcity of hands in North America. The demand for labourers, the funds destined for maintaining them, increase, it seems, still faster than they can find labourers to employ.

Though the wealth of a country should be very great, yet if it has been long stationary, we must not expect to find the wages of labour very high in it. The funds destined for the payment of wages, the revenue and stock of its inhabitants, may be of the greatest extent; but if they have continued for several centuries of the same, or very nearly of the same extent, the number of labourers employed every year could easily supply, and even more than supply, the number wanted the following year. There could seldom be any scarcity of hands, nor could the masters be obliged to bid against one another in order to get them. The

hands, on the contrary, would, in this case, naturally multiply beyond their employment. There would be a constant scarcity of employment, and the labourers would be obliged to bid against one another in order to get it. If in such a country the wages of labour had ever been more than sufficient to maintain the labourer, and to enable him to bring up a family, the competition of the labourers and the interest of the masters would soon reduce them to this lowest rate which is consistent with common humanity. China has been long one of the richest, that is, one of the most fertile, best cultivated, most industrious, and most populous countries in the world. It seems, however, to have been long stationary. Marco Polo, who visited it more than five hundred years ago, describes its cultivation, industry, and populousness, almost in the same terms in which they are described by travellers in the present times. It had perhaps, even long before his time, acquired that full complement of riches which the nature of its laws and institutions permits it to acquire. The accounts of all travellers, inconsistent in many other respects, agree in the low wages of labour, and in the difficulty which a labourer finds in bringing up a family in China. If by digging the ground a whole day he can get what will purchase a small quantity of rice in the evening, he is contented. The condition of artificers is, if possible, still worse. Instead of waiting indolently in their work-houses, for the calls of their customers, as in Europe, they are continually running about the streets with the tools of their respective trades, offering their ser-

vice, and as it were begging employment. The poverty of the lower ranks of people in China far surpasses that of the most beggarly nations in Europe. In the neighbourhood of Canton many hundreds, it is commonly said, many thousand families have no habitation on the land, but live constantly in little fishing boats upon the rivers and canals. The subsistence which they find there is so scanty that they are eager to fish up the nastiest garbage thrown overboard from any European ship. Any carrion, the carcass of a dead dog or cat, for example, though half putrid and stinking, is as welcome to them as the most wholesome food to the people of other countries. Marriage is encouraged in China, not by the profitableness of children, but by the liberty of destroying them. In all great towns several are every night exposed in the street, or drowned like puppies in the water. The performance of this horrid office is even said to be the avowed business by which some people earn their subsistence.

China, however, though it may perhaps stand still, does not seem to go backwards. Its towns are nowhere deserted by their inhabitants. The lands which had once been cultivated are nowhere neglected. The same or very nearly the same annual labour must therefore continue to be performed, and the funds destined for maintaining it must not, consequently, be sensibly diminished. The lowest class of labourers, therefore, notwithstanding their scanty subsistence, must some way or another make shift to continue their race so far as to keep up their usual numbers.

But it would be otherwise in a country where the funds destined for the maintenance of labour were sensibly decaying. Every year the demand for servants and labourers would, in all the different classes of employments, be less than it had been the year before. Many who had been bred in the superior classes, not being able to find employment in their own business, would be glad to seek it in the lowest. The lowest class being not only overstocked with its own workmen, but with the overflowings of all the other classes, the competition for employment would be so great in it, as to reduce the wages of labour to the most miserable and scanty subsistence of the labourer. Many would not be able to find employment even upon these hard terms, but would either starve, or be driven to seek a subsistence either by begging, or by the perpetration perhaps of the greatest enormities. Want, famine, and mortality would immediately prevail in that class, and from thence extend themselves to all the superior classes, till the number of inhabitants in the country was reduced to what could easily be maintained by the revenue and stock which remained in it, and which had escaped either the tyranny or calamity which had destroyed the rest. This perhaps is nearly the present state of Bengal, and of some other of the English settlements in the East Indies. In a fertile country which had before been much depopulated, where subsistence, consequently, should not be very difficult, and where, notwithstanding, three or four hundred thousand people die of hunger in one year, we may be assured that the funds destined for the

maintenance of the labouring poor are fast decaying. The difference between the genius of the British constitution which protects and governs North America, and that of the mercantile company which oppresses and domineers in the East Indies, cannot perhaps be better illustrated than by the different state of those countries.

The liberal reward of labour, therefore, as it is the necessary effect, so it is the natural symptom of increasing national wealth. The scanty maintenance of the labouring poor, on the other hand, is the natural symptom that things are at a stand, and their starving condition that they are going fast backwards.

In Great Britain the wages of labour seem, in the present times, to be evidently more than what is precisely necessary to enable the labourer to bring up a family. In order to satisfy ourselves upon this point it will not be necessary to enter into any tedious or doubtful calculation of what may be the lowest sum upon which it is possible to do this. There are many plain symptoms that the wages of labour are nowhere in this country regulated by this lowest rate which is consistent with common humanity.

First, In almost every part of Great Britain there is a distinction, even in the lowest species of labour, between summer and winter wages. Summer wages are always highest. But on account of the extraordinary expense of fuel, the maintenance of a family is most expensive in winter. Wages, therefore, being highest when this expense is lowest, it seems evident that they are not regulated by

what is necessary for this expense ; but by the quantity and supposed value of the work. A labourer, it may be said indeed, ought to save part of his summer wages in order to defray his winter expense ; and that through the whole year they do not exceed what is necessary to maintain his family through the whole year. A slave, however, or one absolutely dependent on us for immediate subsistence, would not be treated in this manner. His daily subsistence would be proportioned to his daily necessities.

Secondly, The wages of labour do not in Great Britain fluctuate with the price of provisions. These vary everywhere from year to year, frequently from month to month. But in many places the money price of labour remains uniformly the same sometimes for half a century together. If in these places, therefore, the labouring poor can maintain their families in dear years, they must be at their ease in times of moderate plenty, and in affluence in those of extraordinary cheapness. The high price of provisions during these ten years past has not in many parts of the kingdom been accompanied with any sensible rise in the money price of labour. It has, indeed, in some ; owing probably more to the increase of the demand for labour than to that of the price of provisions.

Thirdly, As the price of provisions varies more from year to year than the wages of labour, so, on the other hand, the wages of labour vary more from place to place than the price of provisions. The prices of bread and butcher's meat are generally the same, or very nearly the same, through the greater part of the united kingdom. These and

most other things which are sold by retail, the way in which the labouring poor buy all things, are generally fully as cheap or cheaper in great towns than in the remoter parts of the country, for reasons which I shall have occasion to explain hereafter. But the wages of labour in a great town and its neighbourhood are frequently a fourth or a fifth part, twenty or five-and-twenty per cent. higher than at a few miles distance. Eighteen pence a day may be reckoned the common price of labour in London and its neighbourhood. At a few miles distance it falls to fourteen and fifteen pence. Ten pence may be reckoned its price in Edinburgh and its neighbourhood. At a few miles distance it falls to eight pence, the usual price of common labour through the greater part of the low country of Scotland, where it varies a good deal less than in England.* Such a difference of prices, which it seems is not always sufficient to transport a man from one parish to another, would necessarily occasion so great a transportation of the most bulky commodities, not only from one parish

* The great increase of communication between the various provinces of the empire, that has taken place of late years, in consequence of the extraordinary facilities of conveyance afforded by means of improved roads, canals, and the application of steam to the purposes of navigation, has brought the prices of all sorts of produce, and the wages of labour, in different districts much nearer to a common level than they were at the period of the publication of the *Wealth of Nations*. In the southern counties of England the wages of labour are in many places artificially reduced, in consequence of the practice adopted in 1795, and since continued, of paying a portion of them out of the poor rates. But except where this pernicious practice prevails, they are nearly the same all over the country; and may, perhaps, be estimated, on a rough average of the last three years, at from 20d. to 2s. a day.

to another, but from one end of the kingdom, almost from one end of the world to the other, as would soon reduce them more nearly to a level. After all that has been said of the levity and inconsistency of human nature, it appears evidently from experience, that a man is of all sorts of luggage the most difficult to be transported. If the labouring poor, therefore, can maintain their families in those parts of the kingdom where the price of labour is lowest, they must be in affluence where it is highest.

Fourthly, The variations in the price of labour not only do not correspond either in place or time with those in the price of provisions, but they are frequently quite opposite.

Grain, the food of the common people, is dearer in Scotland than in England, whence Scotland receives almost every year very large supplies.* But English corn must be sold dearer in Scotland, the country to which it is brought, than in England, the country from which it comes; and in proportion to its quality it cannot be sold dearer in Scotland than the Scotch corn that comes to the same market in competition with it. The quality of grain depends chiefly upon the quantity of flour or meal which it yields at the mill, and in this respect English grain is so much superior to the Scotch, that, though often dearer in appearance, or in proportion to the measure of its bulk, it is generally cheaper in reality, or in proportion to its quality, or even to the measure of its weight. The price of

* The case is now precisely the reverse: grain is not, generally speaking, so dear in Scotland as in England; and there is, almost uniformly, an excess of exports from the former to the latter.

labour, on the contrary, is dearer in England than in Scotland. If the labouring poor, therefore, can maintain their families in the one part of the united kingdom, they must be in affluence in the other. Oatmeal indeed supplies the common people in Scotland with the greatest and the best part of their food, which is in general much inferior to that of their neighbours of the same rank in England. This difference, however, in the mode of their subsistence, is not the cause, but the effect of the difference in their wages; though, by a strange misapprehension, I have frequently heard it represented as the cause. It is not because one man keeps a coach while his neighbour walks a-foot, that the one is rich and the other poor; but because the one is rich he keeps a coach, and because the other is poor he walks a-foot.

During the course of the last century, taking one year with another, grain was dearer in both parts of the united kingdom than during that of the present.* This is a matter of fact which cannot now admit of any reasonable doubt; and the proof of it is, if possible, still more decisive with regard to Scotland than with regard to England. It is in Scotland supported by the evidence of the public fiars, annual valuations made upon oath, according to the actual state of the markets, of all the different sorts of grain in every different county of Scotland. If such direct proof could require any

* This is true of the last century (the *present* in the text) up to 1765 only. From 1765 to the present time the prices of all sorts of grain in Great Britain have, on an average, been higher than at any former period.

collateral evidence to confirm it, I would observe that this has likewise been the case in France, and probably in most other parts of Europe. With regard to France there is the clearest proof. But though it is certain that in both parts of the united kingdom grain was somewhat dearer in the last century than in the present, it is equally certain that labour was much cheaper. If the labouring poor, therefore, could bring up their families then, they must be much more at their ease now.* In the last century, the most usual day-wages of common labour through the greater part of Scotland were sixpence in summer and fivepence in winter. Three shillings a week, the same price very nearly, still continues to be paid in some parts of the Highlands and Western Islands. Through the greater part of the low country the most usual wages of common labour are now eightpence a day; tenpence, sometimes a shilling about Edinburgh, in the counties which border upon England, probably on account of that neighbourhood, and in a few other places where there has lately been a considerable rise in the demand for labour, about Glasgow, Carron, Ayrshire, &c. In England the improvements of agriculture, manufactures and commerce began much earlier than in Scotland. The demand for labour, and consequently its price, must necessarily have increased with those improvements. In the last century, accordingly, as well as in the present, the wages of labour were higher in England than in

* It is essential to bear in mind that these remarks of Dr. Smith apply only to the condition of the labourers in 1775. See note on Wages in the last volume.

Scotland. They have risen too considerably since that time, though, on account of the greater variety of wages paid there in different places, it is more difficult to ascertain how much. In 1614, the pay of a foot soldier was the same as in the present times, eight pence a day.* When it was first established it would naturally be regulated by the usual wages of common labourers, the rank of people from which foot soldiers are commonly drawn. Lord Chief Justice Hales, who wrote in the time of Charles II. computes the necessary expense of a labourer's family, consisting of six persons, the father and mother, two children able to do something, and two not able, at ten shillings a week, or twenty-six pounds a year. If they cannot earn this by their labour, they must make it up, he supposes, either by begging or stealing. He appears to have enquired very carefully into this subject.† In 1688, Mr. Gregory King, whose skill in political arithmetic is so much extolled by Doctor Davenant, computed the ordinary income of labourers and out-servants to be fifteen pounds a year to a family, which he supposed to consist, one with another, of three and a half persons. His calculation, therefore, though different in appearance, corresponds very nearly at bottom with that of Judge Hales. Both suppose the weekly expense of such families to be about twenty pence a head. Both the pecuniary income and expense of such families have increased considerably since

* It is now 11d. a day from the time he is enrolled; increasing to 11d. after seven years service, and to 15d. after fourteen years service.

† See his scheme for the maintenance of the poor, in Burn's History of the Poor-laws. (Note by the author.)

that time through the greater part of the kingdom; in some places more, and in some less; though perhaps scarce anywhere so much as some exaggerated accounts of the present wages of labour have lately represented them to the public. The price of labour, it must be observed, cannot be ascertained very accurately anywhere, different prices being often paid at the same place and for the same sort of labour, not only according to the different abilities of the workmen, but according to the easiness or hardness of the masters. Where wages are not regulated by law, all that we can pretend to determine is what are the most usual; and experience seems to show that law can never regulate them properly, though it has often pretended to do so.

The real recompence of labour, the real quantity of the necessaries and conveniencies of life which it can procure to the labourer, has, during the course of the present century, increased perhaps in a still greater proportion than its money price. Not only grain has become somewhat cheaper, but many other things from which the industrious poor derive an agreeable and wholesome variety of food, have become a great deal cheaper. Potatoes, for example, do not at present, through the greater part of the kingdom, cost half the price which they used to do thirty or forty years ago. The same thing may be said of turnips, carrots, cabbages; things which were formerly never raised but by the spade, but which are now commonly raised by the plough. All sort of garden stuff too has become cheaper. The

greater part of the apples and even of the onions consumed in Great Britain were in the last century imported from Flanders. The great improvements in the coarser manufactures of both linen and woollen cloth furnish the labourers with cheaper and better clothing; and those in the manufactures of the coarser metals, with cheaper and better instruments of trade, as well as with many agreeable and convenient pieces of household furniture. Soap, salt, candles, leather, and fermented liquors have, indeed, become a good deal dearer; chiefly from the taxes which have been laid upon them. The quantity of these, however, which the labouring poor are under any necessity of consuming, is so very small, that the increase in their price does not compensate the diminution in that of so many other things. The common complaint that luxury extends itself even to the lowest ranks of the people, and that the labouring poor will not now be contented with the same food, clothing and lodging which satisfied them in former times, may convince us that it is not the money price of labour only, but its real recompence, which has augmented.

Is this improvement in the circumstances of the lower ranks of the people to be regarded as an advantage or as an inconveniency to the society? The answer seems at first sight abundantly plain. Servants, labourers, and workmen of different kinds; make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society

can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, clothe, and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, clothed, and lodged.

Poverty, though it no doubt discourages, does not always prevent marriage. It seems even to be favourable to generation. A half-starved Highland woman frequently bears more than twenty children, while a pampered fine lady is often incapable of bearing any, and is generally exhausted by two or three. Barrenness, so frequent among women of fashion, is very rare among those of inferior station. Luxury in the fair sex, while it inflames perhaps the passion for enjoyment, seems always to weaken, and frequently to destroy altogether, the powers of generation.

But poverty, though it does not prevent the generation, is extremely unfavourable to the rearing of children. The tender plant is produced, but in so cold a soil and so severe a climate, soon withers and dies. It is not uncommon, I have been frequently told, in the Highlands of Scotland for a mother who has borne twenty children not to have two alive. Several officers of great experience have assured me, that so far from recruiting their regiment, they have never been able to supply it with drums and fifes from all the soldiers children that were born in it. A greater number of fine children, however, is seldom seen anywhere than about a barrack of soldiers: Very few of

them, it seems, arrive at the age of thirteen or fourteen. In some places one half the children born die before they are four years of age; in many places before they are seven; and in almost all places before they are nine or ten. This great mortality, however, will everywhere be found chiefly among the children of the common people, who cannot afford to tend them with the same care as those of better station. Though their marriages are generally more fruitful than those of people of fashion, a smaller proportion of their children arrive at maturity. In foundling hospitals, and among the children brought up by parish charities, the mortality is still greater than among those of the common people.*

Every species of animals naturally multiplies in proportion to the means of their subsistence, and no species can ever multiply beyond it. But in civilized society it is only among the inferior ranks of people that the scantiness of subsistence can set limits to the further multiplication of the human species; and it can do so in no other way than by destroying a great part of the children which their fruitful marriages produce.†

The liberal reward of labour, by enabling them to provide better for their children, and consequently to bring up a greater number, naturally tends to widen and extend those limits. It de-

* The mortality formerly so destructive in the earlier periods of life, has been very greatly diminished within the last forty or fifty years. See note on Population in the last volume.

† It may do so by giving increased efficacy to the principle of *moral restraint*, or by diminishing the number of marriages.

serves to be remarked too; that it necessarily does this as nearly as possible in the proportion which the demand for labour requires. If this demand is continually increasing, the reward of labour must necessarily encourage in such a manner the marriage and multiplication of labourers, as may enable them to supply that continually increasing demand by a continually increasing population. If the reward should at any time be less than what was requisite for this purpose, the deficiency of hands would soon raise it; and if it should at any time be more, their excessive multiplication would soon lower it to this necessary rate. The market would be so much under-stocked with labour in the one case, and so much over-stocked in the other, as would soon force back its price to that proper rate which the circumstances of the society required. It is in this manner that the demand for men, like that for any other commodity, necessarily regulates the production of men; quickens it when it goes on too slowly, and stops it when it advances too fast. It is this demand which regulates and determines the state of propagation in all the different countries of the world, in North America, in Europe, and in China; which renders it rapidly progressive in the first, slow and gradual in the second, and altogether stationary in the last.*

* The statements made by Dr. Smith in this chapter, with respect to the causes which stimulate, and which also set bounds to the progress of population, are most commonly accurate. But the researches of Mr. Malthus have shed a new and powerful light on this very important department of the science. See note on Population in the last volume.

The wear and tear of a slave, it has been said, is at the expense of his master; but that of a free servant is at his own expense. The wear and tear of the latter, however, is, in reality, as much at the expense of his master as that of the former. The wages paid to journeymen and servants of every kind must be such as may enable them, one with another, to continue the race of journeymen and servants; according as the increasing, diminishing, or stationary demand of the society may happen to require. But though the wear and tear of a free servant be equally at the expense of his master, it generally costs him much less than that of a slave. The fund destined for replacing or repairing, if I may say so, the wear and tear of the slave, is commonly managed by a negligent master or careless overseer. That destined for performing the same office with regard to the free man, is managed by the free man himself. The disorders which generally prevail in the economy of the rich, naturally introduce themselves into the management of the former: the strict frugality and parsimonious attention of the poor as naturally establish themselves in that of the latter. Under such different management, the same purpose must require very different degrees of expense to execute it. It appears, accordingly, from the experience of all ages and nations, I believe, that the work done by freemen comes cheaper in the end than that performed by slaves. It is found to do so even at Boston, New York, and Philadelphia, where the wages of common labour are so very high.

The liberal reward of labour, therefore, as it is the effect of increasing wealth, so it is the cause of increasing population. To complain of it is to lament over the necessary effect and cause of the greatest public prosperity.

It deserves to be remarked, perhaps, that it is in the progressive state, while the society is advancing to the further acquisition, rather than when it has acquired its full complement of riches, that the condition of the labouring poor, of the great body of the people, seems to be the happiest and the most comfortable. It is hard in the stationary, and miserable in the declining state. The progressive state is in reality the cheerful and the hearty state to all the different orders of the society. The stationary is dull; the declining, melancholy.

The liberal reward of labour, as it encourages the propagation, so it increases the industry of the common people. The wages of labour are the encouragement of industry, which, like every other human quality, improves in proportion to the encouragement it receives. A plentiful subsistence increases the bodily strength of the labourer, and the comfortable hope of bettering his condition, and of ending his days perhaps in ease and plenty, animates him to exert that strength to the utmost. Where wages are high, accordingly, we shall always find the workmen more active, diligent, and expeditious, than where they are low; in England, for example, than in Scotland; in the neighbourhood of great towns, than in remote country places. Some workmen, indeed, when they can earn in

four days what will maintain them through the week, will be idle the other three. This, however, is by no means the case with the greater part. Workmen, on the contrary, when they are liberally paid by the piece, are very apt to overwork themselves, and to ruin their health and constitution in a few years. A carpenter in London, and in some other places, is not supposed to last in his utmost vigour above eight years: Something of the same kind happens in many other trades, in which the workmen are paid by the piece; as they generally are in manufactures, and even in country labour, wherever wages are higher than ordinary. Almost every class of artificers is subject to some peculiar infirmity occasioned by excessive application to their peculiar species of work. Ramazzini, an eminent Italian physician, has written a particular book concerning such diseases. We do not reckon our soldiers the most industrious set of people among us. Yet when soldiers have been employed in some particular sorts of work, and liberally paid by the piece, their officers have frequently been obliged to stipulate with the undertaker, that they should not be allowed to earn above a certain sum every day, according to the rate at which they were paid. Till this stipulation was made, mutual emulation and the desire of greater gain frequently prompted them to overwork themselves, and to hurt their health by excessive labour. Excessive application during four days of the week, is frequently the real cause of the idleness of the other three, so much and so loudly complained of. Great labour, either of mind or body, continued for seven-

ral days together, is in most men naturally followed by a great desire of relaxation, which, if not restrained by force or by some strong necessity, is almost irresistible. It is the call of nature, which requires to be relieved by some indulgence, sometimes of ease only, but sometimes too of dissipation and diversion. If it is not complied with, the consequences are often dangerous, and sometimes fatal, and such as almost always, sooner or later, bring on the peculiar infirmity of the trade. If masters would always listen to the dictates of reason and humanity, they have frequently occasion rather to moderate, than to animate the application of many of their workmen. It will be found, I believe, in every sort of trade, that the man who works so moderately, as to be able to work constantly, not only preserves his health the longest, but, in the course of the year, executes the greatest quantity of work.

In cheap years, it is pretended, workmen are generally more idle, and in dear ones more industrious than ordinary. A plentiful subsistence, therefore, it has been concluded, relaxes, and a scanty one quickens their industry. That a little more plenty than ordinary may render some workmen idle, cannot well be doubted; but that it should have this effect upon the greater part, or that men in general should work better when they are ill fed than when they are well fed, when they are disheartened than when they are in good spirits, when they are frequently sick than when they are generally in good health, seems not very probable. Years of dearth, it is to be observed, are

generally among the common people years of sickness and mortality, which cannot fail to diminish the produce of their industry.

In years of plenty, servants frequently leave their masters, and trust their subsistence to what they can make by their own industry. But the same cheapness of provisions, by increasing the fund which is destined for the maintenance of servants, encourages masters, farmers especially, to employ a greater number. Farmers upon such occasions expect more profit from their corn by maintaining a few more labouring servants, than by selling it at a low price in the market. The demand for servants increases, while the number of those who offer to supply that demand diminishes. The price of labour, therefore, frequently rises in cheap years.

In years of scarcity, the difficulty and uncertainty of subsistence make all such people eager to return to service. But the high price of provisions, by diminishing the funds destined for the maintenance of servants, disposes masters rather to diminish than to increase the number of those they have. In dear years too, poor independent workmen frequently consume the little stocks with which they had used to supply themselves with the materials of their work, and are obliged to become journeymen for subsistence. More people want employment than can easily get it; many are willing to take it upon lower terms than ordinary, and the wages of both servants and journeymen frequently sink in dear years.

Masters of all sorts, therefore, frequently make

better bargains with their servants in dear than in cheap years, and find them more humble and dependent in the former than in the latter. They naturally, therefore, commend the former as more favourable to industry. Landlords and farmers, besides, two of the largest classes of masters, have another reason for being pleased with dear years. The rents of the one and the profits of the other depend very much upon the price of provisions. Nothing can be more absurd, however, than to imagine that men in general should work less when they work for themselves, than when they work for other people. A poor independent workman will generally be more industrious than even a journeyman who works by the piece. The one enjoys the whole produce of his own industry; the other shares it with his master. The one, in his separate independent state, is less liable to the temptations of bad company, which in large manufactories so frequently ruin the morals of the other. The superiority of the independent workman over those servants who are hired by the month or by the year, and whose wages and maintenance are the same whether they do much or do little, is likely to be still greater. Cheap years tend to increase the proportion of independent workmen to journeymen and servants of all kinds, and dear years to diminish it.

A French author of great knowledge and ingenuity, Mr. Messance, receiver of the taillies in the election of St. Etienne, endeavours to show that the poor do more work in cheap than in dear years,

by comparing the quantity and value of the goods made upon those different occasions in three different manufactures; one of coarse woollens carried on at Elbeuf; one of linen, and another of silk, both which extend through the whole generality of Rouen. It appears from his account, which is copied from the registers of the public offices, that the quantity and value of the goods made in all those three manufactures has generally been greater in cheap than in dear years; and that it has always been greatest in the cheapest, and least in the dearest years. All the three seem to be stationary manufactures, or which, though their produce may vary somewhat from year to year, are upon the whole neither going backwards nor forwards.

The manufacture of linen in Scotland, and that of coarse woollens in the west riding of Yorkshire, are growing manufactures, of which the produce is generally, though with some variations, increasing both in quantity and value. Upon examining, however, the accounts which have been published of their annual produce, I have not been able to observe that its variations have had any sensible connexion with the dearness or cheapness of the seasons. In 1740, a year of great scarcity, both manufactures, indeed, appear to have declined very considerably. But in 1756, another year of great scarcity, the Scotch manufacture made more than ordinary advances. The Yorkshire manufacture, indeed, declined, and its produce did not rise to what it had been in 1755 till 1766, after the repeal of the American stamp act. In that and the

following year it greatly exceeded what it had ever been before, and it has continued to advance ever since.

The produce of all great manufactures for distant sale must necessarily depend, not so much upon the dearness or cheapness of the seasons in the countries where they are carried on, as upon the circumstances which affect the demand in the countries where they are consumed;—upon peace or war, upon the prosperity or declension of other rival manufactures, and upon the good or bad humour of their principal customers. A great part of the extraordinary work, besides, which is probably done in cheap years, never enters the public registers of manufactures. The men servants who leave their masters become independent labourers. The women return to their parents, and commonly spin in order to make clothes for themselves and their families. Even the independent workmen do not always work for public sale, but are employed by some of their neighbours in manufactures for family use. The produce of their labour, therefore, frequently makes no figure in those public registers of which the records are sometimes published with so much parade, and from which our merchants and manufacturers would often vainly pretend to announce the prosperity or declension of the greatest empires.

Though the variations in the price of labour not only do not always correspond with those in the price of provisions, but are frequently quite opposite, we must not, upon this account, imagine that the price of provisions has no influence upon that

of labour. The money price of labour is necessarily regulated by two circumstances; the demand for labour, and the price of the necessaries and conveniencies of life. The demand for labour, according as it happens to be increasing, stationary, or declining, or to require an increasing, stationary, or declining population, determines the quantity of the necessaries and conveniencies of life which must be given to the labourer; and the money price of labour is determined by what is requisite for purchasing this quantity. Though the money price of labour, therefore, is sometimes high where the price of provisions is low, it would be still higher, the demand continuing the same, if the price of provisions was high.

It is because the demand for labour increases in years of sudden and extraordinary plenty, and diminishes in those of sudden and extraordinary scarcity, that the money price of labour sometimes rises in the one, and sinks in the other.

In a year of sudden and extraordinary plenty, there are funds in the hands of many of the employers of industry, sufficient to maintain and employ a greater number of industrious people than had been employed the year before; and this extraordinary number cannot always be had. Those masters, therefore, who want more workmen, bid against one another, in order to get them, which sometimes raises both the real and the money price of their labour.

The contrary of this happens in a year of sudden and extraordinary scarcity. The funds destined for employing industry are less than they had

been the year before. A considerable number of people are thrown out of employment, who bid against one another, in order to get it, which sometimes lowers both the real and the money price of labour. In 1740, a year of extraordinary scarcity, many people were willing to work for bare subsistence. In the succeeding years of plenty, it was more difficult to get labourers and servants.

The scarcity of a dear year, by diminishing the demand for labour, tends to lower its price, as the high price of provisions tends to raise it. The plenty of a cheap year, on the contrary, by increasing the demand, tends to raise the price of labour, as the cheapness of provisions tends to lower it. In the ordinary variations of the price of provisions, those two opposite causes seem to counterbalance one another; which is probably in part the reason why the wages of labour are everywhere so much more steady and permanent than the price of provisions.

The increase in the wages of labour necessarily increases the price of many commodities, by increasing that part of it which resolves itself into wages, and so far tends to diminish their consumption both at home and abroad. The same cause, however, which raises the wages of labour, the increase of stock, tends to increase its productive powers, and to make a smaller quantity of labour produce a greater quantity of work. The owner of the stock which employs a great number of labourers, necessarily endeavours, for his own advantage, to make such a proper division and distribution of employment, that they

may be enabled to produce the greatest quantity of work possible. For the same reason, he endeavours to supply them with the best machinery which either he or they can think of. What takes place among the labourers in a particular workhouse, takes place, for the same reason, among those of a great society. The greater their number, the more they naturally divide themselves into different classes and subdivisions of employment. More heads are occupied in inventing the most proper machinery for executing the work of each, and it is, therefore, more likely to be invented. There are many commodities, therefore, which, in consequence of these improvements, come to be produced by so much less labour than before, that the increase of its price is more than compensated by the diminution of its quantity.

CHAP. IX.

OF THE PROFITS OF STOCK.

THE rise and fall in the profits of stock depend upon the same causes with the rise and fall in the wages of labour, the increasing or declining state of the wealth of the society; but those causes affect the one and the other very differently.

The increase of stock, which raises wages, tends to lower profit. When the stocks of many rich

merchants are turned into the same trade, their mutual competition naturally tends to lower its profit; and when there is a like increase of stock in all the different trades carried on in the same society, the same competition must produce the same effect in them all.*

It is not easy, it has already been observed, to ascertain what are the average wages of labour even in a particular place, and at a particular time. We can, even in this case, seldom determine more than what are the most usual wages. But even this can seldom be done with regard to the profits of stock. Profit is so very fluctuating, that the person who carries on a particular trade cannot always tell you himself what is the average of his annual profit. It is affected, not only by every variation of price in the commodities which he deals in, but by the good or bad fortune both of his rivals and of his customers, and by a thousand other accidents to which goods, when carried either by sea or by land, or even when stored in a warehouse, are liable. It varies, therefore, not only from year to year, but from day to day, and almost from hour to hour. To ascertain what is the average profit of all the different trades carried on

* The fall in the rate of profit that almost invariably takes place in the progress of society is not, as Dr. Smith supposes, a consequence of the increasing competition of capitalists caused by the increase of the capitals belonging to them; but is the effect of a *diminished power to employ capital with equal advantage*, resulting either (1) from the diminished fertility of the soils, to which every advancing country must resort, or (2) from an increase of taxation, or (3) from a rise of wages. See note on the Circumstances which Determine the Rate of Profit, in the last volume.

in a great kingdom, must be much more difficult; and to judge of what it may have been formerly, or in remote periods of time, with any degree of precision, must be altogether impossible.

But though it may be impossible to determine, with any degree of precision, what are or were the average profits of stock, either in the present or in ancient times, some notion may be formed of them from the interest of money. It may be laid down as a maxim, that wherever a great deal can be made by the use of money, a great deal will commonly be given for the use of it; and that wherever little can be made by it, less will commonly be given for it. According, therefore, as the usual market rate of interest varies in any country, we may be assured that the ordinary profits of stock must vary with it, must sink as it sinks, and rise as it rises. The progress of interest, therefore, may lead us to form some notion of the progress of profit.

By the 37th of Henry VIII. all interest above ten per cent. was declared unlawful. More, it seems, had sometimes been taken before that. In the reign of Edward VI. religious zeal prohibited all interest. This prohibition, however, like all others of the same kind, is said to have produced no effect, and probably rather increased than diminished the evil of usury. The statute of Henry VIII. was revived by the 13th of Elizabeth, cap. 8, and ten per cent. continued to be the legal rate of interest till the 21st of James I. when it was restricted to eight per cent. It was reduced to six per cent. soon after the Restoration, and by the

12th of Queen Anne, to five per cent. All these different statutory regulations seem to have been made with great propriety. They seem to have followed and not to have gone before the market rate of interest, or the rate at which people of good credit usually borrowed. Since the time of Queen Anne, five per cent. seems to have been rather above than below the market rate. Before the late war, the government borrowed at three per cent. ; and people of good credit in the capital, and in many other parts of the kingdom, at three and a half, four, and four and a half per cent.

Since the time of Henry VIII. the wealth and revenue of the country have been continually advancing, and, in the course of their progress, their pace seems rather to have been gradually accelerated than retarded. They seem, not only to have been going on, but to have been going on faster and faster. The wages of labour have been continually increasing during the same period, and in the greater part of the different branches of trade and manufactures the profits of stock have been diminishing.

It generally requires a greater stock to carry on any sort of trade in a great town than in a country village. The great stocks employed in every branch of trade, and the number of rich competitors, generally reduce the rate of profit in the former below what it is in the latter. But the wages of labour are generally higher in a great town than in a country village. In a thriving town the people who have great stocks to employ, frequently

cannot get the number of workmen they want, and therefore bid against one another in order to get as many as they can, which raises the wages of labour, and lowers the profits of stock. In the remote parts of the country there is frequently not stock sufficient to employ all the people, who therefore bid against one another in order to get employment, which lowers the wages of labour, and raises the profits of stock.

In Scotland, though the legal rate of interest is the same as in England, the market rate is rather higher. People of the best credit there seldom borrow under five per cent. Even private bankers in Edinburgh give four per cent. upon their promissory notes, of which payment either in whole or in part may be demanded at pleasure. Private bankers in London give no interest for the money which is deposited with them. There are few trades which cannot be carried on with a smaller stock in Scotland than in England. The common rate of profit, therefore, must be somewhat greater. The wages of labour, it has already been observed, are lower in Scotland than in England. The country too is not only much poorer, but the steps by which it advances to a better condition, for it is evidently advancing, seem to be much slower and more tardy.*

The legal rate of interest in France has not, during the course of the present century, been always regulated by the market rate.† In 1720 in-

* Since the American war, the progress of improvement in Scotland has been decidedly more rapid than in England.

† See Denisart. Article Taux des Interets, tom. iii. p. 18.

terest was reduced from the twentieth to the fiftieth penny, or from five to two per cent. In 1724 it was raised to the thirtieth penny, or to $3\frac{1}{3}$ per cent. In 1725 it was again raised to the twentieth penny, or to five per cent. In 1766, during the administration of Mr. Laverdy, it was reduced to the twenty-fifth penny, or to four per cent. The Abbé Terray raised it afterwards to the old rate of five per cent. The supposed purpose of many of those violent reductions of interest was to prepare the way for reducing that of the public debts; a purpose which has sometimes been executed. France is perhaps in the present times not so rich a country as England; and though the legal rate of interest has in France frequently been lower than in England, the market rate has generally been higher; for there, as in other countries, they have several very safe and easy methods of evading the law. The profits of trade, I have been assured by British merchants who had traded in both countries, are higher in France than in England; and it is no doubt upon this account that many British subjects choose rather to employ their capitals in a country where trade is in disgrace, than in one where it is highly respected. The wages of labour are lower in France than in England. When you go from Scotland to England, the difference which you may remark between the dress and countenance of the common people in the one country and in the other, sufficiently indicates the difference in their condition. The contrast is still greater when you return from France. France, though no doubt a richer country than Scotland,

seems not to be going forward so fast. It is a common and even a popular opinion in the country, that it is going backwards; an opinion which, I apprehend, is ill founded even with regard to France, but which nobody can possibly entertain with regard to Scotland, who sees the country now, and who saw it twenty or thirty years ago.

The province of Holland, on the other hand, in proportion to the extent of its territory and the number of its people, is a richer country than England. The government there borrow at two per cent., and private people of good credit at three. The wages of labour are said to be higher in Holland than in England, and the Dutch, it is well known, trade upon lower profits than any people in Europe. The trade of Holland, it has been pretended by some people, is decaying, and it may perhaps be true that some particular branches of it are so. But these symptoms seem to indicate sufficiently that there is no general decay. When profit diminishes, merchants are very apt to complain that trade decays; though the diminution of profit is the natural effect of its prosperity, or of a greater stock being employed in it than before.* During the late war the Dutch gained the whole carrying trade of France, of which they still retain a very large share. The great property which they possess both in the French and English funds, about forty millions, it is said, in the latter (in which I suspect, however, there is a considerable

* The low rate of profits in Holland is to be wholly ascribed to the oppressiveness of taxation. See my *Principles of Political Economy*, p. 386.

exaggeration ;)* the great sums which they lend to private people, in countries where the rate of interest is higher than in their own, are circumstances which no doubt demonstrate the redundancy of their stock, or that it has increased beyond what they can employ with tolerable profit in the proper business of their own country : but they do not demonstrate that that business has decreased. As the capital of a private man, though acquired by a particular trade, may increase beyond what he can employ in it, and yet that trade continue to increase too ; so may likewise the capital of a great nation.

In our North American and West Indian colonies, not only the wages of labour, but the interest of money, and consequently the profits of stock, are higher than in England. In the different colonies both the legal and the market rate of interest run from six to eight per cent. High wages

* Dr. Smith does not seem to have been aware that an official account was drawn up in 1762, showing that the portion of the several funds then transferable at the Bank of England, standing in the names of foreigners, or their agents, amounted to only L.14,956,395. This account does not include the foreign property in the South Sea stock and annuities, and in the East India stock ; but if we estimate the whole amount of property in the British funds then held by all descriptions of foreigners at L.18,000,000, we shall certainly exceed the mark.

In 1806, the property in the British funds held by foreigners, as ascertained by means of the exemption allowed them from any charge on account of the property or income tax, amounted to L.18,598,606, exclusive of the Bank stock, and terminable annuities held by them ; which on a large estimate might amount to perhaps L.2,000,000 additional. Since the peace, the amount of stock held by foreigners has been rapidly decreasing. In August 1818, it amounted to L.12,486,000, and is not supposed at this moment to exceed L.10,000,000. Fairman on the Funds, 7th ed. p. 229.

of labour and high profits of stock, however, are things, perhaps, which scarce ever go together, except in the peculiar circumstances of new colonies. A new colony must always for some time be more under-stocked in proportion to the extent of its territory, and more under-peopled in proportion to the extent of its stock, than the greater part of other countries. They have more land than they have stock to cultivate. What they have, therefore, is applied to the cultivation only of what is most fertile and most favourably situated, the land near the sea shore, and along the banks of navigable rivers. Such land too is frequently purchased at a price below the value even of its natural produce. Stock employed in the purchase and improvement of such lands must yield a very large profit, and consequently afford to pay a very large interest. Its rapid accumulation in so profitable an employment enables the planter to increase the number of his hands faster than he can find them in a new settlement. Those whom he can find, therefore, are very liberally rewarded. As the colony increases, the profits of stock gradually diminish. When the most fertile and best situated lands have been all occupied, less profit can be made by the cultivation of what is inferior both in soil and situation, and less interest can be afforded for the stock which is so employed. In the greater part of our colonies, accordingly, both the legal and the market rate of interest have been considerably reduced during the course of the present century. As riches, improvement, and popu-

lation have increased, interest has declined.* The wages of labour do not sink with the profits of stock. The demand for labour increases with the increase of stock, whatever be its profits; and after these are diminished, stock may not only continue to increase, but to increase much faster than before. It is with industrious nations, who are advancing in the acquisition of riches, as with industrious individuals. A great stock, though with small profits, generally increases faster than a small stock with great profits. Money, says the proverb, makes money. When you have got a little, it is often easy to get more. The great difficulty is to get that little. The connection between the increase of stock and that of industry, or of the demand for useful labour, has partly been explained already, but will be explained more fully hereafter in treating of the accumulation of stock.

The acquisition of new territory, or of new branches of trade, may sometimes raise the profits of stock, and with them the interest of money, even in a country which is fast advancing in the acquisition of riches.† The stock of the country not being sufficient for the whole accession of business,

* Interest has declined because profits have declined; and profits have declined because the increase of population has forced recourse to soils that yield a less quantity of produce in return for the same outlay of capital and labour.

† It will raise them, provided the new territory is more fertile than the land last brought under tillage in the country that has made the acquisition, or provided the new branches of trade enable corn, or such other articles as enter into the consumption of the labourer, to be obtained at a cheaper rate, but not otherwise. See note on the Circumstances which determine the Rate of Profit, in the last volume.

which such acquisitions present to the different people among whom it is divided, is applied to those particular branches only which afford the greatest profit. Part of what had before been employed in other trades, is necessarily withdrawn from them, and turned into some of the new and more profitable ones. In all those old trades, therefore, the competition comes to be less than before. The market comes to be less fully supplied with many different sorts of goods. Their price necessarily rises more or less, and yields a greater profit to those who deal in them, who can, therefore, afford to borrow at a higher interest. For some time after the conclusion of the late war, not only private people of the best credit, but some of the greatest companies in London, commonly borrowed at five per cent. who before that had not been used to pay more than four, and four and a half per cent. The great accession both of territory and trade, by our acquisitions in North America and the West Indies, will sufficiently account for this, without supposing any diminution in the capital stock of the society. So great an accession of new business to be carried on by the old stock, must necessarily have diminished the quantity employed in a great number of particular branches, in which the competition being less, the profits must have been greater. I shall hereafter have occasion to mention the reasons which dispose me to believe that the capital stock of Great Britain was not diminished even by the enormous expense of the late war.

The diminution of the capital stock of the so-

ciety, or of the funds destined for the maintenance of industry, however, as it lowers the wages of labour, so it raises the profits of stock, and consequently the interest of money. By the wages of labour being lowered, the owners of what stock remains in the society can bring their goods at less expense to market than before, and less stock being employed in supplying the market than before, they can sell them dearer.* Their goods cost them less, and they get more for them. Their profits, therefore, being augmented at both ends, can well afford a large interest. The great fortunes so suddenly and so easily acquired in Bengal and the other British settlements in the East Indies, may satisfy us that, as the wages of labour are very low, so the profits of stock are very high in those ruined countries. The interest of money is proportionably so. In Bengal, money is frequently lent to the farmers at forty, fifty, and sixty per cent. and the succeeding crop is mortgaged for the payment. As the profits which can afford such an interest must eat up almost the whole rent of the landlord, so such enormous usury must in its turn eat up the greater part of those profits. Before the fall of the Roman republic, a usury of the same kind seems to have been common in the provinces, under the ruinous administration of their proconsuls. The virtuous Brutus lent money in Cyprus at eight-and-forty per cent. as we learn from the letters of Cicero.

* A fall in the rate of wages raises profits without, generally speaking, affecting prices. See note on the Effect of Variations in the Rates of Wages and Profit on Prices, in the last volume.

In a country which had acquired that full complement of riches which the nature of its soil and climate, and its situation with respect to other countries, allowed it to acquire; which could, therefore, advance no further, and which was not going backwards, both the wages of labour and the profits of stock would probably be very low. In a country fully peopled in proportion to what either its territory could maintain or its stock employ, the competition for employment would necessarily be so great as to reduce the wages of labour to what was barely sufficient to keep up the number of labourers, and, the country being already fully peopled, that number could never be augmented. In a country fully stocked in proportion to all the business it had to transact, as great a quantity of stock would be employed in every particular branch as the nature and extent of the trade would admit. The competition, therefore, would everywhere be as great, and consequently the ordinary profit as low as possible.

But perhaps no country has ever yet arrived at this degree of opulence. China seems to have been long stationary, and had probably long ago acquired that full complement of riches which is consistent with the nature of its laws and institutions. But this complement may be much inferior to what, with other laws and institutions, the nature of its soil, climate, and situation might admit of. A country which neglects or despises foreign commerce, and which admits the vessels of foreign nations into one or two of its ports only, cannot transact the same quantity of

business which it might do with different laws and institutions. In a country too, where, though the rich or the owners of large capitals enjoy a good deal of security, the poor or the owners of small capitals enjoy scarce any, but are liable, under the pretence of justice, to be pillaged and plundered at any time by the inferior mandarines, the quantity of stock employed in all the different branches of business transacted within it, can never be equal to what the nature and extent of that business might admit. In every different branch, the oppression of the poor must establish the monopoly of the rich, who, by engrossing the whole trade to themselves, will be able to make very large profits. Twelve per cent. accordingly is said to be the common interest of money in China, and the ordinary profits of stock must be sufficient to afford this large interest.

A defect in the law may sometimes raise the rate of interest considerably above what the condition of the country, as to wealth or poverty, would require. When the law does not enforce the performance of contracts, it puts all borrowers nearly upon the same footing with bankrupts or people of doubtful credit in better regulated countries. The uncertainty of recovering his money makes the lender exact the same usurious interest which is usually required from bankrupts. Among the barbarous nations who overrun the western provinces of the Roman empire, the performance of contracts was left for many ages to the faith of the contracting parties. The courts of justice of their kings seldom intermeddled in it. The high rate of inte-

rest which took place in those ancient times may perhaps be partly accounted for from this cause.

When the law prohibits interest altogether, it does not prevent it. Many people must borrow, and nobody will lend without such a consideration for the use of their money as is suitable, not only to what can be made by the use of it, but to the difficulty and danger of evading the law. The high rate of interest among all Mahometan nations is accounted for by Mr. Montesquieu, not from their poverty, but partly from this, and partly from the difficulty of recovering the money.

The lowest ordinary rate of profit must always be something more than what is sufficient to compensate the occasional losses to which every employment of stock is exposed. It is this surplus only which is neat or clear profit. What is called gross profit comprehends frequently, not only this surplus, but what is retained for compensating such extraordinary losses. The interest which the borrower can afford to pay is in proportion to the clear profit only.

The lowest ordinary rate of interest must, in the same manner, be something more than sufficient to compensate the occasional losses to which lending, even with tolerable prudence, is exposed. Were it not more, charity or friendship could be the only motives for lending.

In a country which had acquired its full complement of riches, where in every particular branch of business there was the greatest quantity of stock that could be employed in it, as the ordinary rate of clear profit would be very small, so the usual

market rate of interest which could be afforded out of it, would be so low as to render it impossible for any but the very wealthiest people to live upon the interest of their money. All people of small or middling fortunes would be obliged to superintend themselves the employment of their own stocks. It would be necessary that almost every man should be a man of business, or engage in some sort of trade. The province of Holland seems to be approaching near to this state. It is there unfashionable not to be a man of business. Necessity makes it usual for almost every man to be so, and custom everywhere regulates fashion. As it is ridiculous not to dress, so is it, in some measure, not to be employed, like other people. As a man of a civil profession seems awkward in a camp or a garrison, and is even in some danger of being despised there, so does an idle man among men of business.

The highest ordinary rate of profit may be such as, in the price of the greater part of commodities, eats up the whole of what should go to the rent of the land, and leaves only what is sufficient to pay the labour of preparing and bringing them to market, according to the lowest rate at which labour can anywhere be paid, the bare subsistence of the labourer. The workman must always have been fed in some way or other while he was about the work; but the landlord may not always have been paid. The profits of the trade which the servants of the East India Company carry on in Bengal may not perhaps be very far from this rate.

The proportion which the usual market rate of interest ought to bear to the ordinary rate of clear

profit, necessarily varies as profit rises or falls. Double interest is in Great Britain reckoned, what the merchants call a good, moderate, reasonable profit; terms which I apprehend mean no more than a common and usual profit. In a country where the ordinary rate of clear profit is eight or ten per cent. it may be reasonable that one half of it should go to interest, wherever business is carried on with borrowed money. The stock is at the risk of the borrower, who, as it were, insures it to the lender; and four or five per cent. may, in the greater part of trades, be both a sufficient profit upon the risk of this insurance, and a sufficient recompence for the trouble of employing the stock. But the proportion between interest and clear profit might not be the same in countries where the ordinary rate of profit was either a good deal lower or a good deal higher. If it were a good deal lower, one half of it perhaps could not be afforded for interest; and more might be afforded if it were a good deal higher.

In countries which are fast advancing to riches, the low rate of profit may, in the price of many commodities, compensate the high wages of labour, and enable those countries to sell as cheap as their less thriving neighbours, among whom the wages of labour may be lower.

In reality high profits tend much more to raise the price of work than high wages.* If in the

* Prices, generally speaking, are the same, whether profits or wages are high or low. They depend on the quantity of labour required to produce commodities, and not on the mode in which these

linen manufacture, for example, the wages of the different working people, the flax-dressers, the spinners, the weavers, &c. should, all of them, be advanced two pence a day ; it would be necessary to heighten the price of a piece of linen only by a number of two pences equal to the number of people that had been employed about it, multiplied by the number of days during which they had been so employed. That part of the price of the commodity which resolved itself into wages would, through all the different stages of the manufacture, rise only in arithmetical proportion to this rise of wages. But if the profits of all the different employers of those working people should be raised five per cent. that part of the price of the commodity which resolved itself into profit, would, through all the different stages of the manufacture, rise in geometrical proportion to this rise of profit. The employer of the flax-dressers would, in selling his flax, require an additional five per cent. upon the whole value of the materials and wages which he advanced to his workmen. The employer of the spinners would require an additional five per cent. both upon the advanced price of the flax and upon the wages of the spinners. And the employer of the weavers would require a like five per cent. both upon the advanced price of the linen yarn and upon the wages of the weavers. In raising the price of commodities the rise of wages operates in the same manner as simple interest does in the accumulation

commodities are divided between capitalists and labourers. See note on the Effect of Variations in the Rates of Wages and Profit on Prices, in the last volume.

of debt. The rise of profit operates like compound interest. Our merchants and master-manufacturers complain much of the bad effects of high wages in raising the price, and thereby lessening the sale of their goods both at home and abroad. They say nothing concerning the bad effects of high profits. They are silent with regard to the pernicious effects of their own gains. They complain only of those of other people.



CHAP. X.

OF WAGES AND PROFIT IN THE DIFFERENT EMPLOYMENTS OF LABOUR AND STOCK.*

THE whole of the advantages and disadvantages of the different employments of labour and stock must, in the same neighbourhood, be either perfectly equal or continually tending to equality. If in the same neighbourhood, there was any employment evidently either more or less advantageous than the rest, so many people would crowd into it in the one case, and so many would desert it in the other, that its advantages would soon return to the level of other employments. This at least would be the

* This is one of the most important and valuable chapters in the *Wealth of Nations*. With very few exceptions the principles and reasonings are equally sound and conclusive.

case in a society where things were left to follow their natural course, where there was perfect liberty, and where every man was perfectly free both to choose what occupation he thought proper, and to change it as often as he thought proper. Every man's interest would prompt him to seek the advantageous, and to shun the disadvantageous employment.

Pecuniary wages and profit, indeed, are everywhere in Europe extremely different according to the different employments of labour and stock. But this difference arises partly from certain circumstances in the employments themselves, which, either really, or at least in the imaginations of men, make up for a small pecuniary gain in some, and counterbalance a great one in others; and partly from the policy of Europe, which nowhere leaves things at perfect liberty.

The particular consideration of those circumstances and of that policy will divide the chapter into two parts.

PART I.

INEQUALITIES ARISING FROM THE NATURE OF THE EMPLOYMENTS THEMSELVES.

THE five following are the principal circumstances which, so far as I have been able to observe, make up for a small pecuniary gain in some employments,

and counterbalance a great one in others : First, The agreeableness or disagreeableness of the employments themselves ; Secondly, The easiness and cheapness, or the difficulty and expense of learning them ; Thirdly, The constancy or inconstancy of employment in them ; Fourthly, The small or great trust which must be reposed in those who exercise them ; and, Fifthly, The probability or improbability of success in them.

First, The wages of labour vary with the ease or hardship, the cleanliness or dirtiness, the honourableness or dishonourableness of the employment. Thus in most places, take the year round, a journeyman tailor earns less than a journeyman weaver. His work is much easier. A journeyman weaver earns less than a journeyman smith. His work is not always easier, but it is much cleaner. A journeyman blacksmith, though an artificer, seldom earns so much in twelve hours as a collier, who is only a labourer, does in eight. His work is not quite so dirty, is less dangerous, and is carried on in day-light, and above ground. Honour makes a great part of the reward of all honourable professions. In point of pecuniary gain, all things considered, they are generally under-recompensed, as I shall endeavour to show by and by. Disgrace has the contrary effect. The trade of a butcher is a brutal and an odious business ; but it is in most places more profitable than the greater part of common trades. The most detestable of all employments, that of public executioner, is, in proportion to the quanti-

ty of work done, better paid than any common trade whatever.

Hunting and fishing, the most important employments of mankind in the rude state of society, become in its advanced state their most agreeable amusements, and they pursue for pleasure what they once followed from necessity. In the advanced state of society, therefore, they are all very poor people who follow as a trade, what other people pursue as a pastime. Fishermen have been so since the time of Theocritus.* A poacher is everywhere a very poor man in Great Britain. In countries where the rigour of the law suffers no poachers, the licensed hunter is not in a much better condition. The natural taste for those employments makes more people follow them than can live comfortably by them, and the produce of their labour, in proportion to its quantity, comes always too cheap to market to afford any thing but the most scanty subsistence to the labourers.

Disagreeableness and disgrace affect the profits of stock in the same manner as the wages of labour. The keeper of an inn or tavern, who is never master of his own house, and who is exposed to the brutality of every drunkard, exercises neither a very agreeable nor a very creditable business. But there is scarce any common trade in which a small stock yields so great a profit.

Secondly, The wages of labour vary with the easiness and cheapness, or the difficulty and expense of learning the business.

* See Idyllium xxi.

When any expensive machine is erected, the extraordinary work to be performed by it before it is worn out, it must be expected, will replace the capital laid out by it, with at least the ordinary profits. A man educated at the expense of much labour and time to any of those employments which require extraordinary dexterity and skill, may be compared to one of those expensive machines. The work which he learns to perform, it must be expected, over and above the usual wages of common labour, will replace to him the whole expense of his education, with at least the ordinary profits of an equally valuable capital. It must do this too in a reasonable time, regard being had to the very uncertain duration of human life, in the same manner as to the more certain duration of the machine.

The difference between the wages of skilled labour and those of common labour, is founded upon this principle.

The policy of Europe considers the labour of all mechanics, artificers, and manufacturers, as skilled labour; and that of all country labourers as common labour. It seems to suppose that of the former to be of a more nice and delicate nature than that of the latter. It is so perhaps in some cases; but in the greater part it is quite otherwise, as I shall endeavour to show by and by. The laws and customs of Europe, therefore, in order to qualify any person for exercising the one species of labour, impose the necessity of an apprenticeship, though with different degrees of rigour in different places. They leave the other free and open to every body. During the continuance of the apprenticeship, the

whole labour of the apprentice belongs to his master. In the mean time he must, in many cases, be maintained by his parents or relations, and in almost all cases must be clothed by them. Some money too is commonly given to the master for teaching him his trade. They who cannot give money, give time, or become bound for more than the usual number of years ; a consideration which, though it is not always advantageous to the master, on account of the usual idleness of apprentices, is always disadvantageous to the apprentice. In country labour, on the contrary, the labourer, while he is employed about the easier, learns the more difficult parts of his business, and his own labour maintains him through all the different stages of his employment. It is reasonable, therefore, that in Europe the wages of mechanics, artificers, and manufacturers, should be somewhat higher than those of common labourers. They are so accordingly, and their superior gains make them in most places be considered as a superior rank of people. This superiority, however, is generally very small ; the daily or weekly earnings of journeymen in the more common sorts of manufactures, such as those of plain linen and woollen cloth, computed at an average, are, in most places, very little more than the day wages of common labourers. Their employment, indeed, is more steady and uniform, and the superiority of their earnings, taking the whole year together, may be somewhat greater. It seems evidently, however, to be no greater than what is sufficient to compensate the superior expense of their education.

Education in the ingenious arts and in the liberal professions, is still more tedious and expensive. The pecuniary recompence, therefore, of painters and sculptors, of lawyers and physicians, ought to be much more liberal : and it is so accordingly.

The profits of stock seem to be very little affected by the easiness or difficulty of learning the trade in which it is employed. All the different ways in which stock is commonly employed in great towns seem, in reality, to be almost equally easy and equally difficult to learn. One branch either of foreign or domestic trade, cannot well be a much more intricate business than another.

Thirdly, The wages of labour, in different occupations vary with the constancy or inconstancy of employment.

Employment is much more constant in some trades than in others. In the greater part of manufactures, a journeyman may be pretty sure of employment almost every day in the year that he is able to work. A mason or bricklayer, on the contrary, can work neither in hard frost nor in foul weather, and his employment at all other times depends upon the occasional calls of his customers. He is liable, in consequence, to be frequently without any. What he earns, therefore, while he is employed, must not only maintain him while he is idle, but make him some compensation for those anxious and desponding moments which the thought of so precarious a situation must sometimes occasion. Where the computed earnings of the greater part of manufacturers, accordingly, are nearly upon a level with the day wages of com-

mon labourers, those of masons and bricklayers are generally from one half more to double those wages. Where common labourers earn four and five shillings a week, masons and bricklayers frequently earn seven and eight; where the former earn six, the latter often earn nine and ten; and where the former earn nine and ten, as in London, the latter commonly earn fifteen and eighteen.* No species of skilled labour, however, seems more easy to learn than that of masons and bricklayers. Chairmen in London, during the summer season, are said sometimes to be employed as bricklayers. The high wages of those workmen, therefore, are not so much the recompence of their skill, as the compensation for the inconstancy of their employment.

A house carpenter seems to exercise rather a nicer and more ingenious trade than a mason. In most places, however, for it is not universally so, his day-wages are somewhat lower. His employment, though it depends much, does not depend so entirely upon the occasional calls of his customers; and it is not liable to be interrupted by the weather.

When the trades which generally afford constant employment, happen in a particular place not to do so, the wages of the workmen always rise to a good deal above their ordinary proportion to those of common labour. In London almost

* The rates of wages mentioned in the text are now very much increased.

all journeymen artificers are liable to be called upon and dismissed by their masters from day to day, and from week to week, in the same manner as day-labourers in other places. The lowest order of artificers, journeymen tailors, accordingly, earn there half a crown a day, though eighteen pence may be reckoned the wages of common labour.* In small towns and country villages, the wages of journeymen tailors frequently scarce equal those of common labour; but in London they are often many weeks without employment, particularly during the summer.

When the inconstancy of employment is combined with the hardship, disagreeableness, and dirtiness of the work, it sometimes raises the wages of the most common labour above those of the most skilful artificers. A collier working by the piece is supposed, at Newcastle, to earn commonly about double, and in many parts of Scotland about three times the wages of common labour. His high wages arise altogether from the hardship, disagreeableness, and dirtiness of his work. His employment may, upon most occasions, be as constant as he pleases. The coal-heavers in London exercise a trade which in hardship, dirtiness, and disagreeableness, almost equals that of colliers; and from the unavoidable irregularity in the arrivals of coal-ships, the employment of the greater part of them is necessarily very inconstant. If colliers, therefore, commonly earn double and

* The wages of journeymen tailors in London amount at present to about thirty shillings a week, or five shillings a day.

triple the wages of common labour, it ought not to seem unreasonable that coal-heavers should sometimes earn four and five times those wages. In the inquiry made into their condition a few years ago, it was found that at the rate at which they were then paid, they could earn from six to ten shillings a day. Six shillings are about four times the wages of common labour in London, and in every particular trade, the lowest common earnings may always be considered as those of the far greater number. How extravagant soever those earnings may appear, if they were more than sufficient to compensate all the disagreeable circumstances of the business, there would soon be so great a number of competitors as, in a trade which has no exclusive privilege, would quickly reduce them to a lower rate.

The constancy or inconstancy of employment cannot affect the ordinary profits of stock in any particular trade. Whether the stock is or is not constantly employed depends, not upon the trade, but the trader.

Fourthly, The wages of labour vary according to the small or great trust which must be reposed in the workmen.

The wages of goldsmiths and jewellers are everywhere superior to those of many other workmen, not only of equal, but of much superior ingenuity; on account of the precious materials with which they are intrusted.

' We trust our health to the physician; our fortune and sometimes our life and reputation to the lawyer and attorney. Such confidence could not

safely be reposed in people of a very mean or low condition. Their reward must be such, therefore, as may give them that rank in the society which so important a trust requires. The long time and the great expense which must be laid out in their education, when combined with this circumstance, necessarily enhance still further the price of their labour.

When a person employs only his own stock in trade, there is no trust; and the credit which he may get from other people, depends, not upon the nature of his trade, but upon their opinion of his fortune, probity, and prudence. The different rates of profit, therefore, in the different branches of trade, cannot arise from the different degrees of trust reposed in the traders.

Fifthly, The wages of labour in different employments vary according to the probability or improbability of success in them.

The probability that any particular person shall ever be qualified for the employment to which he is educated, is very different in different occupations. In the greater part of mechanic trades, success is almost certain; but very uncertain in the liberal professions. Put your son apprentice to a shoemaker, there is little doubt of his learning to make a pair of shoes: but send him to study the law, it is at least twenty to one if ever he makes such proficiency as will enable him to live by the business. In a perfectly fair lottery, those who draw the prizes ought to gain all that is lost by those who draw the blanks. In a profession where twenty fail for one that succeeds, that one ought

to gain all that should have been gained by the unsuccessful twenty. The counsellor at law who, perhaps, at near forty years of age, begins to make something by his profession, ought to receive the retribution, not only of his own so tedious and expensive education, but of that of more than twenty others who are never likely to make any thing by it. How extravagant soever the fees of counsellors at law may sometimes appear, their real retribution is never equal to this. Compute in any particular place, what is likely to be annually gained, and what is likely to be annually spent, by all the different workmen in any common trade, such as that of shoemakers or weavers, and you will find that the former sum will generally exceed the latter. But make the same computation with regard to all the counsellors and students of law, in all the different inns of court, and you will find that their annual gains bear but a very small proportion to their annual expense, even though you rate the former as high, and the latter as low, as can well be done. The lottery of the law, therefore, is very far from being a perfectly fair lottery; and that, as well as many other liberal and honourable professions, are, in point of pecuniary gain, evidently under-recompensed.

Those professions keep their level, however, with other occupations, and, notwithstanding these discouragements, all the most generous and liberal spirits are eager to crowd into them. Two different causes contribute to recommend them. First, the desire of the reputation which attends upon superior excellence in any of them; and, secondly,

the natural confidence which every man has, more or less, not only in his own abilities, but in his own good fortune.

To excel in any profession, in which but few arrive at mediocrity, is the most decisive mark of what is called genius or superior talents. The public admiration which attends upon such distinguished abilities, makes always a part of their reward; a greater or smaller in proportion as it is higher or lower in degree. It makes a considerable part of that reward in the profession of physic; a still greater perhaps in that of law; in poetry and philosophy it makes almost the whole.

There are some very agreeable and beautiful talents of which the possession commands a certain sort of admiration; but of which the exercise for the sake of gain is considered, whether from reason or prejudice, as a sort of public prostitution. The pecuniary recompence, therefore, of those who exercise them in this manner, must be sufficient, not only to pay for the time, labour, and expense of acquiring the talents, but for the discredit which attends the employment of them as the means of subsistence. The exorbitant rewards of players, opera-singers, opera-dancers, &c. are founded upon those two principles; the rarity and beauty of the talents, and the discredit of employing them in this manner. It seems absurd at first sight that we should despise their persons, and yet reward their talents with the most profuse liberality. While we do the one, however, we must of necessity do the other. Should the public opinion or prejudice ever alter with regard to such occupations, their

pecuniary recompence would quickly diminish. More people would apply to them, and the competition would quickly reduce the price of their labour. Such talents, though far from being common, are by no means so rare as is imagined. Many people possess them in great perfection, who disdain to make this use of them; and many more are capable of acquiring them, if any thing could be made honourably by them.

The overweening conceit which the greater part of men have of their own abilities, is an ancient evil remarked by the philosophers and moralists of all ages. Their absurd presumption in their own good fortune has been less taken notice of. It is, however, if possible, still more universal. There is no man living who, when in tolerable health and spirits, has not some share of it. The chance of gain is by every man more or less over-valued, and the chance of loss is by most men under-valued, and by scarce any man, who is in tolerable health and spirits, valued more than it is worth.

That the chance of gain is naturally over-valued, we may learn from the universal success of lotteries. The world neither ever saw, nor ever will see, a perfectly fair lottery; or one in which the whole gain compensated the whole loss; because the undertaker could make nothing by it. In the state lotteries the tickets are really not worth the price which is paid by the original subscribers, and yet commonly sell in the market for twenty, thirty, and sometimes forty per cent. advance. The vain hope of gaining some of the great prizes is the sole

cause of this demand. The soberest people scarce look upon it as a folly to pay a small sum for the chance of gaining ten or twenty thousand pounds; though they know that even that small sum is perhaps twenty or thirty per cent. more than the chance is worth. In a lottery in which no prize exceeded twenty pounds, though in other respects it approached much nearer to a perfectly fair one than the common state lotteries, there would not be the same demand for tickets. In order to have a better chance for some of the great prizes, some people purchase several tickets, and others, small shares in a still greater number. There is not, however, a more certain proposition in mathematics, than that the more tickets you adventure upon, the more likely you are to be a loser. Adventure upon all the tickets in the lottery, and you lose for certain; and the greater the number of your tickets the nearer you approach to this certainty.

That the chance of loss is frequently undervalued, and scarce ever valued more than it is worth, we may learn from the very moderate profit of insurers. In order to make insurance, either from fire or sea-risk, a trade at all, the common premium must be sufficient to compensate the common losses, to pay the expense of management, and to afford such a profit as might have been drawn from an equal capital employed in any common trade. The person who pays no more than this, evidently pays no more than the real value of the risk, or the lowest price at which he can reasonably expect to insure it. But though

many people have made a little money by insurance, very few have made a great fortune; and from this consideration alone, it seems evident enough, that the ordinary balance of profit and loss is not more advantageous in this, than in other common trades by which so many people make fortunes. Moderate, however, as the premium of insurance commonly is, many people despise the risk too much to care to pay it. Taking the whole kingdom at an average, nineteen houses in twenty, or rather perhaps ninety-nine in a hundred, are not insured from fire.* Sea risk is more alarming to the greater part of people, and the proportion of ships insured to those not insured is much greater. Many sail, however, at all seasons, and even in time of war, without any insurance. This may sometimes perhaps be done without any imprudence. When a great company, or even a great merchant, has twenty or thirty ships at sea, they may, as it were, insure one another. The premium saved upon them all, may more than compensate such losses as they are likely to meet with in the common course of chances. The neglect of insurance upon shipping, however, in the same manner as upon houses, is, in most cases, the effect of no such nice calculation, but of mere thoughtless rashness and presumptuous contempt of the risk.

The contempt of risk and the presumptuous hope of success are in no period of life more ac-

* The proportion of houses insured to the total number, is now vastly greater than it was when the *Wealth of Nations* was published.

tive than at the age at which young people choose their professions. How little the fear of misfortune is then capable of balancing the hope of good luck, appears still more evidently in the readiness of the common people to enlist as soldiers, or to go to sea, than in the eagerness of those of better fashion to enter into what are called the liberal professions.

What a common soldier may lose is obvious enough. Without regarding the danger, however, young volunteers never enlist so readily as at the beginning of a new war; and though they have scarce any chance of preferment, they figure to themselves, in their youthful fancies, a thousand occasions of acquiring honour and distinction which never occur. These romantic hopes make the whole price of their blood. Their pay is less than that of common labourers, and in actual service their fatigues are much greater.

The lottery of the sea is not altogether so disadvantageous as that of the army. The son of a creditable labourer or artificer may frequently go to sea with his father's consent; but if he enlists as a soldier, it is always without it. Other people see some chance of his making something by the one trade: nobody but himself sees any of his making any thing by the other. The great admiral is less the object of public admiration than the great general, and the highest success in the sea service promises a less brilliant fortune and reputation than equal success in the land. The same difference runs through all the inferior degrees of preferment in both. By the rules of precedency

a captain in the navy ranks with a colonel in the army : but he does not rank with him in the common estimation. As the great prizes in the lottery are less, the smaller ones must be more numerous. Common sailors, therefore, more frequently get some fortune and preferment than common soldiers ; and the hope of those prizes is what principally recommends the trade. Though their skill and dexterity are much superior to that of almost any artificers, and though their whole life is one continual scene of hardship and danger, yet for all this dexterity and skill, for all those hardships and dangers, while they remain in the condition of common sailors, they receive scarce any other recompence but the pleasure of exercising the one and of surmounting the other. Their wages are not greater than those of common labourers at the port which regulates the rate of seamen's wages. As they are continually going from port to port, the monthly pay of those who sail from all the different ports of Great Britain, is more nearly upon a level than that of any other workmen in those different places ; and the rate of the port to and from which the greatest number sail, that is the port of London, regulates that of all the rest. At London the wages of the greater part of the different classes of workmen are about double those of the same classes at Edinburgh.* But the sailors who sail from the port of London seldom earn above three or four shillings a month more than those who sail from the port of Leith, and the dif-

* See note, ante, p. 124.

ference is frequently not so great. In time of peace, and in the merchant service, the London price is from a guinea to about seven-and-twenty shillings the calendar month.* A common labourer in London, at the rate of nine or ten shillings a week, may earn in the calendar month from forty to five-and-forty shillings. The sailor, indeed, over and above his pay, is supplied with provisions. Their value, however, may not perhaps always exceed the difference between his pay and that of the common labourer; and though it sometimes should, the excess will not be clear gain to the sailor, because he cannot share it with his wife and family, whom he must maintain out of his wages at home.†

The dangers and hair-breadth escapes of a life of adventures, instead of disheartening young people, seem frequently to recommend a trade to them. A tender mother, among the inferior ranks of people, is often afraid to send her son to school at a sea-port town, lest the sight of the ships and the conversation and adventures of the sailors should entice him to go to sea. The distant prospect of hazards, from which we can hope to extricate ourselves by courage and address, is not disagreeable to us, and does not raise the wages of

* It may now be rated at from 50s. to 60s. a month.

† It is singular that Dr. Smith should not have alluded to the practice of impressment, in enumerating the disadvantages incident to the sea service. For some remarks on this odious practice, the effect it has in deterring young men from entering the sea service, and the means by which it might be abolished without injury to the navy, see note on Impressment in the last volume.

labour in any employment. It is otherwise with those in which courage and address can be of no avail. In trades which are known to be very unwholesome, the wages of labour are always remarkably high. Unwholesomeness is a species of disagreeableness, and its effects upon the wages of labour are to be ranked under that general head.

In all the different employments of stock, the ordinary rate of profit varies more or less with the certainty or uncertainty of the returns. These are in general less uncertain in the inland than in the foreign trade, and in some branches of foreign trade than in others; in the trade to North America, for example, than in that to Jamaica. The ordinary rate of profit always rises more or less with the risk. It does not, however, seem to rise in proportion to it, or so as to compensate it completely. Bankruptcies are most frequent in the most hazardous trades. The most hazardous of all trades, that of a smuggler, though when the adventure succeeds it is likewise the most profitable, is the infallible road to bankruptcy. The presumptuous hope of success seems to act here as upon all other occasions, and to entice so many adventurers into those hazardous trades, that their competition reduces their profit below what is sufficient to compensate the risk. To compensate it completely, the common returns ought, over and above the ordinary profits of stock, not only to make up for all occasional losses, but to afford a surplus profit to the adventurers of the same nature with the profit of insurers. But if the common re-

turns were sufficient for all this, bankruptcies would not be more frequent in these than in other trades.

Of the five circumstances, therefore, which vary the wages of labour, two only affect the profits of stock; the agreeableness or disagreeableness of the business, and the risk or security with which it is attended. In point of agreeableness or disagreeableness, there is little or no difference in the far greater part of the different employments of stock; but a great deal in those of labour; and the ordinary profit of stock, though it rises with the risk, does not always seem to rise in proportion to it. It should follow from all this, that, in the same society or neighbourhood, the average and ordinary rates of profit in the different employments of stock should be more nearly upon a level than the pecuniary wages of the different sorts of labour. They are so accordingly. The difference between the earnings of a common labourer and those of a well-employed lawyer or physician, is evidently much greater than that between the ordinary profits in any two different branches of trade. The apparent difference, besides, in the profits of different trades, is generally a deception arising from our not always distinguishing what ought to be considered as wages, from what ought to be considered as profit.

Apothecaries profit is become a by-word, denoting something uncommonly extravagant. This great apparent profit, however, is frequently no more than the reasonable wages of labour. The skill of an apothecary is a much nicer and more delicate matter than that of any artificer whatever;

and the trust which is reposed in him is of much greater importance. He is the physician of the poor in all cases, and of the rich when the distress or danger is not very great. His reward, therefore, ought to be suitable to his skill and his trust, and it arises generally from the price at which he sells his drugs. But the whole drugs which the best employed apothecary, in a large market town, will sell in a year, may not perhaps cost him above thirty or forty pounds. Though he should sell them, therefore, for three or four hundred, or at a thousand per cent. profit, this may frequently be no more than the reasonable wages of his labour, charged, in the only way in which he can charge them, upon the price of his drugs. The greater part of the apparent profit is real wages disguised in the garb of profit.

In a small sea-port town, a little grocer will make forty or fifty per cent. upon a stock of a single hundred pounds, while a considerable wholesale merchant in the same place will scarce make eight or ten per cent. upon a stock of ten thousand. The trade of the grocer may be necessary for the conveniency of the inhabitants, and the narrowness of the market may not admit the employment of a larger capital in the business. The man, however, must not only live by his trade, but live by it suitably to the qualifications which it requires. Besides possessing a little capital, he must be able to read, write, and account, and must be a tolerable judge too of, perhaps, fifty or sixty different sorts of goods, their prices, qualities, and the markets where they are to be had cheapest. He must have

all the knowledge, in short, that is necessary for a great merchant, which nothing hinders him from becoming but the want of a sufficient capital. Thirty or forty pounds a year cannot be considered as too great a recompence for the labour of a person so accomplished. Deduct this from the seemingly great profits of his capital, and little more will remain, perhaps, than the ordinary profits of stock. The greater part of the apparent profit is, in this case too, real wages.

The difference between the apparent profit of the retail and that of the wholesale trade, is much less in the capital than in small towns and country villages. Where ten thousand pounds can be employed in the grocery trade, the wages of the grocer's labour make but a very trifling addition to the real profits of so great a stock. The apparent profits of the wealthy retailer, therefore, are there more nearly upon a level with those of the wholesale merchant. It is upon this account that goods sold by retail are generally as cheap and frequently much cheaper in the capital than in small towns and country villages. Grocery goods, for example, are generally much cheaper; bread, and butcher's meat frequently as cheap. It costs no more to bring grocery goods to the great town than to the country village; but it costs a great deal more to bring corn and cattle, as the greater part of them must be brought from a much greater distance. The prime cost of grocery goods, therefore, being the same in both places, they are cheapest where the least profit is charged upon them. The prime cost of bread and butcher's meat is

greater in the great town than in the country village ; and though the profit is less, therefore, they are not always cheaper there, but often equally cheap. In such articles as bread and butcher's meat, the same cause, which diminishes apparent profit, increases prime cost. The extent of the market, by giving employment to greater stocks, diminishes apparent profit ; but by requiring supplies from a greater distance, it increases prime cost. This diminution of the one and increase of the other seem, in most cases, nearly to counter-balance one another ; which is probably the reason that, though the prices of corn and cattle are commonly very different in different parts of the kingdom, those of bread and butcher's meat are generally very nearly the same through the greater part of it.

Though the profits of stock both in the wholesale and retail trade are generally less in the capital than in small towns and country villages, yet great fortunes are frequently acquired from small beginnings in the former, and scarce ever in the latter. In small towns and country villages, on account of the narrowness of the market, trade cannot always be extended as stock extends. In such places, therefore, though the rate of a particular person's profits may be very high, the sum or amount of them can never be very great, nor consequently that of his annual accumulation. In great towns, on the contrary, trade can be extended as stock increases, and the credit of a frugal and thriving man increases much faster than his stock. His trade is extended in proportion to the amount of

both, and the sum or amount of his profits is in proportion to the extent of his trade, and his annual accumulation in proportion to the amount of his profits. It seldom happens, however, that great fortunes are made even in great towns by any one regular, established, and well-known branch of business, but in consequence of a long life of industry, frugality, and attention. Sudden fortunes, indeed, are sometimes made in such places by what is called the trade of speculation. The speculative merchant exercises no one regular, established, or well-known branch of business. He is a corn merchant this year, and a wine merchant the next, and a sugar, tobacco, or tea merchant the year after. He enters into every trade when he foresees that it is likely to be more than commonly profitable, and he quits it when he foresees that its profits are likely to return to the level of other trades. His profits and losses, therefore, can bear no regular proportion to those of any one established and well-known branch of business. A bold adventurer may sometimes acquire a considerable fortune by two or three successful speculations; but is just as likely to lose one by two or three unsuccessful ones. This trade can be carried on nowhere but in great towns. It is only in places of the most extensive commerce and correspondence that the intelligence requisite for it can be had.

The five circumstances above mentioned, though they occasion considerable inequalities in the wages of labour and profits of stock, occasion none in the whole of the advantages and disadvantages, real or imaginary, of the different employments of either.

The nature of those circumstances is such, that they make up for a small pecuniary gain in some, and counterbalance a great one in others.

In order, however, that this equality may take place in the whole of their advantages or disadvantages, three things are requisite even where there is the most perfect freedom. First, the employments must be well known and long established in the neighbourhood; secondly, they must be in their ordinary, or what may be called their natural state; and, thirdly, they must be the sole or principal employments of those who occupy them.

First, This equality can take place only in those employments which are well known, and have been long established in the neighbourhood.

Where all other circumstances are equal, wages are generally higher in new than in old trades. When a projector attempts to establish a new manufacture, he must at first entice his workmen from other employments by higher wages than they can either earn in their own trades, or than the nature of his work would otherwise require, and a considerable time must pass away before he can venture to reduce them to the common level. Manufactures for which the demand arises altogether from fashion and fancy, are continually changing, and seldom last long enough to be considered as old established manufactures. Those, on the contrary, for which the demand arises chiefly from use or necessity, are less liable to change, and the same form or fabric may continue in demand for whole centuries together. The wages of labour, therefore, are likely to be higher in manufactures of the

former, than in those of the latter kind. Birmingham deals chiefly in manufactures of the former kind; Sheffield in those of the latter; and the wages of labour in those two different places, are said to be suitable to this difference in the nature of their manufactures.

The establishment of any new manufacture, of any new branch of commerce, or of any new practice in agriculture, is always a speculation, from which the projector promises himself extraordinary profits. These profits sometimes are very great, and sometimes, more frequently perhaps, they are quite otherwise; but in general they bear no regular proportion to those of other old trades in the neighbourhood. If the project succeeds, they are commonly at first very high. When the trade or practice becomes thoroughly established and well known, the competition reduces them to the level of other trades.

Secondly, This equality in the whole of the advantages and disadvantages of the different employments of labour and stock, can take place only in the ordinary, or what may be called the natural state of those employments.

The demand for almost every different species of labour is sometimes greater and sometimes less than usual. In the one case the advantages of the employment rise above, in the other they fall below the common level. The demand for country labour is greater at hay-time and harvest than during the greater part of the year; and wages rise with the demand. In time of war, when forty or fifty thousand sailors are forced from the mer-

chant service into that of the king, the demand for sailors to merchant ships necessarily rises with their scarcity, and their wages upon such occasions commonly rise from a guinea and seven-and-twenty shillings, to forty shillings and three pounds a month. In a decaying manufacture, on the contrary, many workmen, rather than quit their old trade, are contented with smaller wages than would otherwise be suitable to the nature of their employment.

The profits of stock vary with the price of the commodities in which it is employed. As the price of any commodity rises above the ordinary or average rate, the profits of at least some part of the stock that is employed in bringing it to market, rise above their proper level, and as it falls they sink below it. All commodities are more or less liable to variations of price, but some are much more so than others. In all commodities which are produced by human industry, the quantity of industry annually employed is necessarily regulated by the annual demand, in such a manner that the average annual produce may, as nearly as possible, be equal to the average annual consumption. In some employments, it has already been observed, the same quantity of industry will always produce the same, or very nearly the same quantity of commodities. In the linen or woollen manufactures, for example, the same number of hands will annually work up very nearly the same quantity of linen and woollen cloth. The variations in the market price of such commodities, therefore, can arise only from some accidental va-

riation in the demand. A public mourning raises the price of black cloth. But as the demand for most sorts of plain linen and woollen cloth is pretty uniform, so is likewise the price. But there are other employments in which the same quantity of industry will not always produce the same quantity of commodities. The same quantity of industry, for example, will, in different years, produce very different quantities of corn, wine, hops, sugar, tobacco, &c. The price of such commodities, therefore, varies not only with the variations of demand, but with the much greater and more frequent variations of quantity, and is consequently extremely fluctuating. But the profit of some of the dealers must necessarily fluctuate with the price of the commodities. The operations of the speculative merchant are principally employed about such commodities. He endeavours to buy them up when he foresees that their price is likely to rise, and to sell them when it is likely to fall.

Thirdly, This equality in the whole of the advantages and disadvantages of the different employments of labour and stock, can take place only in such as are the sole or principal employments of those who occupy them.

When a person derives his subsistence from one employment, which does not occupy the greater part of his time, in the intervals of his leisure he is often willing to work at another for less wages than would otherwise suit the nature of the employment.

There still subsists in many parts of Scotland a set of people called Cotters or Cottagers, though

they were more frequent some years ago than they are now.* They are a sort of out-servants of the landlords and farmers. The usual reward which they receive from their masters is a house, a small garden for pot-herbs, as much grass as will feed a cow, and, perhaps, an acre or two of bad arable land. When their master has occasion for their labour, he gives them, besides, two pecks of oat-meal a week, worth about sixteen pence sterling. During a great part of the year he has little or no occasion for their labour, and the cultivation of their own little possession is not sufficient to occupy the time which is left at their own disposal. When such occupiers were more numerous than they are at present, they are said to have been willing to give their spare time for a very small recompence to any body, and to have wrought for less wages than other labourers. In ancient times they seem to have been common all over Europe. In countries ill cultivated and worse inhabited, the greater part of landlords and farmers could not otherwise provide themselves with the extraordinary number of hands, which country labour requires at certain seasons. The daily or weekly recompence which such labourers occasionally received from their masters, was evidently not the whole price of their labour. Their small tenement made a considerable part of it. This daily or weekly recompence, however, seems to have been considered as the whole of it, by many writers who have collected the prices of labour and pro-

* At present this class is nearly extinct.

visions in ancient times, and who have taken pleasure in representing both as wonderfully low.

The produce of such labour comes frequently cheaper to market than would otherwise be suitable to its nature. Stockings in many parts of Scotland are knit much cheaper than they can anywhere be wrought upon the loom. They are the work of servants and labourers, who derive the principal part of their subsistence from some other employment. More than a thousand pair of Shetland stockings are annually imported into Leith, of which the price is from five pence to seven pence a pair. At Learwick, the small capital of the Shetland islands, ten pence a day, I have been assured, is a common price of common labour. In the same islands they knit worsted stockings to the value of a guinea a pair and upwards.

The spinning of linen yarn is carried on in Scotland nearly in the same way as the knitting of stockings, by servants, who are chiefly hired for other purposes. They earn but a very scanty subsistence, who endeavour to get their whole livelihood by either of those trades. In most parts of Scotland she is a good spinner who can earn twenty pence a week.*

In opulent countries the market is generally so extensive, that any one trade is sufficient to employ the whole labour and stock of those who occupy it. Instances of people's living by one employment, and at the same time deriving some little advantage from another, occur chiefly in poor

* Linen yarn is now principally spun by means of machinery.

countries. The following instance, however, of something of the same kind is to be found in the capital of a very rich one. There is no city in Europe, I believe, in which house-rent is dearer than in London, and yet I know no capital in which a furnished apartment can be hired so cheap. Lodging is not only much cheaper in London than in Paris; it is much cheaper than in Edinburgh of the same degree of goodness; and what may seem extraordinary, the dearness of house-rent is the cause of the cheapness of lodging. The dearness of house-rent in London arises, not only from those causes which render it dear in all great capitals, the dearness of labour, the dearness of all the materials of building, which must generally be brought from a great distance, and above all the dearness of ground-rent, every landlord acting the part of a monopolist, and frequently exacting a higher rent for a single acre of bad land in a town, than can be had for a hundred of the best in the country; but it arises in part from the peculiar manners and customs of the people, which oblige every master of a family to hire a whole house from top to bottom. A dwelling-house in England means every thing that is contained under the same roof. In France, Scotland, and many other parts of Europe, it frequently means no more than a single story. A tradesman in London is obliged to hire a whole house in that part of the town where his customers live. His shop is upon the ground-floor, and he and his family sleep in the garret; and he endeavours to pay a part of his house-rent by letting the two middle stories to

lodgers. He expects to maintain his family by his trade, and not by his lodgers. Whereas, at Paris and Edinburgh, the people who let lodgings, have commonly no other means of subsistence; and the price of the lodging must pay, not only the rent of the house, but the whole expense of the family.

PART II.

INEQUALITIES OCCASIONED BY THE POLICY OF EUROPE.

SUCH are the inequalities in the whole of the advantages and disadvantages of the different employments of labour and stock, which the defect of any of the three requisites above mentioned must occasion, even where there is the most perfect liberty. But the policy of Europe, by not leaving things at perfect liberty, occasions other inequalities of much greater importance.

It does this chiefly in the three following ways. First, by restraining the competition in some employments to a smaller number than would otherwise be disposed to enter into them; secondly, by increasing it in others beyond what it naturally would be; and, thirdly, by obstructing the free circulation of labour and stock, both from employment to employment and from place to place.

First, The policy of Europe occasions a very

important inequality in the whole of the advantages and disadvantages of the different employments of labour and stock, by restraining the competition in some employments to a smaller number than might otherwise be disposed to enter into them.

The exclusive privileges of corporations are the principal means it makes use of for this purpose.

The exclusive privilege of an incorporated trade necessarily restrains the competition, in the town where it is established, to those who are free of the trade.* To have served an apprenticeship in the town, under a master properly qualified, is commonly the necessary requisite for obtaining this freedom. The by-laws of the corporation regulate sometimes the number of apprentices which any master is allowed to have, and almost always the number of years which each apprentice is obliged to serve. The intention of both regulations is to restrain the competition to a much smaller number than might otherwise be disposed to enter into the trade. The limitation of the number of apprentices restrains it directly. A long term of apprenticeship restrains it more indirectly, but as effectually, by increasing the expense of education.

* Although there can be no doubt that corporation privileges are both oppressive and vexatious, still I cannot help thinking that their injurious operation has been considerably exaggerated by Dr. Smith. Competition is always free among the members of every corporation; and there are but few in which the number of members is not so considerable as to preclude the chance of their forming any effectual combination for a rise of prices.

In Sheffield no master cutler can have more than one apprentice at a time, by a by-law of the corporation. In Norfolk and Norwich no master weaver can have more than two apprentices, under pain of forfeiting five pounds a month to the king. No master hatter can have more than two apprentices anywhere in England, or in the English plantations, under pain of forfeiting five pounds a month, half to the king, and half to him who shall sue in any court of record. Both these regulations, though they have been confirmed by a public law of the kingdom, are evidently dictated by the same corporation spirit which enacted the by-law of Sheffield. The silk weavers in London had scarce been incorporated a year when they enacted a by-law, restraining any master from having more than two apprentices at a time. It required a particular act of parliament to rescind this by-law.

Seven years seem anciently to have been, all over Europe, the usual term established for the duration of apprenticeships in the greater part of incorporated trades. All such incorporations were anciently called universities; which indeed is the proper Latin name for any incorporation whatever. The university of smiths, the university of tailors, &c. are expressions which we commonly meet with in the old charters of ancient towns. When those particular incorporations which are now peculiarly called universities were first established, the term of years which it was necessary to study, in order to obtain the degree of master of arts, appears evidently to have been copied from the term of ap-

prenticeship in common trades, of which the incorporations were much more ancient. As to have wrought seven years under a master properly qualified, was necessary, in order to entitle any person to become a master, and to have himself apprentices in a common trade; so to have studied seven years under a master properly qualified, was necessary to entitle him to become a master, teacher, or doctor (words anciently synonymous) in the liberal arts, and to have scholars or apprentices (words likewise originally synonymous) to study under him.

By the 5th of Elizabeth, commonly called the Statute of Apprenticeship, it was enacted, that no person should for the future exercise any trade, craft, or mystery at that time exercised in England, unless he had previously served to it an apprenticeship of seven years at least; and what before had been the by-law of many particular corporations, became in England the general and public law of all the trades carried on in market towns. For though the words of the statute are very general, and seem plainly to include the whole kingdom, by interpretation its operation has been limited to market towns, it having been held that in country villages a person may exercise several different trades, though he has not served a seven years apprenticeship to each, they being necessary for the conveniency of the inhabitants, and the number of people frequently not being sufficient to supply each with a particular set of hands.*

* The statute of apprenticeship was repealed in 1814, by the statute 54 Geo. III. cap. 96. This act did not, however, interfere with

By a strict interpretation of the words too the operation of this statute has been limited to those trades which were established in England before the 5th of Elizabeth, and has never been extended to such as have been introduced since that time. This limitation has given occasion to several distinctions which, considered as rules of police, appear as foolish as can well be imagined. It has been adjudged, for example, that a coachmaker can neither himself make nor employ journeymen to make his coach-wheels, but must buy them of a master wheel-wright; this latter trade having been exercised in England before the 5th of Elizabeth. But a wheel-wright, though he has never served an apprenticeship to a coachmaker; may either himself make or employ journeymen to make coaches; the trade of a coachmaker not being within the statute, because not exercised in England at the time when it was made. The manufactures of Manchester, Birmingham, and Wolverhampton, are many of them, upon this account, not within the statute; not having been exercised in England before the 5th of Elizabeth.

In France, the duration of apprenticeships is different in different towns and in different trades. In Paris five years is the term required in a great number; but before any person can be qualified

any of the existing rights, privileges, or by-laws, of the different legally constituted corporations; but wherever these do not stand in the way, the formation of apprenticeships, and their duration, is now left to be entirely adjusted by the parties themselves.

to exercise the trade as a master, he must, in many of them, serve five years more as a journeyman. During this latter term he is called the companion of his master, and the term itself is called his companionship.

In Scotland there is no general law which regulates universally the duration of apprenticeships. The term is different in different corporations. Where it is long, a part of it may generally be redeemed by paying a small fine. In most towns too a very small fine is sufficient to purchase the freedom of any corporation. The weavers of linen and hempen cloth, the principal manufactures of the country, as well as all other artificers subservient to them, wheelmakers, reelmakers, &c. may exercise their trades in any town corporate without paying any fine. In all towns corporate all persons are free to sell butcher's meat upon any lawful day of the week. Three years is in Scotland a common term of apprenticeship, even in some very nice trades; and in general I know of no country in Europe in which corporation laws are so little oppressive.

The property which every man has in his own labour, as it is the original foundation of all other property, so it is the most sacred and inviolable. The patrimony of a poor man lies in the strength and dexterity of his hands; and to hinder him from employing this strength and dexterity in what manner he thinks proper without injury to his neighbour, is a plain violation of this most sacred property. It is a manifest encroachment upon

the just liberty both of the workman and of those who might be disposed to employ him. As it hinders the one from working at what he thinks proper, so it hinders the others from employing whom they think proper. To judge whether he is fit to be employed, may surely be trusted to the discretion of the employers whose interest it so much concerns. The affected anxiety of the lawgiver, lest they should employ an improper person, is evidently as impertinent as it is oppressive.

The institution of long apprenticeships can give no security that insufficient workmanship shall not frequently be exposed to public sale. When this is done it is generally the effect of fraud, and not of inability; and the longest apprenticeship can give no security against fraud. Quite different regulations are necessary to prevent this abuse. The sterling mark upon plate, and the stamps upon linen and woollen cloth, give the purchaser much greater security than any statute of apprenticeship. He generally looks at these, but never thinks it worth while to inquire whether the workman had served a seven years apprenticeship.

The institution of long apprenticeships has no tendency to form young people to industry. A journeyman who works by the piece is likely to be industrious, because he derives a benefit from every exertion of his industry. An apprentice is likely to be idle, and almost always is so, because he has no immediate interest to be otherwise. In the inferior employments, the sweets of labour consist altogether in the recompence of labour. They

who are soonest in a condition to enjoy the sweets of it, are likely soonest to conceive a relish for it, and to acquire the early habit of industry. A young man naturally conceives an aversion to labour, when for a long time he receives no benefit from it. The boys who are put out apprentices from public charities are generally bound for more than the usual number of years, and they generally turn out very idle and worthless.

Apprenticeships were altogether unknown to the ancients. The reciprocal duties of master and apprentice make a considerable article in every modern code. The Roman law is perfectly silent with regard to them. I know no Greek or Latin word (I might venture, I believe, to assert that there is none) which expresses the idea we now annex to the word Apprentice, a servant bound to work at a particular trade for the benefit of a master, during a term of years, upon condition that the master shall teach him that trade.

Long apprenticeships are altogether unnecessary. The arts, which are much superior to common trades, such as those of making clocks and watches, contain no such mystery as to require a long course of instruction. The first invention of such beautiful machines, indeed, and even that of some of the instruments employed in making them, must, no doubt, have been the work of deep thought and long time, and may justly be considered as among the happiest efforts of human ingenuity. But when both have been fairly invented and are well understood, to explain to any young man, in the

completest manner, how to apply the instruments and how to construct the machines, cannot well require more than the lessons of a few weeks: perhaps those of a few days might be sufficient. In the common mechanic trades, those of a few days might certainly be sufficient. The dexterity of hand, indeed, even in common trades, cannot be acquired without much practice and experience. But a young man would practise with much more diligence and attention, if from the beginning he wrought as a journeyman, being paid in proportion to the little work which he could execute, and paying in his turn for the materials which he might sometimes spoil through awkwardness and inexperience: His education would generally in this way be more effectual, and always less tedious and expensive. The master, indeed, would be a loser. He would lose all the wages of the apprentice, which he now saves, for seven years together. In the end, perhaps, the apprentice himself would be a loser. In a trade so easily learnt he would have more competitors, and his wages, when he came to be a complete workman, would be much less than at present. The same increase of competition would reduce the profits of the masters as well as the wages of the workmen. The trades, the crafts, the mysteries, would all be losers. But the public would be a gainer, the work of all artificers coming in this way much cheaper to market.

It is to prevent this reduction of price, and consequently of wages and profit, by restraining that free competition which would most certainly oc-

casation it, that all corporations, and the greater part of corporation laws, have been established. In order to erect a corporation, no other authority in ancient times was requisite in many parts of Europe, but that of the town corporate in which it was established. In England, indeed, a charter from the king was likewise necessary. But this prerogative of the crown seems to have been reserved rather for extorting money from the subject, than for the defence of the common liberty against such oppressive monopolies. Upon paying a fine to the king, the charter seems generally to have been readily granted; and when any particular class of artificers or traders thought proper to act as a corporation without a charter, such adulterine guilds, as they were called, were not always disfranchised upon that account, but obliged to fine annually to the king for permission to exercise their usurped privileges.* The immediate inspection of all corporations, and of the by-laws which they might think proper to enact for their own government, belonged to the town corporate in which they were established; and whatever discipline was exercised over them, proceeded commonly not from the king, but from that greater incorporation of which those subordinate ones were only parts or members.

The government of towns corporate was altogether in the hands of traders and artificers; and it was the manifest interest of every particular class of them, to prevent the market from being over-

* See Madox Firma Burgi, p. 26, &c.

stocked, as they commonly express it, with their own particular species of industry ; which is in reality to keep it always under-stocked. Each class was eager to establish regulations proper for this purpose, and, provided it was allowed to do so, was willing to consent that every other class should do the same. In consequence of such regulations, indeed, each class was obliged to buy the goods they had occasion for from every other within the town, somewhat dearer than they otherwise might have done. But in recompence, they were enabled to sell their own just as much dearer ; so that so far it was as broad as long, as they say ; and in the dealings of the different classes within the town with one another, none of them were losers by these regulations. But in their dealings with the country they were all great gainers ; and in these latter dealings consists the whole trade which supports and enriches every town.

Every town draws its whole subsistence, and all the materials of its industry, from the country. It pays for these chiefly in two ways : first, by sending back to the country a part of those materials wrought up and manufactured ; in which case their price is augmented by the wages of the workmen, and the profits of their masters or immediate employers : secondly, by sending to it a part both of the rude and manufactured produce, either of other countries, or of distant parts of the same country, imported into the town ; in which case too the original price of those goods is augmented by the wages of the carriers or sailors, and by the profits of the merchants who employ them. In

what is gained upon the first of those two branches of commerce, consists the advantage which the town makes by its manufactures; in what is gained upon the second, the advantage of its inland and foreign trade. The wages of the workmen, and the profits of their different employers, make up the whole of what is gained upon both. Whatever regulations, therefore, tend to increase those wages and profits beyond what they otherwise would be, tend to enable the town to purchase, with a smaller quantity of its labour, the produce of a greater quantity of the labour of the country. They give the traders and artificers in the town an advantage over the landlords, farmers, and labourers in the country, and break down that natural equality which would otherwise take place in the commerce which is carried on between them. The whole annual produce of the labour of the society is annually divided between those two different sets of people. By means of those regulations a greater share of it is given to the inhabitants of the town than would otherwise fall to them; and a less to those of the country.

The price which the town really pays for the provisions and materials annually imported into it, is the quantity of manufactures and other goods annually exported from it. The dearer the latter are sold, the cheaper the former are bought. The industry of the town becomes more, and that of the country less advantageous.

That the industry which is carried on in towns is, everywhere in Europe, more advantageous than that which is carried on in the country, without en-

tering into any very nice computations, we may satisfy ourselves by one very simple and obvious observation. In every country of Europe we find, at least, a hundred people who have acquired great fortunes from small beginnings by trade and manufactures, the industry which properly belongs to towns, for one who has done so by that which properly belongs to the country, the raising of rude produce by the improvement and cultivation of land. Industry, therefore, must be better rewarded, the wages of labour and the profits of stock must evidently be greater in the one situation than in the other.* But stock and labour naturally seek the most advantageous employment. They naturally, therefore, resort as much as they can to the town, and desert the country.

The inhabitants of a town, being collected into one place, can easily combine together. The most insignificant trades carried on in towns have accordingly, in some place or other, been incorporated; and even where they have never been incorporated, yet the corporation spirit, the jealousy of strangers, the aversion to take apprentices, or to communicate the secret of their trade, generally prevail in them, and often teach them, by voluntary associations and agreements, to prevent that free competition which they cannot prohibit by by-laws. The trades which employ but a small number of hands, run most easily into such combinations.

* Industry is not really, upon an average, better rewarded in towns than in the country; but traders and manufacturers residing in a town have, as Dr. Smith has already explained, a *greater field* for the prosecution of their industry, or greater opportunities for making a fortune by the employment of a large capital.

Half a dozen woolcombers, perhaps, are necessary to keep a thousand spinners and weavers at work. By combining not to take apprentices they can not only engross the employment, but reduce the whole manufacture into a sort of slavery to themselves, and raise the price of their labour much above what is due to the nature of their work.

The inhabitants of the country, dispersed in distant places, cannot easily combine together. They have not only never been incorporated, but the corporation spirit never has prevailed among them. No apprenticeship has ever been thought necessary to qualify for husbandry, the great trade of the country. After what are called the fine arts, and the liberal professions, however, there is perhaps no trade which requires so great a variety of knowledge and experience. The innumerable volumes which have been written upon it in all languages, may satisfy us, that among the wisest and most learned nations, it has never been regarded as a matter very easily understood. And from all those volumes we shall in vain attempt to collect, that knowledge of its various and complicated operations, which is commonly possessed even by the common farmer; how contemptuously soever the very contemptible authors of some of them may sometimes affect to speak of him. There is scarce any common mechanic trade, on the contrary, of which all the operations may not be as completely and distinctly explained in a pamphlet of a very few pages, as it is possible for words illustrated by figures to explain them. In the history of the arts, now publishing by the French academy of sciences,

several of them are actually explained in this manner. The direction of operations, besides, which must be varied with every change of the weather, as well as with many other accidents, requires much more judgment and discretion than that of those which are always the same or very nearly the same.

Not only the art of the farmer, the general direction of the operations of husbandry, but many inferior branches of country labour require much more skill and experience than the greater part of mechanic trades. The man who works upon brass and iron, works with instruments and upon materials of which the temper is always the same, or very nearly the same. But the man who ploughs the ground with a team of horses or oxen, works with instruments of which the health, strength, and temper, are very different upon different occasions. The condition of the materials which he works upon too is as variable as that of the instruments which he works with, and both require to be managed with much judgment and discretion. The common ploughman, though generally regarded as the pattern of stupidity and ignorance, is seldom defective in this judgment and discretion. He is less accustomed, indeed, to social intercourse than the mechanic who lives in a town. His voice and language are more uncouth and more difficult to be understood by those who are not used to them. His understanding, however, being accustomed to consider a greater variety of objects, is generally much superior to that of the other, whose whole attention from

morning till night is commonly occupied in performing one or two very simple operations. How much the lower ranks of people in the country are really superior to those of the town, is well known to every man whom either business or curiosity has led to converse much with both.* In China

* Whatever may have been the case formerly, the statement in the text is most certainly inapplicable at present. Instead of its being true that the workmen employed in manufactures and commerce are less intelligent and acute than those employed in agriculture, the fact is distinctly and completely the reverse. The weavers, and other mechanics of Glasgow, Manchester, and Birmingham, possess infinitely more general and useful information than is possessed by the agricultural labourers of any county in the empire. And this is really what a more unprejudiced inquiry into the subject would have led us to anticipate. The various occupations in which the husbandman is made successively to engage, their constant liability to be affected by so variable a power as the weather, and the perpetual change in the appearance of the objects which daily meet his eyes, and with which he is conversant, occupy his attention, and render him a stranger to that ennui and desire for extrinsic and adventitious excitement which must ever be felt by those who are constantly engaged in burnishing the point of a pin, or in performing the same endless routine of precisely similar operations. This want of excitement cannot, however, be so cheaply or effectually gratified in any other way as it may be by *stimulating*—that is, by cultivating the mental powers. The generality of workmen have no time for dissipation; and if they had, the wages of labour in all old settled and densely peopled countries are too low, and the propensity to save and accumulate too powerful, to permit any large proportion of them seeking to divert themselves by indulging in riot and excess. They are thus driven to seek for recreation in mental excitement; and the circumstances under which they are placed afford them every possible facility for gratifying themselves in this manner. By working together in considerable numbers they have, what the agriculturists generally want, constant opportunities of discussing every topic of interest or importance; they are thus gradually trained to habits of thinking and reflection; their intellects are sharpened by the collision of conflicting opinions; and a small contribution from each individual enables them to obtain a large supply of newspapers and of the cheaper class of periodical publications. But whatever difference

and Indostan, accordingly, both the rank and the wages of country labourers are said to be superior to those of the greater part of artificers and manufacturers. They would probably be so everywhere, if corporation laws and the corporation spirit did not prevent it.

The superiority which the industry of the towns has everywhere in Europe over that of the country, is not altogether owing to corporations and corporation laws. It is supported by many other regulations. The high duties upon foreign manufactures and upon all goods imported by alien merchants, all tend to the same purpose. Corporation laws enable the inhabitants of towns to raise their prices, without fearing to be under-sold by the free competition of their own countrymen. Those other regulations secure them equally against that of foreigners.* The enhancement of price occasioned by both is everywhere finally paid by the landlords, farmers, and labourers of the country,

of opinion may exist respecting the *cause*, there can be no doubt of the fact, that the intelligence of the workmen employed in manufactures and commerce has increased according as their numbers have increased, and as their employments have been more and more subdivided. I do not think that there are any good grounds for supposing that they were ever less intelligent than the agriculturists; though, whatever may have been the case a century since, no one will now venture to affirm that they are inferior to them in intellectual acquirements, or that they are mere machines without sentiment or reason.

* These regulations have not been productive of any real advantage to the towns; they have attracted a greater proportion of capital and industry to certain employments than what properly belonged to them; but as competition has been always free among the inhabitants of the towns, it is quite impossible that they can have had the effect to raise their profits sensibly above the common and ordinary rate of profit in the country at large.

who have seldom opposed the establishment of such monopolies. They have commonly neither inclination nor fitness to enter into combinations ;* and the clamour and sophistry of merchants and manufacturers easily persuade them that the private interest of a part, and of a subordinate part of the society, is the general interest of the whole.

In Great Britain the superiority of the industry of the towns over that of the country, seems to have been greater formerly than in the present times. The wages of country labour approach nearer to those of manufacturing labour, and the profits of stock employed in agriculture to those of trading and manufacturing stock, than they are said to have done in the last century, or in the beginning of the present. This change may be regarded as the necessary, though very late consequence of the extraordinary encouragement given to the industry of the towns. The stock accumulated in them comes in time to be so great, that it can no longer be employed with the ancient profit in that species of industry which is peculiar to them. That industry has its limits like every other ; and the increase of stock, by increasing the competition, necessarily reduces the profit. The lowering of profit in the town forces out stock to the country, where, by creating a new demand for country labour, it necessarily raises its wages. It then spreads itself, if I may say so, over the face of the land, and by being employed in agriculture is in part restored to the country, at the expense

* Had Dr. Smith witnessed the proceedings that have taken place during the last thirty years with respect to the corn laws, he would, perhaps, have somewhat modified this statement.

of which, in a great measure, it had originally been accumulated in the town. That everywhere in Europe the greatest improvements of the country have been owing to such overflowings of the stock originally accumulated in the towns, I shall endeavour to show hereafter; and at the same time to demonstrate, that though some countries have by this course attained to a considerable degree of opulence, it is in itself necessarily slow, uncertain, liable to be disturbed and interrupted by innumerable accidents, and in every respect contrary to the order of nature and of reason. The interests, prejudices, laws and customs which have given occasion to it, I shall endeavour to explain as fully and distinctly as I can in the third and fourth books of this inquiry.

People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.* It is impracticable indeed to prevent such meetings, by any law which either could be executed, or would be consistent with liberty and justice. But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies; much less to render them necessary.

A regulation which obliges all those of the same

* But it is next to impossible for any such contrivance to have the effect supposed. The interest of individuals to secede from a combination to force prices up to an artificial elevation, the moment it begins to take effect, is always too great to allow it to be maintained for any considerable period.

trade in a particular town to enter their names and places of abode in a public register, facilitates such assemblies. It connects individuals who might never otherwise be known to one another, and gives every man of the trade a direction where to find every other man of it.

A regulation which enables those of the same trade to tax themselves in order to provide for their poor, their sick, their widows and orphans, by giving them a common interest to manage, renders such assemblies necessary.

An incorporation not only renders them necessary, but makes the act of the majority binding upon the whole. In a free trade an effectual combination cannot be established but by the unanimous consent of every single trader, and it cannot last longer than every single trader continues of the same mind. The majority of a corporation can enact a by-law with proper penalties, which will limit the competition more effectually and more durably than any voluntary combination whatever.

The pretence that corporations are necessary for the better government of the trade, is without any foundation. The real and effectual discipline which is exercised over a workman, is not that of his corporation, but that of his customers. It is the fear of losing their employment which restrains his frauds and corrects his negligence. An exclusive corporation necessarily weakens the force of this discipline. A particular set of workmen must then be employed, let them behave well or ill. It is upon this account that in many large incorpo-

rated towns no tolerable workmen are to be found, even in some of the most necessary trades. If you would have your work tolerably executed, it must be done in the suburbs, where the workmen, having no exclusive privilege, have nothing but their character to depend upon; and you must then smuggle it into the town as well as you can.

It is in this manner that the policy of Europe, by restraining the competition in some employments to a smaller number than would otherwise be disposed to enter into them, occasions a very important inequality in the whole of the advantages and disadvantages of the different employments of labour and stock.

Secondly, The policy of Europe, by increasing the competition in some employments beyond what it naturally would be, occasions another inequality of an opposite kind in the whole of the advantages and disadvantages of the different employments of labour and stock.

It has been considered as of so much importance that a proper number of young people should be educated for certain professions, that sometimes the public and sometimes the piety of private founders have established many pensions, scholarships, exhibitions, bursaries, &c. for this purpose, which draw many more people into those trades than could otherwise pretend to follow them. In all Christian countries, I believe, the education of the greater part of churchmen is paid for in this manner. Very few of them are educated altogether at their own expense. The long, tedious, and expensive education, therefore, of those who

are, will not always procure them a suitable reward, the church being crowded with people who, in order to get employment, are willing to accept of a much smaller recompence than what such an education would otherwise have entitled them to ; and in this manner the competition of the poor takes away the reward of the rich. It would be indecent, no doubt, to compare either a curate or a chaplain with a journeyman in any common trade. The pay of a curate or chaplain, however, may very properly be considered as of the same nature with the wages of a journeyman. They are, all three, paid for their work according to the contract which they may happen to make with their respective superiors. Till after the middle of the fourteenth century, five merks, containing about as much silver as ten pounds of our present money, was in England the usual pay of a curate or a stipendiary parish priest, as we find it regulated by the decrees of several different national councils. At the same period four pence a day, containing the same quantity of silver as a shilling of our present money, was declared to be the pay of a master mason, and three pence a day, equal to nine pence of our present money, that of a journeyman mason.* The wages of both these labourers, therefore, supposing them to have been constantly employed, were much superior to those of the curate. The wages of the master mason, supposing him to have been without employment one third of the year, would have fully equalled

* See the statute of labourers, 25 Ed. III.

them. By the 12th of Queen Anne, c. 12, it is declared, "That whereas for want of sufficient maintenance and encouragement to curates, the cures have in several places been meanly supplied, the bishop is, therefore, empowered to appoint by writing under his hand and seal a sufficient certain stipend or allowance, not exceeding fifty and not less than twenty pounds a year." Forty pounds a year is reckoned at present very good pay for a curate, and notwithstanding this act of parliament, there are many curacies under twenty pounds a year.* There are journeymen shoe-makers in London who earn forty pounds a year, and there is scarce an industrious workman of any kind in that metropolis who does not earn more than twenty. This last sum indeed does not exceed what is frequently earned by common labourers in many country parishes. Whenever the law has attempted to regulate the wages of workmen, it has always been rather to lower them than to raise them. But the law has upon many occasions attempted to raise the wages of curates, and for the dignity of the church, to oblige the rectors of parishes to give them more than the wretched maintenance which they themselves might be willing to accept of. And in both cases the law

* By an act passed in 1817, (57 Geo. III. cap. 99,) the bishops are empowered to license curates and assign them salaries, which are in no case to be *less* than L.80 a year, and which are to increase up to L.150 a year, according as the population of the parish increases in magnitude. But though this act has certainly made a very decided improvement in the condition of curates, still it may be doubted, for the reasons stated by Dr. Smith, whether its provisions are not sometimes defeated by a private arrangement between them and their employers.

seems to have been equally ineffectual, and has never either been able to raise the wages of curates, or to sink those of labourers to the degree that was intended; because it has never been able to hinder either the one from being willing to accept of less than the legal allowance, on account of the indigence of their situation and the multitude of their competitors; or the other from receiving more, on account of the contrary competition of those who expected to derive either profit or pleasure from employing them.

The great benefices and other ecclesiastical dignities support the honour of the church, notwithstanding the mean circumstances of some of its inferior members. The respect paid to the profession too makes some compensation even to them for the meanness of their pecuniary recompence. In England, and in all Roman Catholic countries, the lottery of the church is in reality much more advantageous than is necessary. The example of the churches of Scotland, of Geneva, and of several other protestant churches, may satisfy us that in so creditable a profession, in which education is so easily procured, the hopes of much more moderate benefices will draw a sufficient number of learned, decent, and respectable men into holy orders.*

In professions in which there are no benefices,

* By an act passed in 1812, the stipends of such Scotch clergymen as were below L.150 a year, exclusive of their houses and glebes, were raised to that sum. It seems, however, to be generally admitted that such an income is inadequate to support a clergyman in his proper station; and that the minimum stipend, exclusive of glebes and houses, ought to be raised to L.200 or L.250 a year.

such as law and physic, if an equal proportion of people were educated at the public expense, the competition would soon be so great, as to sink very much their pecuniary reward. It might then not be worth any man's while to educate his son to either of those professions at his own expense. They would be entirely abandoned to such as had been educated by those public charities, whose numbers and necessities would oblige them in general to content themselves with a very miserable recompence, to the entire degradation of the now respectable professions of law and physic.

That unprosperous race of men commonly called men of letters, are pretty much in the situation which lawyers and physicians probably would be in upon the foregoing supposition. In every part of Europe the greater part of them have been educated for the church, but have been hindered by different reasons from entering into holy orders. They have generally, therefore, been educated at the public expense, and their numbers are everywhere so great as commonly to reduce the price of their labour to a very paltry recompence.

Before the invention of the art of printing, the only employment by which a man of letters could make any thing by his talents, was that of a public or private teacher, or by communicating to other people the curious and useful knowledge which he had acquired himself: And this is still surely a more honourable, a more useful, and in general even a more profitable employment than that other of writing for a bookseller, to which the art of printing has given occasion. The time and study,

the genius, knowledge, and application requisite to qualify an eminent teacher of the sciences, are at least equal to what is necessary for the greatest practitioners in law and physic. But the usual reward of the eminent teacher bears no proportion to that of the lawyer or physician; because the trade of the one is crowded with indigent people who have been brought up to it at the public expense; whereas those of the other two are incumbered with very few who have not been educated at their own. The usual recompence, however, of public and private teachers, small as it may appear, would undoubtedly be less than it is, if the competition of those yet more indigent men of letters who write for bread was not taken out of the market. Before the invention of the art of printing, a scholar and a beggar seem to have been terms very nearly synonymous. The different governors of the universities before that time appear to have often granted licences to their scholars to beg.

In ancient times, before any charities of this kind had been established for the education of indigent people to the learned professions, the rewards of eminent teachers appear to have been much more considerable. Isocrates, in what is called his discourse against the sophists, reproaches the teachers of his own times with inconsistency. "They make the most magnificent promises to their scholars," says he, "and undertake to teach them to be wise, to be happy, and to be just, and in return for so important a service they stipulate the paltry reward of four or five minæ. They who teach wisdom," continues he, "ought certainly to be

wise themselves ; but if any man were to sell such a bargain for such a price, he would be convicted of the most evident folly." He certainly does not mean here to exaggerate the reward, and we may be assured that it was not less than he represents it. Four minæ were equal to thirteen pounds six shillings and eight pence ; five minæ to sixteen pounds thirteen shillings and four pence.* Something not less than the largest of those two sums, therefore, must at that time have been usually paid to the most eminent teachers at Athens. Isocrates himself demanded ten minæ, or thirty-three pounds six shillings and eight pence, from each scholar. When he taught at Athens, he is said to have had an hundred scholars. I understand this to be the number whom he taught at one time, or who attended what we would call one course of lectures, a number which will not appear extraordinary from so great a city to so famous a teacher, who taught too what was at that time the most fashionable of all sciences, rhetoric. He must have made, therefore, by each course of lectures, a thousand minæ, or L.3338, 6s. 8d. A thousand minæ, accordingly, is said by Plutarch in another place, to have been his didactron, or usual price of teaching. Many other eminent teachers in those times appear to have acquired great fortunes. Gorgias made a

* Dr. Smith has followed the estimate of Dr. Arbuthnot, who supposes the Attic mina to have been equivalent to L.3, 6s. 8d. There are very cogent reasons, however, for supposing that this estimate is greatly exaggerated, and that very little reliance can be placed on any of Arbuthnot's Tables. See Garnier, *Richesse des Nations*, tome v. p. 408, and the article Money in the Supplement to the Encyclopædia Britannica.

present to the temple of Delphi of his own statue in solid gold. We must not, I presume, suppose that it was as large as the life. His way of living, as well as that of Hippias and Protagoras, two other eminent teachers of those times, is represented by Plato as splendid even to ostentation. Plato himself is said to have lived with a good deal of magnificence. Aristotle, after having been tutor to Alexander, and most munificently rewarded, as it is universally agreed, both by him and his father Philip, thought it worth while, notwithstanding, to return to Athens, in order to resume the teaching of his school. Teachers of the sciences were probably in those times less common than they came to be in an age or two afterwards, when the competition had probably somewhat reduced both the price of their labour and the admiration for their persons. The most eminent of them, however, appear always to have enjoyed a degree of consideration much superior to any of the like profession in the present times. The Athenians sent Carneades the academic, and Diogenes the stoic, upon a solemn embassy to Rome; and though their city had then declined from its former grandeur, it was still an independent and considerable republic. Carneades too was a Babylonian by birth, and as there never was a people more jealous of admitting foreigners to public offices than the Athenians, their consideration for him must have been very great.

This inequality is, upon the whole, perhaps, rather advantageous than hurtful to the public. It may somewhat degrade the profession of a public

teacher; but the cheapness of literary education is surely an advantage which greatly overbalances this trifling inconveniency. The public too might derive still greater benefit from it, if the constitution of those schools and colleges, in which education is carried on, was more reasonable than it is at present through the greater part of Europe.

Thirdly, The policy of Europe, by obstructing the free circulation of labour and stock both from employment to employment, and from place to place, occasions in some cases a very inconvenient inequality in the whole of the advantages and disadvantages of their different employments.

The statute of apprenticeship obstructs the free circulation of labour from one employment to another, even in the same place. The exclusive privileges of corporations obstruct it from one place to another, even in the same employment.

It frequently happens that while high wages are given to the workmen in one manufacture, those in another are obliged to content themselves with bare subsistence. The one is in an advancing state, and has, therefore, a continual demand for new hands: the other is in a declining state, and the superabundance of hands is continually increasing. Those two manufactures may sometimes be in the same town, and sometimes in the same neighbourhood, without being able to lend the least assistance to one another. The statute of apprenticeship may oppose it in the one case, and both that and an exclusive corporation in the other. In many different manufactures, however, the operations are so much alike, that the workmen could easily

change trades with one another, if those absurd laws did not hinder them. The arts of weaving plain linen and plain silk, for example, are almost entirely the same. That of weaving plain woollen is somewhat different; but the difference is so insignificant, that either a linen or a silk weaver might become a tolerable workman in a very few days. If any of those three capital manufactures, therefore, were decaying, the workmen might find a resource in one of the other two which was in a more prosperous condition; and their wages would neither rise too high in the thriving, nor sink too low in the decaying manufacture. The linen manufacture indeed is, in England, by a particular statute, open to every body; but as it is not much cultivated through the greater part of the country, it can afford no general resource to the workmen of other decaying manufactures, who, wherever the statute of apprenticeship takes place, have no other choice but either to come upon the parish, or to work as common labourers, for which, by their habits, they are much worse qualified than for any sort of manufacture that bears any resemblance to their own. They generally, therefore, choose to come upon the parish.

Whatever obstructs the free circulation of labour from one employment to another, obstructs that of stock likewise; the quantity of stock which can be employed in any branch of business depending very much upon that of the labour which can be employed in it. Corporation laws, however, give less obstruction to the free circulation of stock from one place to another than to that of labour. It is

everywhere much easier for a wealthy merchant to obtain the privilege of trading in a town corporate, than for a poor artificer to obtain that of working in it.

The obstruction which corporation laws give to the free circulation of labour is common, I believe, to every part of Europe. That which is given to it by the poor laws is, so far as I know, peculiar to England. It consists in the difficulty which a poor man finds in obtaining a settlement, or even in being allowed to exercise his industry in any parish but that to which he belongs. It is the labour of artificers and manufacturers only of which the free circulation is obstructed by corporation laws. The difficulty of obtaining settlements obstructs even that of common labour. It may be worth while to give some account of the rise, progress, and present state of this disorder, the greatest perhaps of any in the police of England.

When by the destruction of monasteries the poor had been deprived of the charity of those religious houses, after some other ineffectual attempts for their relief, it was enacted by the 43d of Elizabeth, c. 2, that every parish should be bound to provide for its own poor; and that overseers of the poor should be annually appointed, who, with the churchwardens, should raise by a parish rate, competent sums for this purpose.

By this statute the necessity of providing for their own poor was indispensably imposed upon every parish. Who were to be considered as the poor of each parish, became, therefore, a question of some importance. This question, after some

variation, was at last determined by the 13th and 14th of Charles II. when it was enacted, that forty days undisturbed residence should gain any person a settlement in any parish; but that within that time it should be lawful for two justices of the peace, upon complaint made by the churchwardens or overseers of the poor, to remove any new inhabitant to the parish where he was last legally settled; unless he either rented a tenement of ten pounds a year, or could give such security for the discharge of the parish where he was then living, as those justices should judge sufficient.

Some frauds, it is said, were committed in consequence of this statute; parish officers sometimes bribing their own poor to go clandestinely to another parish, and by keeping themselves concealed for forty days to gain a settlement there, to the discharge of that to which they properly belonged. It was enacted, therefore, by the 1st of James II. that the forty days undisturbed residence of any person necessary to gain a settlement, should be accounted only from the time of his delivering notice in writing, of the place of his abode and the number of his family, to one of the churchwardens or overseers of the parish where he came to dwell.

But parish officers, it seems, were not always more honest with regard to their own, than they had been with regard to other parishes, and sometimes connived at such intrusions, receiving the notice, and taking no proper steps in consequence of it. As every person in a parish, therefore, was supposed to have an interest to prevent as much as possible their being burdened by such intruders,

it was further enacted by the 3d of William III. that the forty days residence should be accounted only from the publication of such notice in writing on Sunday in the church, immediately after divine service.

“After all,” says Doctor Burn, “this kind of settlement, by continuing forty days after publication of notice in writing, is very seldom obtained; and the design of the acts is not so much for gaining of settlements, as for the avoiding of them, by persons coming into a parish clandestinely: for the giving of notice is only putting a force upon the parish to remove. But if a person’s situation is such, that it is doubtful whether he is actually removable or not, he shall by giving of notice compel the parish either to allow him a settlement uncontested, by suffering him to continue forty days; or, by removing him, to try the right.”

This statute, therefore, rendered it almost impracticable for a poor man to gain a new settlement in the old way, by forty days inhabitancy. But that it might not appear to preclude altogether the common people of one parish from ever establishing themselves with security in another, it appointed four other ways by which a settlement might be gained without any notice delivered or published. The first was, by being taxed to parish rates and paying them; the second, by being elected into an annual parish office, and serving in it a year; the third, by serving an apprenticeship in the parish; the fourth, by being hired into service there for a year, and continuing in the same service during the whole of it.

Nobody can gain a settlement by either of the two first ways, but by the public deed of the whole parish, who are too well aware of the consequences to adopt any new comer who has nothing but his labour to support him, either by taxing him to parish rates, or by electing him into a parish office.

No married man can well gain any settlement in either of the two last ways. An apprentice is scarce ever married; and it is expressly enacted, that no married servant shall gain any settlement by being hired for a year. The principal effect of introducing settlement by service, has been to put out in a great measure the old fashion of hiring for a year, which before had been so customary in England, that even at this day, if no particular term is agreed upon, the law intends that every servant is hired for a year. But masters are not always willing to give their servants a settlement by hiring them in this manner; and servants are not always willing to be so hired, because, as every last settlement discharges all the foregoing, they might thereby lose their original settlement in the places of their nativity, the habitation of their parents and relations.

No independent workman, it is evident, whether labourer or artificer, is likely to gain any new settlement either by apprenticeship or by service. When such a person, therefore, carried his industry to a new parish, he was liable to be removed, how healthy and industrious soever, at the caprice of any churchwarden or overseer, unless he either rented a tenement of ten pounds a year, a thing impossible for one who has nothing but his

labour to live by ; or could give such security for the discharge of the parish as two justices of the peace should judge sufficient. What security they shall require, indeed, is left altogether to their discretion ; but they cannot well require less than thirty pounds, it having been enacted, that the purchase even of a freehold estate of less than thirty pounds value, shall not gain any person a settlement, as not being sufficient for the discharge of the parish. But this is a security which scarce any man who lives by labour can give ; and much greater security is frequently demanded.

In order to restore in some measure that free circulation of labour which those different statutes had almost entirely taken away, the invention of certificates was fallen upon. By the 8th and 9th of William III. it was enacted, that if any person should bring a certificate from the parish where he was last legally settled, subscribed by the churchwardens and overseers of the poor, and allowed by two justices of the peace, that every other parish should be obliged to receive him ; that he should not be removable merely upon account of his being likely to become chargeable, but only upon his becoming actually chargeable, and that then the parish which granted the certificate should be obliged to pay the expense both of his maintenance and of his removal. And in order to give the more perfect security to the parish where such certificated man should come to reside, it was further enacted by the same statute, that he should gain no settlement there by any means whatever, except either by renting a tenement of ten pounds

a year, or by serving upon his own account in an annual parish office for one whole year; and consequently neither by notice, nor by service, nor by apprenticeship, nor by paying parish rates. By the 12th of Queen Anne too, stat. 1, c. 18, it was further enacted, that neither the servants nor apprentices of such certificated man should gain any settlement in the parish where he resided under such certificate.

How far this invention has restored that free circulation of labour which the preceding statutes had almost entirely taken away, we may learn from the following very judicious observation of Doctor Burn. "It is obvious," says he, "that there are divers good reasons for requiring certificates with persons coming to settle in any place; namely, that persons residing under them can gain no settlement; neither by apprenticeship, nor by service, nor by giving notice, nor by paying parish rates; that they can settle neither apprentices nor servants; that if they become chargeable, it is certainly known whither to remove them, and the parish shall be paid for the removal, and for their maintenance in the mean time; and that if they fall sick, and cannot be removed, the parish which gave the certificate must maintain them: none of all which can be without a certificate. Which reasons will hold proportionably for parishes not granting certificates in ordinary cases; for it is far more than an equal chance, but that they will have the certificated persons again, and in a worse condition." The moral of this observation seems to be, that certificates ought always to be required by the parish

where any poor man comes to reside, and that they ought very seldom to be granted by that which he proposes to leave. "There is somewhat of hardship in this matter of certificates," says the same very intelligent author in his History of the Poor Laws, "by putting it in the power of a parish officer, to imprison a man as it were for life; however inconvenient it may be for him to continue at that place where he has had the misfortune to acquire what is called a settlement, or whatever advantage he may propose to himself by living elsewhere."*

Though a certificate carries along with it no testimonial of good behaviour, and certifies nothing but that the person belongs to the parish to which he really does belong, it is altogether discretionary in the parish officers either to grant or to refuse it. A mandamus was once moved for, says Doctor Burn, to compel the churchwardens and overseers to sign a certificate; but the Court of King's Bench rejected the motion as a very strange attempt.

The very unequal price of labour which we frequently find in England in places at no great distance from one another, is probably owing to the obstruction which the law of settlements gives to a poor man who would carry his industry from one parish to another without a certificate. A single

* The act of William III. which obliged a poor man to procure a certificate before he could remove from a parish, was repealed in 1795; and it was at the same time declared that no poor persons should henceforth be removable from the parish or place where they are inhabiting, to the place of their last legal settlement, until they have actually become chargeable.

man, indeed, who is healthy and industrious, may sometimes reside by sufferance without one ; but a man with a wife and family who should attempt to do so, would in most parishes be sure of being removed, and if the single man should afterwards marry, he would generally be removed likewise. The scarcity of hands in one parish, therefore, cannot always be relieved by their superabundance in another, as it is constantly in Scotland, and, I believe, in all other countries where there is no difficulty of settlement. In such countries, though wages may sometimes rise a little in the neighbourhood of a great town, or wherever else there is an extraordinary demand for labour, and sink gradually as the distance from such places increases, till they fall back to the common rate of the country ; yet we never meet with those sudden and unaccountable differences in the wages of neighbouring places which we sometimes find in England, where it is often more difficult for a poor man to pass the artificial boundary of a parish, than an arm of the sea or a ridge of high mountains, natural boundaries which sometimes separate very distinctly different rates of wages in other countries.

To remove a man who has committed no misdemeanour from the parish where he chooses to reside, is an evident violation of natural liberty and justice. The common people of England, however, so jealous of their liberty, but like the common people of most other countries never rightly understanding wherein it consists, have now for more than a century together suffered themselves to be exposed to this oppression without a remedy.

Though men of reflection too have sometimes complained of the law of settlements as a public grievance, yet it has never been the object of any general popular clamour, such as that against general warrants, an abusive practice undoubtedly, but such a one as was not likely to occasion any general oppression. There is scarce a poor man in England of forty years of age, I will venture to say, who has not in some part of his life felt himself most cruelly oppressed by this ill-contrived law of settlements.*

I shall conclude this long chapter with observing, that though anciently it was usual to rate wages, first by general laws extending over the whole kingdom, and afterwards by particular orders of the justices of peace in every particular county, both these practices have now gone entirely into disuse. "By the experience of above four hundred years," says Doctor Burn, "it seems time to lay aside all endeavours to bring under strict regulations, what in its own nature seems incapable of minute limitation: for if all persons in the same kind of work were to receive equal wages,

* Dr. Smith has been accused of exaggerating the pernicious effects of the laws respecting settlements, and the charge is perhaps, to a certain extent, well founded. But notwithstanding the improvement effected in these laws by the act of 1795, abolishing certificates, and preventing the forcible removal of the poor, until they have actually become chargeable, they are still exceedingly oppressive and vexatious. The expenses of actions at law regarding settlements and removals are seldom less than from L.300,000 to L.350,000 a year! And so long as the system of compulsory provision for the support of the poor is permitted to exist, parishes will naturally be exceedingly averse to allow a poor man to obtain a settlement, and will be disposed to throw every obstacle in his way.

there would be no emulation, and no room left for industry or ingenuity.”

Particular acts of parliament, however, still attempt sometimes to regulate wages in particular trades and in particular places. Thus the 8th of George III. prohibits under heavy penalties all master tailors in London, and five miles round it, from giving, and their workmen from accepting, more than two shillings and sevenpence halfpenny a day, except in the case of a general mourning. Whenever the legislature attempts to regulate the differences between masters and their workmen, its counsellors are always the masters. When the regulation, therefore, is in favour of the workmen, it is always just and equitable ; but it is sometimes otherwise when in favour of the masters. Thus the law which obliges the masters in several different trades to pay their workmen in money and not in goods, is quite just and equitable. It imposes no real hardship upon the masters. It only obliges them to pay that value in money, which they pretended to pay, but did not always really pay, in goods. This law is in favour of the workmen ; but the 8th of George III. is in favour of the masters. When masters combine together in order to reduce the wages of their workmen, they commonly enter into a private bond or agreement, not to give more than a certain wage under a certain penalty. Were the workmen to enter into a contrary combination of the same kind, not to accept of a certain wage under a certain penalty, the law would punish them very severely ; and if it

dealt impartially, it would treat the masters in the same manner. But the 8th of George III. enforces by law that very regulation which masters sometimes attempt to establish by such combinations. The complaint of the workmen, that it puts the ablest and most industrious upon the same footing with an ordinary workman, seems perfectly well founded.*

In ancient times too it was usual to attempt to regulate the profits of merchants and other dealers, by rating the price both of provisions and other goods. The assize of bread is, so far as I know, the only remnant of this ancient usage. Where there is an exclusive corporation, it may perhaps be proper to regulate the price of the first necessary of life. But where there is none, the competition will regulate it much better than any assize. The method of fixing the assize of bread established by the 31st of George II. could not be put in practice in Scotland, on account of a defect in the law; its execution depending upon the office of clerk of the market, which does not exist there. This defect was not remedied till the 3d of George III. The want of an assize occasioned no sensible inconveniency, and the establishment of one, in the few places where it has yet taken place, has produced no sensible advantage. In the greater part of the towns of Scotland, however, there is an incorporation of bakers who claim ex-

* These, and all other laws for the regulation of wages, have been repealed by the statute 5 Geo. IV. cap. 95. ; and masters and workmen are now permitted to enter into voluntary combinations for the purpose of depressing or raising wages.

clusive privileges, though they are not very strictly guarded.*

The proportion between the different rates both of wages and profit in the different employments of labour and stock, seems not to be much affected, as has already been observed, by the riches or poverty, the advancing, stationary, or declining state of the society. Such revolutions in the public welfare, though they affect the general rates both of wages and profit, must in the end affect them equally in all different employments. The proportion between them, therefore, must remain the same, and cannot well be altered, at least for any considerable time, by any such revolutions.

CHAP. XI.

OF THE RENT OF LAND.†

RENT, considered as the price paid for the use of land, is naturally the highest which the tenant can

* The laws relative to the assize and price of bread in London and its environs, were repealed by a local act passed in 1815: (55 Geo. III. cap. 19.) And those relative to the assize and price of bread out of London, are now very rarely acted upon.

† This chapter is well worthy of an attentive perusal, from the variety of curious and interesting details and disquisitions it contains; but, considered as an exposition of the real nature, origin, and causes of rent, it is altogether defective. The fundamental position laid down by Dr. Smith, that there are certain species of produce that al-

afford to pay in the actual circumstances of the land. In adjusting the terms of the lease, the landlord endeavours to leave him no greater share of the produce than what is sufficient to keep up the stock from which he furnishes the seed, pays the labour, and purchases and maintains the cattle and other instruments of husbandry, together with the ordinary profits of farming stock in the neighbourhood. This is evidently the smallest share with which the tenant can content himself without being a loser, and the landlord seldom means to leave him any more. Whatever part of the produce, or, what is the same thing, whatever part of its price, is over and above this share, he naturally endeavours to reserve to himself as the rent of his

ways yield a rent, is contradicted by the widest and most comprehensive experience. If such were the case, rents would always exist, whereas they are uniformly unknown in the earlier stages of society. The truth is, that rent is entirely a consequence of the *decreasing productiveness* of the soils successively brought under cultivation as society advances, or rather of the decreasing productiveness of the capital successively applied to them. It is never heard of in newly settled countries—in New Holland, Illinois, or Indiana, or in any country where none but the best of the good soils are cultivated. It does not begin to appear until cultivation has been extended to inferior lands; and it increases according to the extent to which such inferior lands are brought under tillage, and diminishes according to the extent to which they are withdrawn. Neither is it true, as Dr. Smith assumes in every part of his work, that rent enters into and forms a constituent part of the value or price of raw produce; for that value or price is determined by the cost of producing that portion of the required supply of raw produce that is raised under the most unfavourable circumstances, or by the agency of the capital last applied to the land; and it has been shown again and again that neither this capital, nor its produce ever pays any rent. But the reader is referred for a full exposition of what appears to me to be the true doctrine with respect to rent, to the note on that subject in the last volume.

land, which is evidently the highest the tenant can afford to pay in the actual circumstances of the land. Sometimes, indeed, the liberality, more frequently the ignorance, of the landlord, makes him accept of somewhat less than this portion; and sometimes too, though more rarely, the ignorance of the tenant makes him undertake to pay somewhat more, or to content himself with somewhat less than the ordinary profits of farming stock in the neighbourhood. This portion, however, may still be considered as the natural rent of land, or the rent for which it is naturally meant that land should for the most part be let.

The rent of land, it may be thought, is frequently no more than a reasonable profit or interest for the stock laid out by the landlord upon its improvement. This, no doubt, may be partly the case upon some occasions; for it can scarce ever be more than partly the case.* The landlord demands a rent even for unimproved land, and the supposed interest or profit upon the expense of improvement is generally an addition to this original rent. Those improvements, besides, are not always made by the stock of the landlord, but sometimes by that

* The rent of land, properly so called, is the sum paid by a tenant to a landlord for the use of the *natural and inherent* powers of the soil, and is entirely distinct from the sum which a tenant pays for the use of such buildings as may have been erected on a farm, or for any improvements that may have been effected upon it. The latter is the profit on, or the return to, the capital laid out in the buildings or improvements. These two sums are commonly confounded, as they have been in this instance by Dr. Smith, under the general name of rent. But they are essentially distinct; and ought to be so considered in every inquiry of this sort.

of the tenant. When the lease comes to be renewed, however, the landlord commonly demands the same augmentation of rent as if they had been all made by his own.

He sometimes demands rent for what is altogether incapable of human improvement. Kelp is a species of sea-weed, which, when burnt, yields an alkaline salt, useful for making glass, soap, and for several other purposes. It grows in several parts of Great Britain, particularly in Scotland, upon such rocks only as lie within the high water mark, which are twice every day covered with the sea, and of which the produce, therefore, was never augmented by human industry. The landlord, however, whose estate is bounded by a kelp shore of this kind, demands a rent for it as much as for his corn fields.

The sea in the neighbourhood of the islands of Shetland is more than commonly abundant in fish, which make a great part of the subsistence of their inhabitants. But in order to profit by the produce of the water, they must have a habitation upon the neighbouring land. The rent of the landlord is in proportion, not to what the farmer can make by the land, but to what he can make both by the land and by the water. It is partly paid in sea-fish; and one of the very few instances in which rent makes a part of the price of that commodity, is to be found in that country.

The rent of land, therefore, considered as the price paid for the use of the land, is naturally a monopoly price. It is not at all proportioned to what the landlord may have laid out upon the im-

provement of the land, or to what he can afford to take ; but to what the farmer can afford to give.

Such parts only of the produce of land can commonly be brought to market of which the ordinary price is sufficient to replace the stock which must be employed in bringing them thither, together with its ordinary profits. If the ordinary price is more than this, the surplus part of it will naturally go to the rent of the land. If it is not more, though the commodity may be brought to market, it can afford no rent to the landlord. Whether the price is, or is not more, depends upon the demand.

There are some parts 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 ; and there are others for which it either may or may not be such as to afford this greater price. The former must always afford a rent to the landlord. The latter sometimes may, and sometimes may not, according to different circumstances.

Rent, it is to be observed, therefore, enters into the composition of the price of commodities in a different way from wages and profit. High or low wages and profit are the causes of high or low price ; high or low rent is the effect of it.* It is because high or low wages and profit must be paid, in order to bring a particular commodity to market, that its price is high or low. But it is because its price is high or low ; a great deal more, or very little

* That high or low rent is the effect and not the cause of high or low price, is a true and a most important principle.

more, or no more, than what is sufficient to pay those wages and profit, that it affords a high rent, or a low rent, or no rent at all.

The particular consideration, first, of those parts of the produce of land which always afford some rent; secondly, of those which sometimes may and sometimes may not afford rent; and thirdly, of the variations which, in the different periods of improvement, naturally take place, in the relative value of those two different sorts of rude produce, when compared both with one-another and with manufactured commodities, will divide this chapter into three parts.

PART I.

OF THE PRODUCE OF LAND WHICH ALWAYS AFFORDS RENT.

As men, like all other animals, naturally multiply in proportion to the means of their subsistence, food is always, more or less, in demand. It can always purchase or command a greater or smaller quantity of labour, and somebody can always be found who is willing to do something, in order to obtain it. The quantity of labour, indeed, which it can purchase, is not always equal to what it could maintain, if managed in the most economical manner, on account of the high wages which are sometimes given to labour. But it can always

purchase such a quantity of labour as it can maintain, according to the rate at which that sort of labour is commonly maintained in the neighbourhood.

But land, in almost any situation, produces a greater quantity of food than what is sufficient to maintain all the labour necessary for bringing it to market, in the most liberal way in which that labour is ever maintained. The surplus too is always more than sufficient to replace the stock which employed that labour, together with its profits. Something, therefore, always remains for a rent to the landlord.

The most desert moors in Norway and Scotland produce some sort of pasture for cattle, of which the milk and the increase are always more than sufficient, not only to maintain all the labour necessary for tending them, and to pay the ordinary profit to the farmer or owner of the herd or flock, but to afford some small rent to the landlord.* The rent increases in proportion to the goodness of the pasture. The same extent of ground not only maintains a greater number of cattle, but as they are brought within a smaller compass, less labour becomes requisite to tend them, and to collect their produce. The landlord gains both ways; by the increase of the produce, and by the diminution of the labour which must be maintained out of it.

The rent of land not only varies with its fertility, whatever be its produce, but with its situation,

* For some observations on this statement, see note on Rent in the last volume.

whatever be its fertility. Land in the neighbourhood of a town gives a greater rent than land equally fertile in a distant part of the country. Though it may cost no more labour to cultivate the one than the other, it must always cost more to bring the produce of the distant land to market. A greater quantity of labour, therefore, must be maintained out of it; and the surplus, from which are drawn both the profit of the farmer and the rent of the landlord, must be diminished. But in remote parts of the country the rate of profits, as has already been shown, is generally higher than in the neighbourhood of a large town. A smaller proportion of this diminished surplus, therefore, must belong to the landlord.

Good roads, canals, and navigable rivers, by diminishing the expense of carriage, put the remote parts of the country more nearly upon a level with those in the neighbourhood of the town. They are upon that account the greatest of all improvements. They encourage the cultivation of the remote, which must always be the most extensive circle of the country. They are advantageous to the town, by breaking down the monopoly of the country in its neighbourhood. They are advantageous even to that part of the country. Though they introduce some rival commodities into the old market, they open many new markets to its produce. Monopoly, besides, is a great enemy to good management, which can never be universally established but in consequence of that free and universal competition which forces every body to have recourse to it for the sake of self-defence. It

is not more than fifty years ago, that some of the counties in the neighbourhood of London petitioned the parliament against the extension of the turnpike roads into the remoter counties. Those remoter counties, they pretended, from the cheapness of labour, would be able to sell their grass and corn cheaper in the London market than themselves, and would thereby reduce their rents, and ruin their cultivation. Their rents, however, have risen, and their cultivation has been improved since that time.

· A corn field of moderate fertility produces a much greater quantity of food for man than the best pasture of equal extent. Though its cultivation requires much more labour, yet the surplus which remains after replacing the seed and maintaining all that labour, is likewise much greater. If a pound of butcher's meat, therefore, was never supposed to be worth more than a pound of bread, this greater surplus would everywhere be of greater value, and constitute a greater fund both for the profit of the farmer and the rent of the landlord. It seems to have done so universally in the rude beginnings of agriculture.

But the relative values of those two different species of food, bread and butcher's meat, are very different in the different periods of agriculture. In its rude beginnings, the unimproved wilds, which then occupy the far greater part of the country, are all abandoned to cattle. There is more butcher's meat than bread, and bread, therefore, is the food for which there is the greatest competition, and which consequently brings the greatest price. At Buenos Ayres, we are told

by Ulloa, four reals, one-and-twenty pence half-penny sterling, was, forty or fifty years ago, the ordinary price of an ox, chosen from a herd of two or three hundred. He says nothing of the price of bread, probably because he found nothing remarkable about it. An ox there, he says, costs little more than the labour of catching him. But corn can nowhere be raised without a great deal of labour, and in a country which lies upon the river Plate, at that time the direct road from Europe to the silver mines of Potosi, the money price of labour could not be very cheap. It is otherwise when cultivation is extended over the greater part of the country. There is then more bread than butcher's meat. The competition changes its direction, and the price of butcher's meat becomes greater than the price of bread.

By the extension besides of cultivation, the unimproved wilds become insufficient to supply the demand for butcher's meat. A great part of the cultivated lands must be employed in rearing and fattening cattle, of which the price, therefore, must be sufficient to pay, not only the labour necessary for tending them, but the rent which the landlord and the profit which the farmer could have drawn from such land employed in tillage. The cattle bred upon the most uncultivated moors, when brought to the same market, are, in proportion to their weight or goodness, sold at the same price as those which are reared upon the most improved land. The proprietors of those moors profit by it, and raise the rent of their land in proportion to the price of their cattle. It is not more than a cen-

ture ago that in many parts of the highlands of Scotland, butcher's meat was as cheap or cheaper than even bread made of oat-meal. The Union opened the market of England to the highland cattle. Their ordinary price is at present about three times greater than at the beginning of the century, and the rents of many highland estates have been tripled and quadrupled in the same time. In almost every part of Great Britain a pound of the best butcher's meat is, in the present times, generally worth more than two pounds of the best white bread; and in plentiful years it is sometimes worth three or four pounds.

It is thus that in the progress of improvement the rent and profit of unimproved pasture come to be regulated in some measure by the rent and profit of what is improved, and these again by the rent and profit of corn. Corn is an annual crop; butcher's meat, a crop which requires four or five years to grow. As an acre of land, therefore, will produce a much smaller quantity of the one species of food than of the other, the inferiority of the quantity must be compensated by the superiority of the price. If it was more than compensated, more corn land would be turned into pasture; and if it was not compensated, part of what was in pasture would be brought back into corn.

This equality, however, between the rent and profit of grass and those of corn, of the land of which the immediate produce is food for cattle, and of that of which the immediate produce is food for men, must be understood to take place only through the greater part of the improved lands of

a great country. In some particular local situations it is quite otherwise, and the rent and profit of grass are much superior to what can be made by corn.

Thus in the neighbourhood of a great town the demand for milk and for forage to horses frequently contribute, together with the high price of butcher's meat, to raise the value of grass above what may be called its natural proportion to that of corn. This local advantage, it is evident, cannot be communicated to the lands at a distance.

Particular circumstances have sometimes rendered some countries so populous, that the whole territory, like the lands in the neighbourhood of a great town, has not been sufficient to produce both the grass and the corn necessary for the subsistence of their inhabitants. Their lands, therefore, have been principally employed in the production of grass, the more bulky commodity, and which cannot be so easily brought from a great distance; and corn, the food of the great body of the people, has been chiefly imported from foreign countries. Holland is at present in this situation, and a considerable part of ancient Italy seems to have been so during the prosperity of the Romans. To feed well, old Cato said, as we are told by Cicero, was the first and most profitable thing in the management of a private estate; to feed tolerably well, the second; and to feed ill, the third. To plough, he ranked only in the fourth place of profit and advantage. Tillage, indeed, in that part of ancient Italy which lay in the neighbourhood of Rome, must have been very

much discouraged by the distributions of corn which were frequently made to the people, either gratuitously, or at a very low price. This corn was brought from the conquered provinces, of which several, instead of taxes, were obliged to furnish a tenth part of their produce at a stated price, about sixpence a peck, to the republic. The low price at which this corn was distributed to the people, must necessarily have sunk the price of what could be brought to the Roman market from Latium, or the ancient territory of Rome, and must have discouraged its cultivation in that country.

In an open country too, of which the principal produce is corn, a well-inclosed piece of grass will frequently rent higher than any corn field in its neighbourhood. It is convenient for the maintenance of the cattle employed in the cultivation of the corn, and its high rent is, in this case, not so properly paid from the value of its own produce, as from that of the corn lands which are cultivated by means of it. It is likely to fall, if ever the neighbouring lands are completely inclosed. The present high rent of inclosed land in Scotland seems owing to the scarcity of inclosure, and will probably last no longer than that scarcity. The advantage of inclosure is greater for pasture than for corn. It saves the labour of guarding the cattle, which feed better too when they are not liable to be disturbed by their keeper or his dog.

But where there is no local advantage of this kind, the rent and profit of corn, or whatever else is the common vegetable food of the people, must

naturally regulate, upon the land which is fit for producing it, the rent and profit of pasture.

The use of the artificial grasses, of turnips, carrots, cabbages, and the other expedients which have been fallen upon to make an equal quantity of land feed a greater number of cattle than when in natural grass, should somewhat reduce, it might be expected, the superiority which, in an improved country, the price of butcher's meat naturally has over that of bread. It seems accordingly to have done so; and there is some reason for believing that, at least in the London market, the price of butcher's meat, in proportion to the price of bread, is a good deal lower in the present times than it was in the beginning of the last century.

In the appendix to the Life of prince Henry, Doctor Birch has given us an account of the prices of butcher's meat as commonly paid by that prince. It is there said, that the four quarters of an ox weighing six hundred pounds usually cost him nine pounds ten shillings, or thereabouts; that is, thirty-one shillings and eight pence per hundred pounds weight. Prince Henry died on the 6th of November 1612, in the nineteenth year of his age.

In March 1764 there was a parliamentary inquiry into the causes of the high price of provisions at that time. It was then, among other proof to the same purpose, given in evidence by a Virginia merchant, that in March 1763 he had victualled his ships for twenty-four or twenty-five shillings the hundred weight of beef, which he considered as the ordinary price; whereas, in that dear year, he had paid twenty-seven shillings for

the same weight and sort. This high price in 1764 is, however, four shillings and eight pence cheaper than the ordinary price paid by prince Henry ; and it is the best beef only, it must be observed, which is fit to be salted for those distant voyages.

The price paid by prince Henry amounts to $3\frac{1}{2}$ d. per pound weight of the whole carcass, coarse and choice pieces taken together ; and at that rate the choice pieces could not have been sold by retail for less than $4\frac{1}{2}$ d. or 5d. the pound.

In the parliamentary inquiry in 1764, the witnesses stated the price of the choice pieces of the best beef to be to the consumer 4d. and $4\frac{1}{4}$ d. the pound ; and the coarse pieces in general to be from seven farthings to $2\frac{1}{2}$ d. and $2\frac{3}{4}$ d. ; and this they said was in general one half-penny dearer than the same sort of pieces had usually been sold in the month of March. But even this high price is still a good deal cheaper than what we can well suppose the ordinary retail price to have been in the time of prince Henry.

During the twelve first years of the last century, the average price of the best wheat at the Windsor market was L.1, 18s. $3\frac{1}{2}$ d. the quarter of nine Winchester bushels.

But in the twelve years preceding 1764, including that year, the average price of the same measure of the best wheat at the same market was L.2, 1s. $9\frac{1}{2}$ d.

In the twelve first years of the last century, therefore, wheat appears to have been a good deal cheaper, and butcher's meat a good deal dearer,

than in the twelve years preceding 1764, including that year.

In all great countries the greater part of the cultivated lands are employed in producing either food for men or food for cattle. The rent and profit of these regulate the rent and profit of all other cultivated land. If any particular produce afforded less, the land would soon be turned into corn or pasture; and if any afforded more, some part of the lands in corn or pasture would soon be turned to that produce.

Those productions, indeed, which require either a greater original expense of improvement, or a greater annual expense of cultivation, in order to fit the land for them, appear commonly to afford, the one a greater rent, the other a greater profit, than corn or pasture. This superiority, however, will seldom be found to amount to more than a reasonable interest or compensation for this superior expense.

In a hop garden, a fruit garden, a kitchen garden, both the rent of the landlord, and the profit of the farmer, are generally greater than in a corn or grass field. But to bring the ground into this condition requires more expense. Hence a greater rent becomes due to the landlord. It requires too a more attentive and skilful management. Hence a greater profit becomes due to the farmer. The crop too, at least in the hop and fruit garden, is more precarious. Its price, therefore, besides compensating all occasional losses, must afford something like the profit of insurance. The circumstances of gardeners, generally mean, and

always moderate, may satisfy us that their great ingenuity is not commonly over-recompensed. Their delightful art is practised by so many rich people for amusement, that little advantage is to be made by those who practise it for profit; because the persons who should naturally be their best customers, supply themselves with all their most precious productions.

The advantage which the landlord derives from such improvements seems at no time to have been greater than what was sufficient to compensate the original expense of making them. In the ancient husbandry, after the vineyard, a well-watered kitchen garden seems to have been the part of the farm which was supposed to yield the most valuable produce. But Democritus, who wrote upon husbandry about two thousand years ago, and who was regarded by the ancients as one of the fathers of the art, thought they did not act wisely who enclosed a kitchen garden. The profit, he said, would not compensate the expense of a stone wall; and bricks (he meant, I suppose, bricks baked in the sun) mouldered with the rain, and the winter storm, and required continual repairs. Columella, who reports this judgment of Democritus, does not controvert it, but proposes a very frugal method of enclosing with a hedge of brambles and briars which, he says, he had found by experience to be both a lasting and an impenetrable fence; but which, it seems, was not commonly known in the time of Democritus. Palladius adopts the opinion of Columella, which had before been recommended by Varro. In the judgment of those ancient

improvers, the produce of a kitchen garden had, it seems, been little more than sufficient to pay the extraordinary culture and the expense of watering; for in countries so near the sun, it was thought proper, in those times as in the present, to have the command of a stream of water, which could be conducted to every bed in the garden. Through the greater part of Europe, a kitchen garden is not at present supposed to deserve a better enclosure than that recommended by Columella. In Great Britain, and some other northern countries, the finer fruits cannot be brought to perfection but by the assistance of a wall. Their price, therefore, in such countries must be sufficient to pay the expense of building and maintaining what they cannot be had without. The fruit-wall frequently surrounds the kitchen garden, which thus enjoys the benefit of an enclosure which its own produce could seldom pay for.

That the vineyard, when properly planted and brought to perfection, was the most valuable part of the farm, seems to have been an undoubted maxim in the ancient agriculture, as it is the modern through all the wine countries. But whether it was advantageous to plant a new vineyard, was a matter of dispute among the ancient Italian husbandmen, as we learn from Columella. He decides, like a true lover of all curious cultivation, in favour of the vineyard, and endeavours to show, by a comparison of the profit and expense, that it was a most advantageous improvement. Such comparisons, however, between the profit and expense of new projects, are commonly very falla-

scious ; and in nothing more so than in agriculture. Had the gain actually made by such plantations been commonly as great as he imagined it might have been, there could have been no dispute about it. The same point is frequently at this day a matter of controversy in the wine countries. Their writers on agriculture, indeed, the lovers and promoters of high cultivation, seem generally disposed to decide with Columella in favour of the vineyard. In France the anxiety of the proprietors of the old vineyards to prevent the planting of any new ones, seems to favour their opinion, and to indicate a consciousness in those who must have the experience, that this species of cultivation is at present in that country more profitable than any other. It seems at the same time, however, to indicate another opinion, that this superior profit can last no longer than the laws which at present restrain the free cultivation of the vine. In 1731, they obtained an order of council, prohibiting both the planting of new vineyards, and the renewal of those old ones, of which the cultivation had been interrupted for two years, without a particular permission from the king, to be granted only in consequence of an information from the intendant of the province, certifying that he had examined the land, and that it was incapable of any other culture. The pretence of this order was the scarcity of corn and pasture, and the superabundance of wine. But had this superabundance been real, it would, without any order of council, have effectually prevented the plantation of new vineyards, by reducing the profits of this species of cultivation

below their natural proportion to those of corn and pasture. With regard to the supposed scarcity of corn occasioned by the multiplication of vineyards, corn is nowhere in France more carefully cultivated than in the wine provinces, where the land is fit for producing it; as in Burgundy, Guienne, and the Upper Languedoc. The numerous hands employed in the one species of cultivation necessarily encourage the other, by affording a ready market for its produce. To diminish the number of those who are capable of paying for it, is surely a most unpromising expedient for encouraging the cultivation of corn. It is like the policy which would promote agriculture by discouraging manufactures.

The rent and profit of those productions, therefore, which require either a greater original expense of improvement in order to fit the land for them, or a greater annual expense of cultivation, though often much superior to those of corn and pasture, yet when they do no more than compensate such extraordinary expense, are in reality regulated by the rent and profit of those common crops.

It sometimes happens, indeed, that the quantity of land which can be fitted for some particular produce, is too small to supply the effectual demand. The whole produce can be disposed of to those who are willing to give somewhat more than what is sufficient to pay the whole rent, wages and profit necessary for raising and bringing it to market, according to their natural rates, or according to the rates at which they are paid in the greater part of other cultivated land. The surplus part of

the price which remains after defraying the whole expense of improvement and cultivation may commonly, in this case, and in this case only, bear no regular proportion to the like surplus in corn or pasture, but may exceed it in almost any degree; and the greater part of this excess naturally goes to the rent of the landlord.

The usual and natural proportion, for example, between the rent and profit of wine and those of corn and pasture, must be understood to take place only with regard to those vineyards which produce nothing but good common wine, such as can be raised almost any where, upon any light, gravelly, or sandy soil, and which has nothing to recommend it but its strength and wholesomeness. It is with such vineyards only that the common land of the country can be brought into competition; for with those of a peculiar quality it is evident that it cannot.

The vine is more affected by the difference of soils than any other fruit tree. From some it derives a flavour which no culture or management can equal, it is supposed, upon any other. This flavour, real or imaginary, is sometimes peculiar to the produce of a few vineyards; sometimes it extends through the greater part of a small district, and sometimes through a considerable part of a large province. The whole quantity of such wines that is brought to market falls short of the effectual demand, or the demand of those who would be willing to pay the whole rent, profit and wages necessary for preparing and bringing them thither, according to the ordinary rate, or according to the

rate at which they are paid in common vineyards. The whole quantity, therefore, can be disposed of to those who are willing to pay more, which necessarily raises the price above that of common wine. The difference is greater or less, according as the fashionableness and scarcity of the wine render the competition of the buyers more or less eager. Whatever it be, the greater part of it goes to the rent of the landlord. For though such vineyards are in general more carefully cultivated than most others, the high price of the wine seems to be, not so much the effect, as the cause of this careful cultivation. In so valuable a produce the loss occasioned by negligence is so great as to force even the most careless to attention. A small part of this high price, therefore, is sufficient to pay the wages of the extraordinary labour bestowed upon their cultivation, and the profits of the extraordinary stock which puts that labour into motion.

The sugar colonies possessed by the European nations in the West Indies, may be compared to those precious vineyards. The whole produce falls short of the effectual demand of Europe, and can be disposed of to those who are willing to give more than what is sufficient to pay the whole rent, profit and wages necessary for preparing and bringing it to market; according to the rate at which they are commonly paid by any other produce. In Cochin-china the finest white sugar commonly sells for three piasters the quintal, about thirteen shillings and sixpence of our money, as we are told by Mr. Poivre,* a very careful observer of the agri-

* Voyages d'un Philosophe.

culture of that country. What is there called the quintal weighs from a hundred and fifty to two hundred Paris pounds, or a hundred and seventy-five Paris pounds at a medium, which reduces the price of the hundred weight English to about eight shillings sterling, not a fourth part of what is commonly paid for the brown or muskavada sugars imported from our colonies, and not a sixth part of what is paid for the finest white sugar. The greater part of the cultivated lands in Cochin-china are employed in producing corn and rice, the food of the great-body of the people. The respective prices of corn, rice, and sugar, are there probably in the natural proportion, or in that which naturally takes place in the different crops of the greater part of cultivated land, and which recompenses the landlord and farmer, as nearly as can be computed, according to what is usually the original expense of improvement and the annual expense of cultivation. But in our sugar colonies the price of sugar bears no such proportion to that of the produce of a rice or corn field either in Europe or in America. It is commonly said, that a sugar planter expects that the rum and the molasses should defray the whole expense of his cultivation, and that his sugar should be all clear profit.* If this

* The statements in the text, with respect to the high profits of the sugar planters, were, I suspect, greatly exaggerated at the period when Dr. Smith wrote, and are now altogether inapplicable. Instead of being exceedingly profitable, the business of a sugar planter has been, during the last twenty-five years, completely the reverse. Cultivation has been too far extended; and the quantity of produce brought to market has been so great as frequently to reduce the price to little more than the sum required to defray the expenses of cultivation and the duty.

be true, for I pretend not to affirm it, it is as if a corn farmer expected to defray the expense of his cultivation with the chaff and the straw, and that the grain should be all clear profit. We see frequently societies of merchants in London and other trading towns, purchase waste lands in our sugar colonies, which they expect to improve and cultivate with profit by means of factors and agents; notwithstanding the great distance and the uncertain returns, from the defective administration of justice in those countries. Nobody will attempt to improve and cultivate in the same manner the most fertile lands of Scotland, Ireland, or the corn provinces of North America; though from the more exact administration of justice in these countries, more regular returns might be expected.

In Virginia and Maryland the cultivation of tobacco is preferred, as more profitable, to that of corn. Tobacco might be cultivated with advantage through the greater part of Europe; but in almost every part of Europe it has become a principal subject of taxation, and to collect a tax from every different farm in the country where this plant might happen to be cultivated, would be more difficult, it has been supposed, than to levy one upon its importation at the custom-house. The cultivation of tobacco has, upon this account, been most absurdly prohibited through the greater part of Europe, which necessarily gives a sort of monopoly to the countries where it is allowed; and as Virginia and Maryland produce the greatest quantity of it, they share largely, though with some

competitors, in the advantage of this monopoly. The cultivation of tobacco, however, seems not to be so advantageous as that of sugar. I have never even heard of any tobacco plantation that was improved and cultivated by the capital of merchants who resided in Great Britain, and our tobacco colonies send us home no such wealthy planters as we see frequently arrive from our sugar islands. Though from the preference given in those colonies to the cultivation of tobacco above that of corn, it would appear that the effectual demand of Europe for tobacco is not completely supplied, it probably is more nearly so than that for sugar: and though the present price of tobacco is probably more than sufficient to pay the whole rent, wages and profit necessary for preparing and bringing it to market, according to the rate at which they are commonly paid in corn land; it must not be so much more as the present price of sugar. Our tobacco planters, accordingly, have shown the same fear of the superabundance of tobacco, which the proprietors of the old vineyards in France have of the superabundance of wine. By act of assembly they have restrained its cultivation to six thousand plants, supposed to yield a thousand weight of tobacco, for every negro between sixteen and sixty years of age. Such a negro, over and above this quantity of tobacco, can manage, they reckon, four acres of Indian corn. To prevent the market from being overstocked too, they have sometimes, in plentiful years, we are told by Dr. Douglas,* (I suspect he has been ill

* Douglas's Summary, vol. ii. p. 372, 373.

informed) burnt a certain quantity of tobacco for every negro, in the same manner as the Dutch are said to do of spices. If such violent methods are necessary to keep up the present price of tobacco, the superior advantage of its culture over that of corn, if it still has any, will not probably be of long continuance.

It is in this manner that the rent of the cultivated land, of which the produce is human food, regulates the rent of the greater part of other cultivated land. No particular produce can long afford less; because the land would immediately be turned to another use: and if any particular produce commonly affords more, it is because the quantity of land which can be fitted for it is too small to supply the effectual demand.

In Europe corn is the principal produce of land which serves immediately for human food. Except in particular situations, therefore, the rent of corn land regulates in Europe that of all other cultivated land. Britain need envy neither the vineyards of France nor the olive plantations of Italy. Except in particular situations, the value of these is regulated by that of corn, in which the fertility of Britain is not much inferior to that of either of those two countries.

If in any country the common and favourite vegetable food of the people should be drawn from a plant of which the most common land, with the same or nearly the same culture, produced a much greater quantity than the most fertile does of corn, the rent of the landlord, or the surplus quantity of food which would remain to him, after paying the

labour and replacing the stock of the farmer together with its ordinary profits, would necessarily be much greater. Whatever was the rate at which labour was commonly maintained in that country, this greater surplus could always maintain a greater quantity of it, and consequently enable the landlord to purchase or command a greater quantity of it. The real value of his rent, his real power and authority, his command of the necessaries and conveniencies of life with which the labour of other people could supply him, would necessarily be much greater.

A rice field produces a much greater quantity of food than the most fertile corn field. Two crops in the year from thirty to sixty bushels each, are said to be the ordinary produce of an acre. Though its cultivation, therefore, requires more labour, a much greater surplus remains after maintaining all that labour. In those rice countries, therefore, where rice is the common and favourite vegetable food of the people, and where the cultivators are chiefly maintained with it, a greater share of this greater surplus should belong to the landlord than in corn countries.* In Carolina, where the planters, as in other British colonies, are generally both farmers and landlords, and where rent consequently is confounded with profit, the cultivation of rice is found to be more profitable

* In point of fact, however, no portion of this surplus will go to the landlord unless the rice fields under cultivation be of different productive powers. The best lands in Indiana are probably as fertile as the best lands in East Lothian, and yet they yield no surplus in the shape of rent to the proprietor; nor will they ever yield any unless inferior lands are taken into tillage.

than that of corn, though their fields produce only one crop in the year, and though, from the prevalence of the customs of Europe, rice is not there the common and favourite vegetable food of the people.

A good rice field is a bog at all seasons, and at one season a bog covered with water. It is unfit either for corn, or pasture, or vineyard, or, indeed, for any other vegetable produce that is very useful to men: And the lands which are fit for those purposes, are not fit for rice. Even in the rice countries, therefore, the rent of rice lands cannot regulate the rent of the other cultivated land which can never be turned to that produce.

The food produced by a field of potatoes is not inferior in quantity to that produced by a field of rice, and much superior to what is produced by a field of wheat. Twelve thousand weight of potatoes from an acre of land is not a greater produce than two thousand weight of wheat. The food or solid nourishment, indeed, which can be drawn from each of those two plants, is not altogether in proportion to their weight, on account of the watery nature of potatoes. Allowing, however, half the weight of this root to go to water, a very large allowance, such an acre of potatoes will still produce six thousand weight of solid nourishment, three times the quantity produced by the acre of wheat. An acre of potatoes is cultivated with less expense than an acre of wheat; the fallow, which generally precedes the sowing of wheat, more than compensating the hoeing and other extraordinary culture which is always given to potatoes. Should

this root ever become in any part of Europe, like rice in some rice countries, the common and favourite vegetable food of the people, so as to occupy the same proportion of the lands in tillage which wheat and other sorts of grain for human food do at present, the same quantity of cultivated land would maintain a much greater number of people, and the labourers being generally fed with potatoes, a greater surplus would remain after replacing all the stock and maintaining all the labour employed in cultivation. A greater share of this surplus too would belong to the landlord. Population would increase, and rents would rise much beyond what they are at present.

The land which is fit for potatoes, is fit for almost every other useful vegetable. If they occupied the same proportion of cultivated land which corn does at present, they would regulate, in the same manner, the rent of the greater part of other cultivated land.

In some parts of Lancashire it is pretended, I have been told, that bread of oatmeal is a heartier food for labouring people than wheaten bread, and I have frequently heard the same doctrine held in Scotland. I am, however, somewhat doubtful of the truth of it. The common people in Scotland, who are fed with oatmeal, are in general neither so strong, nor so handsome as the same rank of people in England, who are fed with wheaten bread. They neither work so well, nor look so well; and as there is not the same difference between the people of fashion in the two countries, experience would seem to show, that the food of

the common people in Scotland is not so suitable to the human constitution as that of their neighbours of the same rank in England. But it seems to be otherwise with potatoes. The chairmen, porters, and coalheavers in London, and those unfortunate women who live by prostitution, the strongest men and the most beautiful women perhaps in the British dominions, are said to be, the greater part of them, from the lowest rank of people in Ireland, who are generally fed with this root. No food can afford a more decisive proof of its nourishing quality, or of its being peculiarly suitable to the health of the human constitution.

It is difficult to preserve potatoes through the year, and impossible to store them like corn, for two or three years together. The fear of not being able to sell them before they rot, discourages their cultivation, and is, perhaps, the chief obstacle to their ever becoming in any great country, like bread, the principal vegetable food of all the different ranks of the people.*

* The inquiry with respect to the probable effect on the condition of society of the substitution of the potato for corn in the food of the lower classes, is one of great importance. See some observations on this subject, in the note on the Use of the Potato as a chief Article of Food, in the last volume.

PART II.

OF THE PRODUCE OF LAND WHICH SOMETIMES DOES;
AND SOMETIMES DOES NOT, AFFORD RENT.

HUMAN food seems to be the only produce of land which always and necessarily affords some rent to the landlord. Other sorts of produce sometimes may and sometimes may not, according to different circumstances.

After food, clothing and lodging are the two great wants of mankind.

Land in its original rude state can afford the materials of clothing and lodging to a much greater number of people than it can feed. In its improved state it can sometimes feed a greater number of people than it can supply with those materials; at least in the way in which they require them, and are willing to pay for them. In the one state, therefore, there is always a superabundance of those materials, which are frequently, upon that account, of little or no value. In the other there is often a scarcity, which necessarily augments their value. In the one state a great part of them is thrown away as useless, and the price of what is used is considered as equal only to the labour and expense of fitting it for use, and can, therefore, afford no rent to the landlord. In the other they are all made use of, and there is frequently a demand for more than can be had.

Somebody is always willing to give more for every part of them than what is sufficient to pay the expense of bringing them to market. Their price, therefore, can always afford some rent to the landlord.

The skins of the larger animals were the original materials of clothing. Among nations of hunters and shepherds, therefore, whose food consists chiefly in the flesh of those animals, every man, by providing himself with food, provides himself with the materials of more clothing than he can wear. If there was no foreign commerce, the greater part of them would be thrown away as things of no value. This was probably the case among the hunting nations of North America, before their country was discovered by the Europeans, with whom they now exchange their surplus peltry, for blankets, fire-arms, and brandy, which gives it some value. In the present commercial state of the known world, the most barbarous nations, I believe, among whom land property is established, have some foreign commerce of this kind, and find among their wealthier neighbours such a demand for all the materials of clothing, which their land produces, and which can neither be wrought up nor consumed at home, as raises their price above what it costs to send them to those wealthier neighbours. It affords, therefore, some rent to the landlord. When the greater part of the highland cattle were consumed on their own hills, the exportation of their hides made the most considerable article of the commerce of that country, and what they were ex-

changed for afforded some addition to the rent of the highland estates. The wool of England, which in old times could neither be consumed nor wrought up at home, found a market in the then wealthier and more industrious country of Flanders, and its price afforded something to the rent of the land which produced it. In countries not better cultivated than England was then, or than the highlands of Scotland are now, and which had no foreign commerce, the materials of clothing would evidently be so superabundant, that a great part of them would be thrown away as useless, and no part could afford any rent to the landlord.

The materials of lodging cannot always be transported to so great a distance as those of clothing, and do not so readily become an object of foreign commerce. When they are superabundant in the country which produces them, it frequently happens, even in the present commercial state of the world, that they are of no value to the landlord. A good stone quarry in the neighbourhood of London would afford a considerable rent. In many parts of Scotland and Wales it affords none. Barren timber for building is of great value in a populous and well-cultivated country, and the land which produces it affords a considerable rent. But in many parts of North America the landlord would be much obliged to any body who would carry away the greater part of his large trees. In some parts of the highlands of Scotland the bark is the only part of the wood which, for want of roads and water-carriage, can be sent to market. The timber is left to rot upon the ground. When the materials

of lodging are so superabundant, the part made use of is worth only the labour and expense of fitting it for that use. It affords no rent to the landlord, who generally grants the use of it to whoever takes the trouble of asking it. The demand of wealthier nations, however, sometimes enables him to get a rent for it. The paving of the streets of London has enabled the owners of some barren rocks on the coast of Scotland to draw a rent from what never afforded any before. The woods of Norway and of the coasts of the Baltic find a market in many parts of Great Britain which they could not find at home, and thereby afford some rent to their proprietors.

Countries are populous, not in proportion to the number of people whom their produce can clothe and lodge, but in proportion to that of those whom it can feed. When food is provided, it is easy to find the necessary clothing and lodging. But though these are at hand, it may often be difficult to find food. In some parts even of the British dominions what is called a house, may be built by one day's labour of one man. The simplest species of clothing, the skins of animals, require somewhat more labour to dress and prepare them for use. They do not, however, require a great deal. Among savage and barbarous nations, a hundredth or little more than a hundredth part of the labour of the whole year, will be sufficient to provide them with such clothing and lodging as satisfy the greater part of the people. All the other ninety-nine parts are frequently no more than enough to provide them with food.

But when by the improvement and cultivation of land the labour of one family can provide food for two, the labour of half the society becomes sufficient to provide food for the whole. The other half, therefore, or at least the greater part of them, can be employed in providing other things, or in satisfying the other wants and fancies of mankind. Clothing and lodging, household furniture, and what is called equipage, are the principal objects of the greater part of those wants and fancies. The rich man consumes no more food than his poor neighbour. In quality it may be very different, and to select and prepare it may require more labour and art; but in quantity it is very nearly the same. But compare the spacious palace and great wardrobe of the one with the hovel and the few rags of the other, and you will be sensible that the difference between their clothing, lodging, and household furniture, is almost as great in quantity as it is in quality. The desire of food is limited in every man by the narrow capacity of the human stomach; but the desire of the conveniencies and ornaments of building, dress, equipage, and household furniture, seems to have no limit or certain boundary. Those, therefore, who have the command of more food than they themselves can consume, are always willing to exchange the surplus, or, what is the same thing, the price of it, for gratifications of this other kind. What is over and above satisfying the limited desire, is given for the amusement of those desires which cannot be satisfied, but seem to be altogether endless. The poor, in order to obtain food, exert themselves to

gratify those fancies of the rich, and to obtain it more certainly, they vie with one another in the cheapness and perfection of their work. The number of workmen increases with the increasing quantity of food, or with the growing improvement and cultivation of the lands; and as the nature of their business admits of the utmost subdivisions of labour, the quantity of materials which they can work up, increases in a much greater proportion than their numbers. Hence arises a demand for every sort of material which human invention can employ, either usefully or ornamentally, in building, dress, equipage, or household furniture; for the fossils and minerals contained in the bowels of the earth; the precious metals, and the precious stones.

Food is in this manner, not only the original source of rent, but every other part of the produce of land which afterwards affords rent, derives that part of its value from the improvement of the powers of labour in producing food by means of the improvement and cultivation of land.

Those other parts of the produce of land, however, which afterwards afford rent, do not afford it always. Even in improved and cultivated countries, the demand for them is not always such as to afford a greater price than what is sufficient to pay the labour, and replace, together with its ordinary profits, the stock which must be employed in bringing them to market. Whether it is or is not such, depends upon different circumstances.

Whether a coal mine, for example, can afford any

rent, depends partly upon its fertility, and partly upon its situation.

A mine of any kind may be said to be either fertile or barren, according as the quantity of mineral which can be brought from it by a certain quantity of labour, is greater or less than what can be brought by an equal quantity from the greater part of other mines of the same kind.

Some coal mines advantageously situated, cannot be wrought on account of their barrenness. The produce does not pay the expense. They can afford neither profit nor rent.

There are some of which the produce is barely sufficient to pay the labour, and replace, together with its ordinary profits, the stock employed in working them. They afford some profit to the undertaker of the work, but no rent to the landlord. They can be wrought advantageously by nobody but the landlord, who being himself undertaker of the work, gets the ordinary profit of the capital which he employs in it. Many coal mines in Scotland are wrought in this manner, and can be wrought in no other. The landlord will allow nobody else to work them without paying some rent, and nobody can afford to pay any.

Other coal mines in the same country sufficiently fertile, cannot be wrought on account of their situation. A quantity of mineral sufficient to defray the expense of working, could be brought from the mine by the ordinary, or even less than the ordinary quantity of labour: but in an inland country, thinly inhabited, and without either good

roads or water-carriage, this quantity could not be sold.

Coals are a less agreeable fuel than wood : they are said too to be less wholesome. The expense of coals, therefore, at the place where they are consumed, must generally be somewhat less than that of wood.

The price of wood again varies with the state of agriculture, nearly in the same manner, and exactly for the same reason, as the price of cattle. In its rude beginnings the greater part of every country is covered with wood, which is then a mere incumbrance of no value to the landlord, who would gladly give it to any body for the cutting. As agriculture advances, the woods are partly cleared by the progress of tillage, and partly go to decay in consequence of the increased number of cattle. These, though they do not increase in the same proportion as corn, which is altogether the acquisition of human industry, yet multiply under the care and protection of men ; who store up in the season of plenty what may maintain them in that of scarcity, who through the whole year furnish them with a greater quantity of food than uncultivated nature provides for them, and who by destroying and extirpating their enemies, secure them in the free enjoyment of all that she provides. Numerous herds of cattle, when allowed to wander through the woods, though they do not destroy the old trees, hinder any young ones from coming up, so that in the course of a century or two the whole forest goes to ruin. The scarcity of wood then raises its price. It affords a good rent, and

the landlord sometimes finds that he can scarce employ his best lands more advantageously than in growing barren timber, of which the greatness of the profit often compensates the lateness of the returns. This seems in the present times to be nearly the state of things in several parts of Great Britain, where the profit of planting is found to be equal to that of either corn or pasture. The advantage which the landlord derives from planting, can nowhere exceed, at least for any considerable time, the rent which these could afford him; and in an inland country which is highly cultivated, it will frequently not fall much short of this rent. Upon the sea-coast of a well-improved country, indeed, if coals can conveniently be had for fuel, it may sometimes be cheaper to bring barren timber for building from less cultivated foreign countries, than to raise it at home. In the new town of Edinburgh, built within these few years, there is not, perhaps, a single stick of Scotch timber.

Whatever may be the price of wood, if that of coals is such that the expense of a coal fire is nearly equal to that of a wood one, we may be assured, that at that place, and in these circumstances, the price of coals is as high as it can be. It seems to be so in some of the inland parts of England, particularly in Oxfordshire, where it is usual, even in the fires of the common people, to mix coals and wood together, and where the difference in the expense of those two sorts of fuel cannot, therefore, be very great.

Coals, in the coal countries, are everywhere much below this highest price. If they were not,

they could not bear the expense of a distant carriage, either by land or by water. A small quantity only could be sold, and the coal masters and coal proprietors find it more for their interest to sell a great quantity at a price somewhat above the lowest, than a small quantity at the highest. The most fertile coal mine too, regulates the price of coals at all the other mines in its neighbourhood.* Both the proprietor and the undertaker of the work find, the one that he can get a greater rent, the other that he can get a greater profit, by somewhat underselling all their neighbours. Their neighbours are soon obliged to sell at the same price, though they cannot so well afford it, and though it always diminishes, and sometimes takes away altogether both their rent and their profit. Some works are abandoned altogether; others can afford no rent, and can be wrought only by the proprietor.

The lowest price at which coals can be sold for any considerable time, is, like that of all other commodities, the price which is barely sufficient

* This is an error. The price of the coals extracted from *the least fertile mine* which it is necessary to work, in order to supply the demand, will effectually govern the price of the coals extracted from all the other mines: for if, on the one hand, the coal extracted from this mine did not sell at a price sufficient to defray the cost of its production, it would not be brought to market, and the required supply would no longer be obtained; and if, on the other hand, it were to sell for a higher price than was sufficient to defray its cost, additional capital would be employed in the working both of this and other mines, until the price of coal had been sunk, in consequence of the increase of its quantity, to the price necessary to yield the common and average rate of profit, and no more, to the owners of the mine in question.

to replace, together with its ordinary profits, the stock which must be employed in bringing them to market. At a coal mine for which the landlord can get no rent, but which he must either work himself or let it alone altogether, the price of coals must generally be nearly about this price.

Rent, even where coals afford one, has generally a smaller share in their price than in that of most other parts of the rude produce of land. The rent of an estate above ground, commonly amounts to what is supposed to be a third of the gross produce; and it is generally a rent certain and independent of the occasional variations in the crop. In coal mines a fifth of the gross produce is a very great rent; a tenth the common rent, and it is seldom a rent certain, but depends upon the occasional variations in the produce. These are so great, that in a country where thirty years purchase is considered as a moderate price for the property of a landed estate, ten years purchase is regarded as a good price for that of a coal mine.

The value of a coal mine to the proprietor frequently depends as much upon its situation as upon its fertility. That of a metallic mine depends more upon its fertility, and less upon its situation. The coarse, and still more the precious metals, when separated from the ore, are so valuable that they can generally bear the expense of a very long land, and of the most distant sea carriage. Their market is not confined to the countries in the neighbourhood of the mine, but extends to the whole world. The copper of Japan makes an article of commerce in Europe; the iron of Spain

in that of Chili and Peru. The silver of Peru finds its way, not only to Europe, but from Europe to China.

The price of coals in Westmoreland or Shropshire can have little effect on their price at Newcastle; and their price in the Linnøis can have none at all. The productions of such distant coal mines can never be brought into competition with one another. But the productions of the most distant metallic mines frequently may, and in fact commonly are. The price, therefore, of the coarse, and still more that of the precious metals, at the most fertile mines in the world, must necessarily more or less affect their price at every other in it. The price of copper in Japan must have some influence upon its price at the copper mines in Europe. The price of silver in Peru, or the quantity either of labour or of other goods which it will purchase there, must have some influence on its price, not only at the silver mines of Europe, but at those of China. After the discovery of the mines of Peru, the silver mines of Europe were, the greater part of them, abandoned. The value of silver was so much reduced that their produce could no longer pay the expense of working them, or replace, with a profit, the food, clothes, lodging, and other necessaries which were consumed in that operation. This was the case too with the mines of Cuba and St. Domingo, and even with the ancient mines of Peru, after the discovery of those of Potosi.

The price of every metal at every mine, therefore, being regulated in some measure by its price

at the most fertile mine in the world that is actually wrought, it can at the greater part of mines do very little more than pay the expense of working, and can seldom afford a very high rent to the landlord. Rent, accordingly, seems at the greater part of mines to have but a small share in the price of the coarse, and a still smaller in that of the precious metals. Labour and profit make up the greater part of both.

A sixth part of the gross produce may be reckoned the average rent of the tin mines of Cornwall, the most fertile that are known in the world, as we are told by the reverend Mr. Borlace, vice-warden of the stannaries. Some, he says, afford more, and some do not afford so much. A sixth part of the gross produce is the rent too of several very fertile lead mines in Scotland.

In the silver mines of Peru, we are told by Frezier and Ulloa, the proprietor frequently exacts no other acknowledgment from the undertaker of the mine, but that he will grind the ore at his mill, paying him the ordinary multure or price of grinding. Till 1736, indeed, the tax of the king of Spain amounted to one-fifth of the standard silver, which till then might be considered as the real rent of the greater part of the silver mines of Peru, the richest which have been known in the world. If there had been no tax this fifth would naturally have belonged to the landlord, and many mines might have been wrought which could not then be wrought, because they could not afford this tax. The tax of the duke of Cornwall upon tin is supposed to amount to more than five per

cent. or one-twentieth part of the value; and whatever may be his proportion, it would naturally too belong to the proprietor of the mine, if tin was duty free. But if you add one-twentieth to one-sixth, you will find that the whole average rent of the tin mines of Cornwall, was to the whole average rent of the silver mines of Peru, as thirteen to twelve. But the silver mines of Peru are not now able to pay even this low rent, and the tax upon silver was, in 1736, reduced from one-fifth to one-tenth. Even this tax upon silver too gives more temptation to smuggling than the tax of one-twentieth upon tin; and smuggling must be much easier in the precious than in the bulky commodity. The tax of the king of Spain accordingly is said to be very ill paid, and that of the duke of Cornwall very well. Rent, therefore, it is probable, makes a greater part of the price of tin at the most fertile tin mines, than it does of silver at the most fertile silver mines in the world. After replacing the stock employed in working those different mines, together with its ordinary profits, the residue which remains to the proprietor, is greater it seems in the coarse than in the precious metal.

Neither are the profits of the undertakers of silver mines commonly very great in Peru. The same most respectable and well-informed authors acquaint us, that when any person undertakes to work a new mine in Peru, he is universally looked upon as a man destined to bankruptcy and ruin, and is upon that account shunned and avoided by every body. Mining, it seems, is considered there in the same light as here, as a lottery, in which the

prizes do not compensate the blanks, though the greatness of some tempts many adventurers to throw away their fortunes in such unprosperous projects.*

As the sovereign, however, derives a considerable part of his revenue from the produce of silver mines, the law in Peru gives every possible encouragement to the discovery and working of new ones. Whoever discovers a new mine, is entitled to measure off two hundred and forty-six feet in length, according to what he supposes to be the

* In Mexico, previously to the late commotions, speculators in mines were usually persons of the greatest fortune and distinction, who could afford to make large advances from their own funds for carrying on their works; and the business of mining is stated to have been considered, when under such management, as safe a line of speculation as either manufactures or commerce. But in Peru, to which Dr. Smith's observations particularly apply, speculators in mines were of a totally different class; being commonly persons in necessitous circumstances, whose capital was all borrowed at an exorbitant interest, and who were, in fact, almost entirely at the mercy of their creditors and the bullion merchants. Neither prudence nor economy could be expected from individuals placed under such unfavourable circumstances; and the great majority of them are described as having been at once dishonest, poor, and prodigal. (See details extracted from the *Mercurio Peruano*, a periodical paper published at Lima from 1791 to 1794, in the *Edinburgh Review*, vol. ix. p. 444.)

The success of the associations formed in this country during the last four or five years for undertaking the business of mining in America, is still a matter of doubt. But whatever may be the ultimate result with respect to them, it must, at any rate, be admitted that they were incautiously and rashly entered upon, without any accurate information having been previously obtained with respect either to the actual state of the mines, or the merits and defects of the modes in which they had been wrought, or the susceptibilities they possessed for the advantageous introduction of the machinery and processes made use of in Europe. In consequence, a vast loss has been incurred in the first instance; and it seems to be in the last degree problematical whether it will ever be repaid.

direction of the vein, and half as much in breadth. He becomes proprietor of this portion of the mine, and can work it without paying any acknowledgment to the landlord. The interest of the duke of Cornwall has given occasion to a regulation nearly of the same kind in that ancient dutchy. In waste and uninclosed lands any person who discovers a tin mine, may mark out its limits to a certain extent, which is called bounding a mine. The boun-der becomes the real proprietor of the mine, and may either work it himself, or give it in lease to another, without the consent of the owner of the land, to whom, however, a very small acknowledgment must be paid upon working it. In both regulations the sacred rights of private property are sacrificed to the supposed interests of public revenue.

The same encouragement is given in Peru to the discovery and working of new gold mines; and in gold the king's tax amounts only to a twentieth part of the standard metal. It was once a fifth, and afterwards a tenth, as in silver; but it was found that the work could not bear even the lowest of these two taxes. If it is rare, however, say the same authors, Frezier and Ulloa, to find a person who has made his fortune by a silver, it is still much rarer to find one who has done so by a gold mine. This twentieth part seems to be the whole rent which is paid by the greater part of the gold mines in Chili and Peru. Gold too is much more liable to be smuggled than even silver; not only on account of the superior value of the metal in proportion to its bulk, but on account of the pecu-

liar way in which nature produces it. Silver is very seldom found virgin, but, like most other metals, is generally mineralized with some other body, from which it is impossible to separate it in such quantities as will pay for the expense, but by a very laborious and tedious operation, which cannot well be carried on but in workhouses erected for the purpose, and therefore exposed to the inspection of the king's officers. Gold, on the contrary, is almost always found virgin. It is sometimes found in pieces of some bulk; and even when mixed in small and almost insensible particles with sand, earth, and other extraneous bodies, it can be separated from them by a very short and simple operation, which can be carried on in any private house by any body who is possessed of a small quantity of mercury. If the king's tax, therefore, is but ill paid upon silver, it is likely to be much worse paid upon gold; and rent must make a much smaller part of the price of gold, than even of that of silver.

The lowest price at which the precious metals can be sold, or the smallest quantity of other goods for which they can be exchanged during any considerable time, is regulated by the same principles which fix the lowest ordinary price of all other goods. The stock which must commonly be employed, the food, clothes, and lodging which must commonly be consumed in bringing them from the mine to the market, determine it. It must at least be sufficient to replace that stock, with the ordinary profits.

Their highest price, however, seems not to be

necessarily determined by any thing but the actual scarcity or plenty of those metals themselves. It is not determined by that of any other commodity, in the same manner as the price of coals is by that of wood, beyond which no scarcity can ever raise it. Increase the scarcity of gold to a certain degree, and the smallest bit of it may become more precious than a diamond, and exchange for a greater quantity of other goods.

The demand for those metals arises partly from their utility, and partly from their beauty. If you except iron, they are more useful than, perhaps, any other metal. As they are less liable to rust and impurity, they can more easily be kept clean; and the utensils either of the table or the kitchen are often upon that account more agreeable when made of them. A silver boiler is more cleanly than a lead, copper, or tin one; and the same quality would render a gold boiler still better than a silver one. Their principal merit, however, arises from their beauty, which renders them peculiarly fit for the ornaments of dress and furniture. No paint or dye can give so splendid a colour as gilding. The merit of their beauty is greatly enhanced by their scarcity. With the greater part of rich people, the chief enjoyment of riches consists in the parade of riches, which in their eye is never so complete as when they appear to possess those decisive marks of opulence which nobody can possess but themselves. In their eyes the merit of an object which is in any degree either useful or beautiful, is greatly enhanced by its scarcity, or by the great labour which it requires to collect any con-

siderable quantity of it, a labour which nobody can afford to pay but themselves. Such objects they are willing to purchase at a higher price than things much more beautiful and useful, but more common. These qualities of utility, beauty, and scarcity, are the original foundation of the high price of those metals, or of the great quantity of other goods for which they can everywhere be exchanged. This value was antecedent to and independent of their being employed as coin, and was the quality which fitted them for that employment. That employment, however, by occasioning a new demand, and by diminishing the quantity which could be employed in any other way, may have afterwards contributed to keep up or increase their value.

The demand for the precious stones arises altogether from their beauty. They are of no use, but as ornaments; and the merit of their beauty is greatly enhanced by their scarcity, or by the difficulty and expense of getting them from the mine. Wages and profit accordingly make up, upon most occasions, almost the whole of their high price. Rent comes in but for a very small share; frequently for no share; and the most fertile mines only afford any considerable rent. When Tavernier, a jeweller, visited the diamond mines of Golconda and Visiapour, he was informed that the sovereign of the country, for whose benefit they were wrought, had ordered all of them to be shut up, except those which yield the largest and finest stones. The others, it seems, were to the proprietor not worth the working.

As the price both of the precious metals and of the precious stones is regulated all over the world by their price at the most fertile mine in it, the rent which a mine of either can afford to its proprietor is in proportion, not to its absolute, but to what may be called its relative fertility, or to its superiority over other mines of the same kind. If new mines were discovered as much superior to those of Potosi as they were superior to those of Europe, the value of silver might be so much degraded as to render even the mines of Potosi not worth the working. Before the discovery of the Spanish West Indies, the most fertile mines in Europe may have afforded as great a rent to their proprietor as the richest mines in Peru do at present. Though the quantity of silver was much less, it might have exchanged for an equal quantity of other goods, and the proprietor's share might have enabled him to purchase or command an equal quantity either of labour or commodities. The value both of the produce and of the rent, the real revenue which they afforded both to the public and to the proprietor, might have been the same.

The most abundant mines either of the precious metals or of the precious stones could add little to the wealth of the world. A produce of which the value is principally derived from its scarcity, is necessarily degraded by its abundance. A service of plate, and the other frivolous ornaments of dress and furniture, could be purchased for a smaller quantity of labour, or for a smaller quantity of commodities; and in this would consist the sole

advantage which the world could derive from that abundance.

It is otherwise in estates above ground. The value both of their produce and of their rent is in proportion to their absolute, and not to their relative fertility. The land which produces a certain quantity of food, clothes, and lodging, can always feed, clothe, and lodge a certain number of people; and whatever may be the proportion of the landlord, it will always give him a proportionable command of the labour of those people, and of the commodities with which that labour can supply him. The value of the most barren lands is not diminished by the neighbourhood of the most fertile. On the contrary, it is generally increased by it. The great number of people maintained by the fertile lands afford a market to many parts of the produce of the barren, which they could never have found among those whom their own produce could maintain.

Whatever increases the fertility of land in producing food, increases not only the value of the lands upon which the improvement is bestowed, but contributes likewise to increase that of many other lands, by creating a new demand for their produce. That abundance of food, of which, in consequence of the improvement of land, many people have the disposal beyond what they themselves can consume, is the great cause of the demand both for the precious metals and the precious stones, as well as for every other conveniency and ornament of dress, lodging, household furniture, and equipage. Food not only constitutes the prin-

principal part of the riches of the world, but it is the abundance of food which gives the principal part of their value to many other sorts of riches. The poor inhabitants of Cuba and St. Domingo, when they were first discovered by the Spaniards, used to wear little bits of gold as ornaments in their hair and other parts of their dress. They seemed to value them as we would do any little pebbles of somewhat more than ordinary beauty, and to consider them as just worth the picking up, but not worth the refusing to any body who asked them. They gave them to their new guests at the first request, without seeming to think that they had made them any very valuable present. They were astonished to observe the rage of the Spaniards to obtain them; and had no notion that there could anywhere be a country in which many people had the disposal of so great a superfluity of food, so scanty always among themselves, that for a very small quantity of those glittering baubles they would willingly give as much as might maintain a whole family for many years. Could they have been made to understand this, the passion of the Spaniards would not have surprised them.

PART III.

OF THE VARIATIONS IN THE PROPORTION BETWEEN THE RESPECTIVE VALUES OF THAT SORT OF PRODUCE WHICH ALWAYS AFFORDS RENT, AND OF THAT WHICH SOMETIMES DOES AND SOMETIMES DOES NOT AFFORD RENT.

THE increasing abundance of food, in consequence of increasing improvement and cultivation, must necessarily increase the demand for every part of the produce of land which is not food, and which can be applied either to use or to ornament. In the whole progress of improvement, it might therefore be expected there should be only one variation in the comparative values of those two different sorts of product. The value of that sort which sometimes does and sometimes does not afford rent, should constantly rise in proportion to that which always affords some rent. As art and industry advance, the materials of clothing and lodging, the useful fossils and minerals of the earth, the precious metals and the precious stones should gradually come to be more and more in demand, should gradually exchange for a greater and a greater quantity of food, or in other words, should gradually become dearer and dearer. This accordingly has been the case with most of these things upon most occasions, and would have been the case with all of them upon all occasions, if particular accidents had not upon some occasions

increased the supply of some of them in a still greater proportion than the demand.

The value of a free-stone quarry, for example, will necessarily increase with the increasing improvement and population of the country round about it; especially if it should be the only one in the neighbourhood. But the value of a silver mine, even though there should not be another within a thousand miles of it, will not necessarily increase with the improvement of the country in which it is situated. The market for the produce of a free-stone quarry can seldom extend more than a few miles round about it, and the demand must generally be in proportion to the improvement and population of that small district. But the market for the produce of a silver mine may extend over the whole known world. Unless the world in general, therefore, be advancing in improvement and population, the demand for silver might not be at all increased by the improvement even of a large country in the neighbourhood of the mine. Even though the world in general were improving, yet if, in the course of its improvement, new mines should be discovered, much more fertile than any which had been known before, though the demand for silver would necessarily increase, yet the supply might increase in so much a greater proportion, that the real price of that metal might gradually fall; that is, any given quantity, a pound weight of it, for example, might gradually purchase or command a smaller and a smaller quantity of labour, or exchange for a small-

er and a smaller quantity of corn, the principal part of the subsistence of the labourer,

The great market for silver is the commercial and civilized part of the world.

If by the general progress of improvement the demand of this market should increase, while at the same time the supply did not increase in the same proportion, the value of silver would gradually rise in proportion to that of corn. Any given quantity of silver would exchange for a greater and a greater quantity of corn; or, in other words, the average money price of corn would gradually become cheaper and cheaper.

If, on the contrary, the supply by some accident should increase for many years together in a greater proportion than the demand, that metal would gradually become cheaper and cheaper; or, in other words, the average money price of corn would, in spite of all improvements, gradually become dearer and dearer.

But if, on the other hand, the supply of the metal should increase nearly in the same proportion as the demand, it would continue to purchase or exchange for nearly the same quantity of corn; and the average money price of corn would, in spite of all improvements, continue very nearly the same.

These three seem to exhaust all the possible combinations of events which can happen in the progress of improvement; and during the course of the four centuries preceding the present, if we may judge by what has happened both in France and Great Britain, each of those three different

combinations seem to have taken place in the European market, and nearly in the same order too in which I have here set them down.

Digression concerning the Variations in the Value of Silver during the Course of the four last Centuries.

FIRST PERIOD.

IN 1350, and for some time before, the average price of the quarter of wheat in England seems not to have been estimated lower than four ounces of silver, Tower-weight, equal to about twenty shillings of our present money. From this price it seems to have fallen gradually to two ounces of silver, equal to about ten shillings of our present money, the price at which we find it estimated in the beginning of the sixteenth century, and at which it seems to have continued to be estimated till about 1570.

In 1350, being the 25th of Edward III. was enacted what is called, The statute of labourers. In the preamble it complains much of the insolence of servants, who endeavoured to raise their wages upon their masters. It therefore ordains, that all servants and labourers should for the future be contented with the same wages and liveries (liveries in those times signified, not only clothes, but provisions) which they had been accustomed to receive in the 20th year of the king, and the four preceding years; that upon this account their

livery wheat should nowhere be estimated higher than tenpence a bushel, and that it should always be in the option of the master to deliver them either the wheat or the money. Tenpence a bushel, therefore, had, in the 25th of Edward III. been reckoned a very moderate price of wheat, since it required a particular statute to oblige servants to accept of it in exchange for their usual livery of provisions; and it had been reckoned a reasonable price ten years before that, or in the 16th year of the king, the term to which the statute refers. But in the 16th year of Edward III. tenpence contained about half an ounce of silver, Tower-weight, and was nearly equal to half a crown of our present money. Four ounces of silver, Tower-weight, therefore, equal to six shillings and eightpence of the money of those times, and to near twenty shillings of that of the present, must have been reckoned a moderate price for the quarter of eight bushels.

This statute is surely a better evidence of what was reckoned in those times a moderate price of grain, than the prices of some particular years which have generally been recorded by historians and other writers on account of their extraordinary dearness or cheapness, and from which, therefore, it is difficult to form any judgment concerning what may have been the ordinary price. There are, besides, other reasons for believing that in the beginning of the fourteenth century, and for some time before, the common price of wheat was not less than four ounces of silver the quarter, and that of other grain in proportion.

In 1309, Ralph de Born, prior of St. Augustine's, Canterbury, gave a feast upon his installation day, of which William Thorn has preserved, not only the bill of fare, but the prices of many particulars. In that feast were consumed, 1st, fifty-three quarters of wheat, which cost nineteen pounds, or seven shillings and twopence a quarter, equal to about one-and-twenty shillings and sixpence of our present money: 2dly, fifty-eight quarters of malt, which cost seventeen pounds ten shillings, or six shillings a quarter, equal to about eighteen shillings of our present money: 3dly, twenty quarters of oats, which cost four pounds, or four shillings a quarter, equal to about twelve shillings of our present money. The prices of malt and oats seem here to be higher than their ordinary proportion to the price of wheat.

These prices are not recorded on account of their extraordinary dearness or cheapness, but are mentioned accidentally as the prices actually paid for large quantities of grain consumed at a feast which was famous for its magnificence.

In 1262, being the 51st of Henry III. was revived an ancient statute called, *The Assize of Bread and Ale*, which, the king says in the preamble, had been made in the times of his progenitors sometime kings of England. It is probably, therefore, as old at least as the time of his grandfather Henry II. and may have been as old as the conquest. It regulates the price of bread according as the prices of wheat may happen to be, from one shilling to twenty shillings the quarter of the money of those times. But statutes of this kind

are generally presumed to provide with equal care for all deviations from the middle price, for those below it as well as for those above it. Ten shillings, therefore, containing six ounces of silver, Tower-weight, and equal to about thirty shillings of our present money, must, upon this supposition, have been reckoned the middle price of the quarter of wheat when this statute was first enacted, and must have continued to be so in the 51st of Henry III. We cannot therefore be very wrong in supposing that the middle price was not less than one-third of the highest price at which this statute regulates the price of bread, or than six shillings and eightpence of the money of those times, containing four ounces of silver, Tower-weight.

From these different facts, therefore, we seem to have some reason to conclude, that about the middle of the fourteenth century, and for a considerable time before, the average or ordinary price of the quarter of wheat was not supposed to be less than four ounces of silver, Tower-weight.

From about the middle of the fourteenth to the beginning of the sixteenth century, what was reckoned the reasonable and moderate, that is the ordinary or average price of wheat, seems to have sunk gradually to about one-half of this price; so as at last to have fallen to about two ounces of silver, Tower-weight, equal to about ten shillings of our present money. It continued to be estimated at this price till about 1570.

In the household book of Henry, the fifth earl of Northumberland, drawn up in 1512, there are

two different estimations of wheat. In one of them it is computed at six shillings and eightpence the quarter, in the other at five shillings and eightpence only. In 1512, six shillings and eightpence contained only two ounces of silver, Tower-weight, and were equal to about ten shillings of our present money.

From the 25th of Edward III. to the beginning of the reign of Elizabeth, during the space of more than two hundred years, six shillings and eightpence, it appears from several different statutes, had continued to be considered as what is called the moderate and reasonable, that is the ordinary or average price of wheat. The quantity of silver, however, contained in that nominal sum was, during the course of this period, continually diminishing, in consequence of some alterations which were made in the coin. But the increase of the value of silver had, it seems, so far compensated the diminution of the quantity of it contained in the same nominal sum, that the legislature did not think it worth while to attend to this circumstance.

Thus in 1436 it was enacted, that wheat might be exported without a licence when the price was so low as six shillings and eightpence: and in 1463 it was enacted, that no wheat should be imported if the price was not above six shillings and eightpence the quarter. The legislature had imagined, that when the price was so low, there could be no inconveniency in exportation, but that when it rose higher, it became prudent to allow of importation. Six shillings and eightpence, therefore, containing about the same quantity of silver

as thirteen shillings and fourpence of our present money, (one third part less than the same nominal sum contained in the time of Edward III.) had in those times been considered as what is called the moderate and reasonable price of wheat.

In 1554, by the 1st and 2d of Philip and Mary, and in 1558, by the 1st of Elizabeth, the exportation of wheat was in the same manner prohibited, whenever the price of the quarter should exceed six shillings and eightpence, which did not then contain two penny worth more silver than the same nominal sum does at present. But it had soon been found that to restrain the exportation of wheat till the price was so very low, was, in reality, to prohibit it altogether. In 1562, therefore, by the 5th of Elizabeth, the exportation of wheat was allowed from certain ports whenever the price of the quarter should not exceed ten shillings, containing nearly the same quantity of silver as the like nominal sum does at present. This price had at this time, therefore, been considered as what is called the moderate and reasonable price of wheat. It agrees nearly with the estimation of the Northumberland book in 1512.

That in France the average price of grain was, in the same manner, much lower in the end of the fifteenth and beginning of the sixteenth century, than in the two centuries preceding, has been observed both by Mr. Duprè de St. Maur, and by the elegant author of the Essay on the Police of Grain. Its price, during the same period, had probably sunk in the same manner through the greater part of Europe.

This rise in the value of silver in proportion to that of corn, may either have been owing altogether to the increase of the demand for that metal, in consequence of increasing improvement and cultivation, the supply in the mean time continuing the same as before : or, the demand continuing the same as before, it may have been owing altogether to the gradual diminution of the supply ; the greater part of the mines which were then known in the world, being much exhausted, and consequently the expense of working them much increased : or it may have been owing partly to the one and partly to the other of those two circumstances. In the end of the fifteenth and beginning of the sixteenth centuries, the greater part of Europe was approaching towards a more settled form of government than it had enjoyed for several ages before. The increase of security would naturally increase industry and improvement ; and the demand for the precious metals, as well as for every other luxury and ornament, would naturally increase with the increase of riches. A greater annual produce would require a greater quantity of coin to circulate it ; and a greater number of rich people would require a greater quantity of plate and other ornaments of silver. It is natural to suppose too, that the greater part of the mines which then supplied the European market with silver, might be a good deal exhausted, and have become more expensive in the working. They had been wrought many of them from the time of the Romans.

It has been the opinion, however, of the greater part of those who have written upon the prices of

commodities in ancient times, that, from the Conquest, perhaps from the invasion of Julius Cæsar till the discovery of the mines of America, the value of silver was continually diminishing. This opinion they seem to have been led into, partly by the observations which they had occasion to make upon the prices both of corn and of some other parts of the rude produce of land; and partly by the popular notion, that as the quantity of silver naturally increases in every country with the increase of wealth, so its value diminishes as its quantity increases.

In their observations upon the prices of corn, three different circumstances seem frequently to have misled them.

First, In ancient times almost all rents were paid in kind; in a certain quantity of corn, cattle, poultry, &c. It sometimes happened, however, that the landlord would stipulate, that he should be at liberty to demand of the tenant, either the annual payment in kind, or a certain sum of money instead of it. The price at which the payment in kind was in this manner exchanged for a certain sum of money, is in Scotland called the conversion price. As the option is always in the landlord to take either the substance or the price, it is necessary for the safety of the tenant, that the conversion price should rather be below than above the average market price. In many places, accordingly, it is not much above one-half of this price. Through the greater part of Scotland this custom still continues with regard to poultry, and in some places with regard to cattle. It might probably

have continued to take place too with regard to corn, had not the institution of the public fiars put an end to it. These are annual valuations, according to the judgment of an assize, of the average price of all the different sorts of grain, and of all the different qualities of each, according to the actual market price in every different county. This institution rendered it sufficiently safe for the tenant, and much more convenient for the landlord, to convert, as they call it, the corn rent, rather at what should happen to be the price of the fiars of each year, than at any certain fixed price. But the writers who have collected the prices of corn in ancient times, seem frequently to have mistaken what is called in Scotland the conversion price for the actual market price. Fleetwood acknowledges, upon one occasion, that he had made this mistake. As he wrote his book, however, for a particular purpose, he does not think proper to make this acknowledgment till after transcribing this conversion price fifteen times. The price is eight shillings the quarter of wheat. This sum in 1423, the year at which he begins with it, contained the same quantity of silver as sixteen shillings of our present money. But in 1562, the year at which he ends with it, it contained no more than the same nominal sum does at present.

Secondly, They have been misled by the slovenly manner in which some ancient statutes of assize had been sometimes transcribed by lazy copiers; and sometimes perhaps actually composed by the legislature.

The ancient statutes of assize seem to have be-

gun always with determining what ought to be the price of bread and ale when the price of wheat and barley were at the lowest, and to have proceeded gradually to determine what it ought to be, according as the prices of those two sorts of grain should gradually rise above this lowest price. But the transcribers of those statutes seem frequently to have thought it sufficient, to copy the regulation as far as the three or four first and lowest prices; saving in this manner their own labour, and judging, I suppose, that this was enough to show what proportion ought to be observed in all higher prices.

Thus in the assize of bread and ale, of the 51st of Henry III., the price of bread was regulated according to the different prices of wheat, from one shilling to twenty shillings the quarter, of the money of those times. But in the manuscripts from which all the different editions of the statutes, preceding that of Mr. Ruffhead, were printed, the copiers had never transcribed this regulation beyond the price of twelve shillings. Several writers, therefore, being misled by this faulty transcription, very naturally concluded that the middle price, or six shillings the quarter, equal to about eighteen shillings of our present money, was the ordinary or average price of wheat at that time.

In the statute of Tumbrel and Pillory, enacted nearly about the same time, the price of ale is regulated according to every sixpence rise in the price of barley, from two shillings to four shillings the quarter. That four shillings, however, was not considered as the highest price to which barley might frequently rise in those times, and that these

prices were only given as an example of the proportion which ought to be observed in all other prices, whether higher or lower, we may infer from the last words of the statute; “*et sic deinceps crescetur vel diminuetur per sex denarios.*” The expression is very slovenly, but the meaning is plain enough; “That the price of ale is in this manner to be increased or diminished according to every sixpence rise or fall in the price of barley.” In the composition of this statute the legislature itself seems to have been as negligent as the copiers were in the transcription of the other.

In an ancient manuscript of the *Regiam Majestatem*, an old Scotch law book, there is a statute of assize, in which the price of bread is regulated according to all the different prices of wheat, from tenpence to three shillings the Scotch boll, equal to about half an English quarter. Three shillings Scotch, at the time when this assize is supposed to have been enacted, were equal to about nine shillings sterling of our present money. Mr. Riddiman seems * to conclude from this, that three shillings was the highest price to which wheat ever rose in those times, and that tenpence, a shilling, or at most two shillings, were the ordinary prices. Upon consulting the manuscript, however, it appears evidently, that all these prices are only set down as examples of the proportion which ought to be observed between the respective prices of wheat and bread. The last words of the statute are, “*reliqua judicabis secundum præscripta habendo re-*

* See his preface to *Anderson's Diplomata Scotiæ*.

spectum ad pretium bladi." " You shall judge of the remaining cases according to what is above written having a respect to the price of corn."

Thirdly, They seem to have been misled too by the very low price at which wheat was sometimes sold in very ancient times ; and to have imagined, that as its lowest price was then much lower than in later times, its ordinary price must likewise have been much lower. They might have found, however, that in those ancient times, its highest price was fully as much above, as its lowest price was below any thing that had ever been known in later times. Thus in 1270, Fleetwood gives us two prices of the quarter of wheat. The one is four pounds sixteen shillings of the money of those times, equal to fourteen pounds eight shillings of that of the present ; the other is six pounds eight shillings, equal to nineteen pounds four shillings of our present money.* * No price can be found in the end of the fifteenth, or beginning of the sixteenth century, which approaches to the extravagance of these. The price of corn, though at all times liable to variation, varies most in those turbulent and disorderly societies, in which the interruption of all commerce and communication hinders the plenty of one part of the country from relieving the scarcity of another. In the disorderly state of England under the Plantagenets, who governed it from about the middle of the twelfth, till towards the end of the fifteenth century, one district might be in

* Very little dependance can be placed on the accounts of prices at this remote era. It is, indeed, quite impossible that the prices mentioned in the text could have been paid by any considerable number of persons.

plenty, while another at no great distance, by having its crop destroyed either by some accident of the seasons, or by the incursion of some neighbouring baron, might be suffering all the horrors of a famine; and yet if the lands of some hostile lord were interposed between them, the one might not be able to give the least assistance to the other. Under the vigorous administration of the Tudors, who governed England during the latter part of the fifteenth, and through the whole of the sixteenth century, no baron was powerful enough to dare to disturb the public security.

The reader will find at the end of this chapter all the prices of wheat which have been collected by Fleetwood from 1202 to 1597, both inclusive, reduced to the money of the present times, and digested according to the order of time, into seven divisions of twelve years each. At the end of each division too, he will find the average price of the twelve years of which it consists. In that long period of time, Fleetwood has been able to collect the prices of no more than eighty years, so that four years are wanting to make out the last twelve years. I have added, therefore, from the accounts of Eton college, the prices of 1598, 1599, 1600, and 1601. It is the only addition which I have made. The reader will see, that from the beginning of the thirteenth, till after the middle of the sixteenth century, the average price of each twelve years grows gradually lower and lower; and that towards the end of the sixteenth century it begins to rise again. The prices, indeed, which Fleetwood has been able to collect, seem to have been

those chiefly which were remarkable for extraordinary dearness or cheapness; and I do not pretend that any very certain conclusion can be drawn from them. So far, however, as they prove any thing at all, they confirm the account which I have been endeavouring to give. Fleetwood himself, however, seems, with most other writers, to have believed, that during all this period the value of silver, in consequence of its increasing abundance, was continually diminishing. The prices of corn which he himself has collected, certainly do not agree with this opinion. They agree perfectly with that of Mr. Duprè de St. Maur, and with that which I have been endeavouring to explain. Bishop Fleetwood and Mr. Duprè de St. Maur are the two authors who seem to have collected, with the greatest diligence and fidelity, the prices of things in ancient times. It is somewhat curious that, though their opinions are so very different, their facts, so far as they relate to the price of corn at least, should coincide so very exactly. 3

It is not, however, so much from the low price of corn, as from that of some other parts of the rude produce of land, that the most judicious writers have inferred the great value of silver in those very ancient times. Corn, it has been said, being a sort of manufacture, was, in those rude ages, much dearer in proportion than the greater part of other commodities; it is meant, I suppose, than the greater part of unmanufactured commodities; such as cattle, poultry, game of all kinds, &c. That in those times of poverty and barbarism these were proportionably much cheaper than corn, is un-

doubtedly true. But this cheapness was not the effect of the high value of silver, but of the low value of those commodities. It was not because silver would in such times purchase or represent a greater quantity of labour, but because such commodities would purchase or represent a much smaller quantity than in times of more opulence and improvement. Silver must certainly be cheaper in Spanish America than in Europe; in the country where it is produced, than in the country to which it is brought, at the expense of a long carriage both by land and by sea, of a freight and an insurance. One-and-twenty pence halfpenny sterling, however, we are told by Ulloa, was, not many years ago, at Buenos Ayres, the price of an ox chosen from a herd of three or four hundred. Sixteen shillings sterling, we are told by Mr. Byron, was the price of a good horse in the capital of Chili. In a country naturally fertile, but of which the far greater part is altogether uncultivated, cattle, poultry, game of all kinds, &c. as they can be acquired with a very small quantity of labour, so they will purchase or command but a very small quantity. The low money price for which they may be sold, is no proof that the real value of silver is there very high, but that the real value of those commodities is very low.

Labour, it must always be remembered, and not any particular commodity or set of commodities, is the real measure of the value both of silver and of all other commodities.

But in countries almost waste, or but thinly inhabited, cattle, poultry, game of all kinds, &c. as

they are the spontaneous productions of nature, so she frequently produces them in much greater quantities than the consumption of the inhabitants requires. In such a state of things the supply commonly exceeds the demand. In different states of society, in different stages of improvement, therefore, such commodities will represent, or be equivalent to, very different quantities of labour.

In every state of society, in every stage of improvement, corn is the production of human industry. But the average produce of every sort of industry is always suited, more or less exactly, to the average consumption; the average supply to the average demand. In every different stage of improvement, besides, the raising of equal quantities of corn in the same soil and climate, will, at an average, require nearly equal quantities of labour; or what comes to the same thing, the price of nearly equal quantities, the continual increase of the productive powers of labour in an improving state of cultivation, being more or less counterbalanced by the continually increasing price of cattle, the principal instruments of agriculture.* Upon all these accounts, therefore, we may rest assured, that equal quantities of corn will, in every state of society, in every stage of improvement, more nearly represent, or be equivalent to, equal quantities of labour, than equal quantities of any other part of the rude produce of land. Corn, accordingly, it has already been observed, is, in all the different stages of wealth and improvement, a more accurate

* For an exposition of the fallacy of this doctrine, see notes on the Corn Laws and Rent, in the last volume. .

measure of value than any other commodity or set of commodities. In all those different stages, therefore, we can judge better of the real value of silver, by comparing it with corn, than by comparing it with any other commodity, or set of commodities.

Corn, besides, or whatever else is the common and favourite vegetable food of the people, constitutes, in every civilized country, the principal part of the subsistence of the labourer. In consequence of the extension of agriculture, the land of every country produces a much greater quantity of vegetable than of animal food, and the labourer everywhere lives chiefly upon the wholesome food that is cheapest and most abundant. Butcher's meat, except in the most thriving countries, or where labour is most highly rewarded, makes but an insignificant part of his subsistence; poultry makes a still smaller part of it, and game no part of it. In France, and even in Scotland, where labour is somewhat better rewarded than in France, the labouring poor seldom eat butcher's meat, except upon holydays, and other extraordinary occasions. The money price of labour, therefore, depends much more upon the average money price of corn, the subsistence of the labourer, than upon that of butcher's meat, or of any other part of the rude produce of land. The real value of gold and silver, therefore, the real quantity of labour which they can purchase or command, depends much more upon the quantity of corn which they can purchase or command, than upon that of butcher's meat, or any other part of the rude produce of land.

Such slight observations, however, upon the prices either of corn or of other commodities, would not probably have misled so many intelligent authors, had they not been influenced, at the same time, by the popular notion, that as the quantity of silver naturally increases in every country with the increase of wealth, so its value diminishes as its quantity increases. This notion, however, seems to be altogether groundless.

The quantity of the precious metals may increase in any country from two different causes: either, first, from the increased abundance of the mines which supply it; or, secondly, from the increased wealth of the people, from the increased produce of their annual labour. The first of these causes is no doubt necessarily connected with the diminution of the value of the precious metals; but the second is not.

When more abundant mines are discovered, a greater quantity of the precious metals is brought to market, and the quantity of the necessaries and conveniencies of life for which they must be exchanged being the same as before, equal quantities of the metals must be exchanged for smaller quantities of commodities. So far, therefore, as the increase of the quantity of the precious metals in any country arises from the increased abundance of the mines, it is necessarily connected with some diminution of their value.

When, on the contrary, the wealth of any country increases, when the annual produce of its labour becomes gradually greater and greater, a greater quantity of coin becomes necessary in order to

circulate a greater quantity of commodities ; and the people, as they can afford it, as they have more commodities to give for it, will naturally purchase a greater and a greater quantity of plate. The quantity of their coin will increase from necessity ; the quantity of their plate from vanity and ostentation, or from the same reason that the quantity of fine statues, pictures, and of every other luxury and curiosity, is likely to increase among them. But as statuaries and painters are not likely to be worse rewarded in times of wealth and prosperity, than in times of poverty and depression, so gold and silver are not likely to be worse paid for.

The price of gold and silver, when the accidental discovery of more abundant mines does not keep it down, as it naturally rises with the wealth of every country, so, whatever be the state of the mines, it is at all times naturally higher in a rich than in a poor country. Gold and silver, like all other commodities, naturally seek the market where the best price is given for them, and the best price is commonly given for every thing in the country which can best afford it. Labour, it must be remembered, is the ultimate price which is paid for every thing, and in countries where labour is equally well rewarded, the money price of labour will be in proportion to that of the subsistence of the labourer. But gold and silver will naturally exchange for a greater quantity of subsistence in a rich than in a poor country, in a country which abounds with subsistence, than in one which is but indifferently supplied with it. If the two countries are at a great distance, the difference may be very

great; because though the metals naturally fly from the worse to the better market, yet it may be difficult to transport them in such quantities as to bring their price nearly to a level in both. If the countries are near, the difference will be smaller, and may sometimes be scarce perceptible; because in this case the transportation will be easy. China is a much richer country than any part of Europe, and the difference between the price of subsistence in China and in Europe is very great.* Rice in China is much cheaper than wheat is anywhere in Europe. England is a much richer country than Scotland; but the difference between the money price of corn in those two countries is much smaller, and is but just perceptible. In proportion to the quantity or measure, Scotch corn generally appears to be a good deal cheaper than English; but in proportion to its quality, it is certainly somewhat dearer. Scotland receives almost every year very large supplies from England, and every commodity must commonly be somewhat dearer in the country to which it is brought than in that from which it comes.† English corn, therefore, must be dearer in Scotland than in England, and yet in proportion to its quality, or to the quantity

* Dr. Smith must have formed his opinion of the riches of China from the representations of it given by the earlier travellers, and the jesuits. Later and better authenticated accounts show that China, instead of being a rich, is really a very poor ill-cultivated country. The population is exceedingly redundant; and poverty and misery prevail to an extent unknown in any country in Europe, with the exception of Ireland.

† This, as was previously observed, is not the case at present. The exports of corn from Scotland to England are now almost invariably greater than the imports.

and goodness of the flour or meal which can be made from it, it cannot commonly be sold higher there than the Scotch corn which comes to market in competition with it.

The difference between the money price of labour in China and in Europe, is still greater than that between the money price of subsistence; because the real recompence of labour is higher in Europe than in China, the greater part of Europe being in an improving state, while China seems to be standing still. The money price of labour is lower in Scotland than in England, because the real recompence of labour is much lower; Scotland, though advancing to greater wealth, advancing much more slowly than England.* The frequency of emigration from Scotland, and the rarity of it from England, sufficiently prove that the demand for labour is very different in the two countries. The proportion between the real recompence of labour in different countries, it must be remembered, is naturally regulated, not by their actual wealth or poverty, but by their advancing, stationary, or declining condition.

Gold and silver, as they are naturally of the greatest value among the richest, so they are naturally of the least value among the poorest nations. Among savages, the poorest of all nations, they are of scarce any value.

In great towns corn is always dearer than in remote parts of the country. This, however, is the effect, not of the real cheapness of silver, but of

* See notes *ante*, pp. 124 and 150.

the real dearness of corn. It does not cost less labour to bring silver to the great town than to the remote parts of the country ; but it costs a great deal more to bring corn.

In some very rich and commercial countries, such as Holland and the territory of Genoa, corn is dear for the same reason that it is dear in great towns. They do not produce enough to maintain their inhabitants. They are rich in the industry and skill of their artificers and manufacturers ; in every sort of machinery which can facilitate and abridge labour ; in shipping, and in all the other instruments and means of carriage and commerce : but they are poor in corn, which, as it must be brought to them from distant countries, must, by an addition to its price, pay for the carriage from those countries. It does not cost less labour to bring silver to Amsterdam than to Dantzick ; but it costs a great deal more to bring corn. The real cost of silver must be nearly the same in both places ; but that of corn must be very different. Diminish the real opulence either of Holland or of the territory of Genoa, while the number of their inhabitants remains the same : diminish their power of supplying themselves from distant countries ; and the price of corn, instead of sinking with that diminution in the quantity of their silver, which must necessarily accompany this declension either as its cause or as its effect, will rise to the price of a famine. When we are in want of necessaries we must part with all superfluities, of which the value, as it rises in times of opulence and prosperity, so it sinks in times of poverty and distress. It is

otherwise with necessaries. Their real price, the quantity of labour which they can purchase or command, rises in times of poverty and distress, and sinks in times of opulence and prosperity, which are always times of great abundance; for they could not otherwise be times of opulence and prosperity. Corn is a necessary, silver is only a superfluity.

Whatever, therefore, may have been the increase in the quantity of the precious metals, which, during the period between the middle of the fourteenth and that of the sixteenth century, arose from the increase of wealth and improvement, it could have no tendency to diminish their value either in Great Britain, or in any other part of Europe. If those who have collected the prices of things in ancient times, therefore, had, during this period, no reason to infer the diminution of the value of silver, from any observations which they had made upon the prices either of corn or of other commodities, they had still less reason to infer it from any supposed increase of wealth and improvement.

SECOND PERIOD.

BUT how various soever may have been the opinions of the learned concerning the progress of the value of silver during this first period, they are unanimous concerning it during the second.

From about 1570 to about 1640, during a period of about seventy years, the variation in the proper-

tion between the value of silver and that of corn, held a quite opposite course. Silver sunk in its real value, or would exchange for a smaller quantity of labour than before; and corn rose in its nominal price, and instead of being commonly sold for about two ounces of silver the quarter, or about ten shillings of our present money, came to be sold for six and eight ounces of silver the quarter, or about thirty and forty shillings of our present money.

The discovery of the abundant mines of America seems to have been the sole cause of this diminution in the value of silver in proportion to that of corn. It is accounted for accordingly in the same manner by every body; and there never has been any dispute either about the fact, or about the cause of it. The greater part of Europe was, during this period, advancing in industry and improvement, and the demand for silver must consequently have been increasing. But the increase of the supply had, it seems, so far exceeded that of the demand, that the value of that metal sunk considerably. The discovery of the mines of America, it is to be observed, does not seem to have had any very sensible effect upon the prices of things in England till after 1570; though even the mines of Potosi had been discovered more than twenty years before.

From 1595 to 1620, both inclusive, the average price of the quarter of nine bushels of the best wheat at Windsor market appears, from the accounts of Eton College, to have been L.2, 1s. 6¹/₂d. From which sum, neglecting the fraction, and de-

ducting a ninth, or 4s. 7 $\frac{1}{3}$ d., the price of the quarter of eight bushels comes out to have been L.1, 16s. 10 $\frac{2}{3}$ d. And from this sum, neglecting likewise the fraction, and deducting a ninth, or 4s. 1 $\frac{1}{3}$ d., for the difference between the price of the best wheat and that of the middle wheat, the price of the middle wheat comes out to have been about L.1, 12s. 8 $\frac{1}{3}$ d., or about six ounces and one-third of an ounce of silver.

From 1621 to 1636, both inclusive, the average price of the same measure of the best wheat at the same market appears, from the same accounts, to have been L.2, 10s.; from which making the like deductions as in the foregoing case, the average price of the quarter of eight bushels of middle wheat comes out to have been L.1, 19s. 6d. or about seven ounces and two-thirds of an ounce of silver.

THIRD PERIOD.

BETWEEN 1630 and 1640, or about 1636, the effect of the discovery of the mines of America in reducing the value of silver appears to have been completed, and the value of that metal seems never to have sunk lower in proportion to that of corn than it was about that time. It seems to have risen somewhat in the course of the present century, and it had probably begun to do so even some time before the end of the last.

From 1637 to 1700, both inclusive, being the sixty-four last years of the last century, the ave-

rage price of the quarter of nine bushels of the best wheat at Windsor market appears, from the same accounts, to have been L.2, 11s. 0 $\frac{1}{3}$ d.; which is only 1s. 0 $\frac{1}{3}$ d. dearer than it had been during the sixteen years before. But in the course of these sixty-four years there happened two events which must have produced a much greater scarcity of corn than what the course of the seasons would otherwise have occasioned, and which, therefore, without supposing any further reduction in the value of silver, will much more than account for this very small enhancement of price.

The first of these events was the civil war, which, by discouraging tillage and interrupting commerce, must have raised the price of corn much above what the course of the seasons would otherwise have occasioned. It must have had this effect more or less at all the different markets in the kingdom, but particularly at those in the neighbourhood of London, which require to be supplied from the greatest distance. In 1648, accordingly, the price of the best wheat at Windsor market appears, from the same accounts, to have been L.4, 5s. and in 1649 to have been L.4 the quarter of nine bushels. The excess of those two years above L.2, 10s. (the average price of the sixteen years preceding 1637) is L.3, 5s.; which divided among the sixty-four last years of the last century, will alone very nearly account for that small enhancement of price which seems to have taken place in them. These, however, though the highest, are by no means the only high prices

which seem to have been occasioned by the civil wars.

The second event was the bounty upon the exportation of corn, granted in 1688.* The bounty, it has been thought by many people, by encouraging tillage, may, in a long course of years, have occasioned a greater abundance, and consequently a greater cheapness of corn in the home market, than what would otherwise have taken place there. How far the bounty could produce this effect at any time, I shall examine hereafter; I shall only observe at present, that between 1688 and 1700, it had not time to produce any such effect. During this short period its only effect must have been, by encouraging the exportation of the surplus produce of every year, and thereby hindering the abundance of one year from compensating the scarcity of another, to raise the price in the home market. The scarcity which prevailed in England from 1693 to 1699, both inclusive, though no doubt principally owing to the badness of the seasons, and, therefore, extending through a considerable part of Europe, must have been somewhat enhanced by the bounty. In 1699, accordingly, the further exportation of corn was prohibited for nine months.

There was a third event which occurred in the course of the same period, and which, though it could not occasion any scarcity of corn, nor, perhaps, any augmentation in the real quantity of silver which was usually paid for it, must necessarily

* For some observations on the effects of the bounty, see note on the Corn Laws, in the last volume.

have occasioned some augmentation in the nominal sum. This event was the great debasement of the silver coin, by clipping and wearing. This evil had begun in the reign of Charles II. and had gone on continually increasing till 1695 ; at which time, as we may learn from Mr. Lowndes, the current silver coin was, at an average, near five-and-twenty per cent. below its standard value. But the nominal sum which constitutes the market price of every commodity is necessarily regulated, not so much by the quantity of silver, which, according to the standard, ought to be contained in it, as by that which, it is found by experience, actually is contained in it. This nominal sum, therefore, is necessarily higher when the coin is much debased by clipping and wearing, than when near to its standard value.

In the course of the present century, the silver coin has not at any time been more below its standard weight than it is at present. But though very much defaced, its value has been kept up by that of the gold coin for which it is exchanged. For though before the late recoinage, the gold coin was a good deal defaced too, it was less so than the silver. In 1695, on the contrary, the value of the silver coin was not kept up by the gold coin ; a guinea then commonly exchanging for thirty shillings of the worn and clipt silver. Before the late recoinage of the gold, the price of silver bullion was seldom higher than five shillings and sevenpence an ounce, which is but fivepence above the mint price. But in 1695, the common price of silver bullion was six shillings and fivepence

an ounce,* which is fifteen pence above the mint price. Even before the late recoinage of the gold, therefore, the coin, gold and silver together, when compared with silver bullion, was not supposed to be more than eight per cent. below its standard value. In 1695, on the contrary, it had been supposed to be near five-and-twenty per cent. below that value. But in the beginning of the present century, that is, immediately after the great recoinage in King William's time, the greater part of the current silver coin must have been still nearer to its standard weight than it is at present. In the course of the present century too there has been no great public calamity, such as the civil war, which could either discourage tillage, or interrupt the interior commerce of the country. And though the bounty, which has taken place through the greater part of this century, must always raise the price of corn somewhat higher than it otherwise would be in the actual state of tillage; yet as, in the course of this century, the bounty has had full time to produce all the good effects commonly imputed to it, to encourage tillage, and thereby to increase the quantity of corn in the home market, it may, upon the principles of a system which I shall explain and examine hereafter, be supposed to have done something to lower the price of that commodity the one way, as well as to raise it the other. It is by many people supposed to have done more. In the sixty-four first years of the present century accordingly, the average price of the quarter of nine

* Lowndes's Essay on the Silver Coin, p. 68.

bushels of the best wheat at Windsor market, appears, by the accounts of Eton College, to have been L.2, 0s. 6½d., which is about ten shillings and sixpence, or more than five-and-twenty per cent. cheaper than it had been during the sixty-four last years of the last century; and about nine shillings and sixpence cheaper than it had been during the sixteen years preceding 1636, when the discovery of the abundant mines of America may be supposed to have produced its full effect; and about one shilling cheaper than it had been in the twenty-six years preceding 1620, before that discovery can well be supposed to have produced its full effect. According to this account, the average price of middle wheat, during these sixty-four first years of the present century, comes out to have been about thirty-two shillings the quarter of eight bushels.

The value of silver, therefore, seems to have risen somewhat in proportion to that of corn during the course of the present century, and it had probably begun to do so even some time before the end of the last.

In 1687, the price of the quarter of nine bushels of the best wheat at Windsor market was L.1, 5s. 2d., the lowest price at which it had ever been from 1595.

In 1688, Mr. Gregory King, a man famous for his knowledge of matters of this kind, estimated the average price of wheat in years of moderate plenty to be to the grower 3s. 6d. the bushel, or eight-and-twenty shillings the quarter. The grower's price I understand to be the same with what is sometimes called the contract price, or the price

at which a farmer contracts for a certain number of years to deliver a certain quantity of corn to a dealer. As a contract of this kind saves the farmer the expense and trouble of marketing, the contract price is generally lower than what is supposed to be the average market price. Mr. King had judged eight-and-twenty shillings the quarter to be at that time the ordinary contract price in years of moderate plenty. Before the scarcity occasioned by the late extraordinary course of bad seasons, it was, I have been assured, the ordinary contract price in all common years.

In 1688 was granted the parliamentary bounty upon the exportation of corn. The country gentlemen, who then composed a still greater proportion of the legislature than they do at present, had felt that the money price of corn was falling. The bounty was an expedient to raise it artificially to the high price at which it had frequently been sold in the times of Charles I. and II. It was to take place, therefore, till wheat was so high as forty-eight shillings the quarter; that is twenty shillings, or $\frac{4}{5}$ ths dearer than Mr. King had in that very year estimated the grower's price to be in times of moderate plenty. If his calculations deserve any part of the reputation which they have obtained very universally, eight-and-forty shillings the quarter was a price which, without some such expedient as the bounty, could not at that time be expected, except in years of extraordinary scarcity. But the government of King William was not then fully settled. It was in no condition to refuse any thing to the country gentlemen, from whom it was at that

very time soliciting the first establishment of the annual land-tax.

The value of silver, therefore, in proportion to that of corn, had probably risen somewhat before the end of the last century; and it seems to have continued to do so during the course of the greater part of the present; though the necessary operation of the bounty must have hindered that rise from being so sensible as it otherwise would have been in the actual state of tillage.

In plentiful years the bounty, by occasioning an extraordinary exportation, necessarily raises the price of corn above what it otherwise would be in those years. To encourage tillage, by keeping up the price of corn even in the most plentiful years, was the avowed end of the institution.

In years of great scarcity, indeed, the bounty has generally been suspended. It must, however, have had some effect even upon the prices of many of those years. By the extraordinary exportation which it occasions in years of plenty, it must frequently hinder the plenty of one year from compensating the scarcity of another.

Both in years of plenty and in years of scarcity, therefore, the bounty raises the price of corn above what it naturally would be in the actual state of tillage. If, during the sixty-four first years of the present century, therefore, the average price has been lower than during the sixty-four last years of the last century, it must, in the same state of tillage, have been much more so, had it not been for this operation of the bounty.

But without the bounty, it may be said, the state

of tillage would not have been the same. What may have been the effects of this institution upon the agriculture of the country, I shall endeavour to explain hereafter, when I come to treat particularly of 'bounties. I shall only observe at present, that this rise in the value of silver, in proportion to that of corn, has not been peculiar to England. It has been observed to have taken place in France during the same period, and nearly in the same proportion too, by three very faithful, diligent, and laborious collectors of the prices of corn, Mr. Duprè de St. Maur, Mr. Messance, and the author of the Essay on the Police of Grain. But in France, till 1764, the exportation of grain was by law prohibited; and it is somewhat difficult to suppose, that nearly the same diminution of price which took place in one country, notwithstanding this prohibition, should in another be owing to the extraordinary encouragement given to exportation.

It would be more proper, perhaps, to consider this variation in the average money price of corn as the effect rather of some gradual rise in the real value of silver in the European market, than of any fall in the real average value of corn. Corn, it has already been observed, is at distant periods of time a more accurate measure of value than either silver, or perhaps any other commodity. When, after the discovery of the abundant mines of America, corn rose to three and four times its former money price, this change was universally ascribed, not to any rise in the real value of corn, but to a fall in the real value of silver. If during

the sixty-four first years of the present century, therefore, the average money price of corn has fallen somewhat below what it had been during the greater part of the last century, we should in the same manner impute this change, not to any fall in the real value of corn, but to some rise in the real value of silver in the European market.

The high price of corn during these ten or twelve years past,* indeed, has occasioned a suspicion that the real value of silver still continues to fall in the European market. This high price of corn, however, seems evidently to have been the effect of the extraordinary unfavourableness of the seasons, and ought therefore to be regarded, not as a permanent, but as a transitory and occasional event. The seasons for these ten or twelve years past have, been unfavourable through the greater part of Europe; and the disorders of Poland have very much increased the scarcity in all those countries which, in dear years, used to be supplied from that market. So long a course of bad seasons, though not a very common event, is by no means a singular one; and whoever has inquired much into the history of the prices of corn in former times, will be at no loss to recollect several other examples of the same kind. Ten years of extraordinary scarcity, besides, are not more wonderful than ten years of extraordinary plenty. The low price of corn from 1741 to 1750, both inclusive, may very well be set in opposition to its high price during these last eight or ten years. From 1741 to 1750,

* That is, the ten or twelve years ending with 1775.

the average price of the quarter of nine bushels of the best wheat at Windsor market, it appears from the accounts of Eton College, was only L.1, 13s. 9½d., which is nearly 6s. 3d. below the average price of the sixty-four first years of the present century. The average price of the quarter of eight bushels of middle wheat comes out, according to this account, to have been, during these ten years, only L.1, 6s. 8d.

Between 1741 and 1750, however, the bounty must have hindered the price of corn from falling so low in the home market as it naturally would have done. During these ten years the quantity of all sorts of grain exported, it appears from the custom-house books, amounted to no less than eight millions twenty-nine thousand one hundred and fifty-six quarters one bushel. The bounty paid for this amounted to L.1,514,962, 17s. 4½d. In 1749 accordingly, Mr. Pelham, at that time prime minister, observed to the House of Commons, that for the three years preceding, a very extraordinary sum had been paid as bounty for the exportation of corn. He had good reason to make this observation, and in the following year he might have had still better. In that single year the bounty paid amounted to no less than L.324,176, 10s. 6d.* It is unnecessary to observe how much this forced exportation must have raised the price of corn above what it otherwise would have been in the home market.

At the end of the accounts annexed to this chap-

* See Tracts on the Corn Trade ; Tract 3d.

ter the reader will find the particular account of those ten years separated from the rest. He will find there too the particular account of the preceding ten years, of which the average is likewise below, though not so much below, the general average of the sixty-four first years of the century. The year 1740, however, was a year of extraordinary scarcity. These twenty years preceding 1750, may very well be set in opposition to the twenty preceding 1770. As the former were a good deal below the general average of the century, notwithstanding the intervention of one or two dear years; so the latter have been a good deal above it, notwithstanding the intervention of one or two cheap ones, of 1759, for example. If the former have not been as much below the general average, as the latter have been above it, we ought probably to impute it to the bounty. The change has evidently been too sudden to be ascribed to any change in the value of silver, which is always slow and gradual. The suddenness of the effect can be accounted for only by a cause which can operate suddenly, the accidental variation of the seasons.

The money price of labour in Great Britain has, indeed, risen during the course of the present century. This, however, seems to be the effect, not so much of any diminution in the value of silver in the European market, as of an increase in the demand for labour in Great Britain, arising from the great and almost universal prosperity of the country. In France, a country not altogether so prosperous, the money price of labour has, since the middle of the last century, been observed to sink

gradually with the average money price of corn. Both in the last century and in the present, the day-wages of common labour are there said to have been pretty uniformly about the twentieth part of the average price of the septier of wheat, a measure which contains a little more than four Winchester bushels. In Great Britain the real recompence of labour, it has already been shown, the real quantities of the necessaries and conveniencies of life which are given to the labourer, has increased considerably during the course of the present century. The rise in its money price seems to have been the effect, not of any diminution of the value of silver in the general market of Europe, but of a rise in the real price of labour in the particular market of Great Britain, owing to the peculiarly happy circumstances of the country.

For some time after the first discovery of America, silver would continue to sell at its former, or not much below its former price. The profits of mining would for some time be very great, and much above their natural rate. Those who imported that metal into Europe, however, would soon find that the whole annual importation could not be disposed of at this high price. Silver would gradually exchange for a smaller and a smaller quantity of goods. Its price would sink gradually lower and lower till it fell to its natural price; or to what was just sufficient to pay, according to their natural rates, the wages of the labour, the profits of the stock, and the rent of the land, which must be paid in order to bring it from the mine to the market. In the greater part of the silver mines of

Peru, the tax of the king of Spain, amounting to a tenth of the gross produce, eats up, it has already been observed, the whole rent of the land. This tax was originally a half; it soon afterwards fell to a third, then to a fifth, and at last to a tenth, at which rate it still continues. In the greater part of the silver mines of Peru this, it seems, is all that remains, after replacing the stock of the undertaker of the work, together with its ordinary profits; and it seems to be universally acknowledged that these profits, which were once very high, are now as low as they can well be, consistently with carrying on their works.

The tax of the king of Spain was reduced to a fifth part of the registered silver in 1504,* one-and-forty years before 1545, the date of the discovery of the mines of Potosi. In the course of ninety years, or before 1636, these mines, the most fertile in all America,† had time sufficient to produce their full effect, or to reduce the value of silver in the European market as low as it could well fall, while it continued to pay this tax to the king of Spain. Ninety years is time sufficient to reduce any commodity, of which there is no monopoly, to its natural price, or to the lowest price at which, while it pays a particular tax, it can continue to be sold for any considerable time together.

The price of silver in the European market

* Solorzano, vol. ii.

† Potosi can no longer claim this distinction. The mines of Guanajuato, in Mexico, discovered in 1760, have been nearly twice as productive as Potosi. See Humboldt, *Essai Politique sur la Nouvelle Espagne*, tome iii. p. 377.

might perhaps have fallen still lower, and it might have become necessary either to reduce the tax upon it, not only to one tenth, as in 1736, but to one twentieth, in the same manner as that upon gold, or to give up working the greater part of the American mines which are now wrought. The gradual increase of the demand for silver, or the gradual enlargement of the market for the produce of the silver mines of America, is probably the cause which has prevented this from happening, and which has not only kept up the value of silver in the European market, but has perhaps even raised it somewhat higher than it was about the middle of the last century.

Since the first discovery of America, the market for the produce of its silver mines has been growing gradually more and more extensive.

First, The market of Europe has become gradually more and more extensive. Since the discovery of America, the greater part of Europe has been much improved. England, Holland, France, and Germany; even Sweden, Denmark, and Russia, have all advanced considerably both in agriculture and in manufactures. Italy seems not to have gone backwards. The fall of Italy preceded the conquest of Peru. Since that time it seems rather to have recovered a little. Spain and Portugal, indeed, are supposed to have gone backwards. Portugal, however, is but a very small part of Europe, and the declension of Spain is not, perhaps, so great as is commonly imagined. In the beginning of the sixteenth century Spain was a very poor country, even in comparison with France, which

has been so much improved since that time. It was the well-known remark of the Emperor Charles V. who had travelled so frequently through both countries, that every thing abounded in France, but that every thing was wanting in Spain. The increasing produce of the agriculture and manufactures of Europe must necessarily have required a gradual increase in the quantity of silver coin to circulate it; and the increasing number of wealthy individuals must have required the like increase in the quantity of their plate and other ornaments of silver.

Secondly, America is itself a new market for the produce of its own silver mines; and as its advances in agriculture, industry, and population, are much more rapid than those of the most thriving countries in Europe, its demand must increase much more rapidly. The English colonies are altogether a new market, which, partly for coin and partly for plate, requires a continually augmenting supply of silver through a great continent where there never was any demand before. The greater part too of the Spanish and Portuguese colonies are altogether new markets. New Granada, the Yucatan, Paraguay, and the Brazils were, before discovered by the Europeans, inhabited by savage nations, who had neither arts nor agriculture. A considerable degree of both has now been introduced into all of them. Even Mexico and Peru, though they cannot be considered as altogether new markets, are certainly much more extensive ones than they ever were before. After all the wonderful tales which have been published concerning the splendid state of those countries in an-

cient times, whoever reads, with any degree of sober judgment, the history of their first discovery and conquest, will evidently discern that, in arts, agriculture, and commerce, their inhabitants were much more ignorant than the Tartars of the Ukraine are at present. Even the Peruvians, the more civilized nation of the two, though they made use of gold and silver as ornaments, had no coined money of any kind. Their whole commerce was carried on by barter, and there was accordingly scarce any division of labour among them. Those who cultivated the ground were obliged to build their own houses, to make their own household furniture, their own clothes, shoes, and instruments of agriculture. The few artificers among them are said to have been all maintained by the sovereign, the nobles, and the priests, and were probably their servants or slaves. All the ancient arts of Mexico and Peru have never furnished one single manufacture to Europe. The Spanish armies, though they scarce ever exceeded five hundred men, and frequently did not amount to half that number, found almost everywhere great difficulty in procuring subsistence. The famines which they are said to have occasioned almost wherever they went, in countries too which at the same time are represented as very populous and well-cultivated, sufficiently demonstrate that the story of this populousness and high cultivation is in a great measure fabulous. The Spanish colonies are under a government in many respects less favourable to agriculture, improvement and population, than that of the English colonies. They seem, however, to be

advancing in all these much more rapidly than any country in Europe. In a fertile soil and happy climate, the great abundance and cheapness of land, a circumstance common to all new colonies, is, it seems, so great an advantage as to compensate many defects in civil government. Frezier, who visited Peru in 1713, represents Lima as containing between twenty-five and twenty-eight thousand inhabitants. Ulloa, who resided in the same country between 1740 and 1746, represents it as containing more than fifty thousand. The difference in their accounts of the populousness of several other principal towns in Chili and Peru is nearly the same; and as there seems to be no reason to doubt of the good information of either, it marks an increase which is scarce inferior to that of the English colonies. America, therefore, is a new market for the produce of its own silver mines, of which the demand must increase much more rapidly than that of the most thriving country in Europe.

Thirdly, The East Indies is another market for the produce of the silver mines of America, and a market which, from the time of the first discovery of those mines, has been continually taking off a greater and a greater quantity of silver. Since that time, the direct trade between America and the East Indies, which is carried on by means of the Acapulco ships, has been continually augmenting, and the indirect intercourse by the way of Europe has been augmenting in a still greater proportion. During the sixteenth century, the Portuguese were the only European nation who carried on any re-

gular trade to the East Indies. In the last years of that century the Dutch began to encroach upon this monopoly, and in a few years expelled them from their principal settlements in India. During the greater part of the last century those two nations divided the most considerable part of the East India trade between them; the trade of the Dutch continually augmenting in a still greater proportion than that of the Portuguese declined. The English and French carried on some trade with India in the last century, but it has been greatly augmented in the course of the present. The East India trade of the Swedes and Danes began in the course of the present century. Even the Muscovites now trade regularly with China by a sort of caravans which go over land through Siberia and Tartary to Pekin. The East India trade of all these nations, if we except that of the French, which the last war had well nigh annihilated, has been almost continually augmenting. The increasing consumption of East India goods in Europe is, it seems, so great, as to afford a gradual increase of employment to them all. Tea, for example, was a drug very little used in Europe before the middle of the last century. At present the value of the tea annually imported by the English East India Company, for the use of their own countrymen, amounts to more than a million and a half a year; and even this is not enough; a great deal more being constantly smuggled into the country from the ports of Holland, from Gotenburg in Sweden, and from the coast of France too, as long as the French East India Company

was in prosperity.* The consumption of the porcelain of China, of the spiceries of the Moluccas, of the piece goods of Bengal, and of innumerable other articles, has increased very nearly in a like proportion. The tonnage accordingly of all the European shipping employed in the East India trade, at any one time during the last century, was not, perhaps, much greater than that of the English East India Company before the late reduction of their shipping.

But in the East Indies, particularly in China

* The consumption of tea has been greatly increased since the period when Dr. Smith wrote. The quantity of tea legally imported during the three years ending with 1783, amounted to about five and a half millions of pounds weight. But in addition to this, it was estimated that a farther quantity of above seven and a half millions of pounds was clandestinely imported, making the whole imports amount to about *thirteen* millions of pounds. This excess of smuggling was entirely a consequence of the oppressively high duties on tea; and in 1784, after every other resource had in vain been tried for its suppression, Mr. Pitt reduced the duties from about 119 to $12\frac{1}{2}$ per cent. *ad valorem*. This measure was eminently successful. Smuggling, having ceased to be lucrative, was immediately abandoned; and the quantity of tea legally imported was increased in a *threefold* proportion in less than two years. The consumption of tea continued to increase with considerable rapidity until 1800; but since then its increase has been comparatively slow and inconsiderable; a result which must be ascribed partly to the heaviness of the duties with which it has since been loaded, and partly to the way in which the East India Company has supplied the market. The average quantity of tea annually consumed in Great Britain amounts, at present, to about 24,000,000 of pounds. The revenue derived from it is above three millions; and as the duty is an *ad valorem* one of 100 per cent. on the price at which the tea is sold at the East India Company's sales, it follows that the cost of the tea consumed in a year must amount to above six millions sterling, exclusive of the profits of the retail dealers! For further information with respect to the history and present state of the tea trade, see Edinburgh Review, vol. xxxvi. p. 519, and vol. xxxix. p. 458.

and Indostan, the value of the precious metals, when the Europeans first began to trade to those countries, was much higher than in Europe; and it still continues to be so. In rice countries, which generally yield two, sometimes three crops in the year, each of them more plentiful than any common crop of corn, the abundance of food must be much greater than in any corn country of equal extent. Such countries are accordingly much more populous. In them too the rich, having a greater superabundance of food to dispose of beyond what they themselves can consume, have the means of purchasing a much greater quantity of the labour of other people. The retinue of a grandee in China or Indostan accordingly is, by all accounts, much more numerous and splendid than that of the richest subjects in Europe. The same superabundance of food, of which they have the disposal, enables them to give a greater quantity of it for all those singular and rare productions which nature furnishes but in very small quantities; such as the precious metals and the precious stones; the great objects of the competition of the rich. Though the mines, therefore, which supplied the Indian market had been as abundant as those which supplied the European, such commodities would naturally exchange for a greater quantity of food in India than in Europe. But the mines which supplied the Indian market with the precious metals seem to have been a good deal less abundant, and those which supplied it with the precious stones a good deal more so, than the mines which supplied the European. The precious

metals, therefore, would naturally exchange in India for somewhat a greater quantity of the precious stones, and for a much greater quantity of food than in Europe. The money price of diamonds, the greatest of all superfluities, would be somewhat lower, and that of food, the first of all necessaries, a great deal lower in the one country than in the other. But the real price of labour, the real quantity of the necessaries of life which is given to the labourer, it has already been observed, is lower both in China and Indostan, the two great markets of India, than it is through the greater part of Europe. The wages of the labourer will there purchase a smaller quantity of food; and as the money price of food is much lower in India than in Europe, the money price of labour is there lower upon a double account; upon account both of the small quantity of food which it will purchase, and of the low price of that food. But in countries of equal art and industry, the money price of the greater part of manufactures will be in proportion to the money price of labour; and in manufacturing art and industry, China and Indostan, though inferior, seem not to be much inferior to any part of Europe. The money price of the greater part of manufactures, therefore, will naturally be much lower in those great empires than it is anywhere in Europe. Through the greater part of Europe too the expense of land-carriage increases very much both the real and nominal price of most manufactures. It costs more labour, and therefore more money, to bring first the materials, and afterwards the complete

manufacture to market. In China and Indostan the extent and variety of inland navigations save the greater part of this labour, and consequently of this money, and thereby reduce still lower both the real and the nominal price of the greater part of their manufactures. Upon all these accounts, the precious metals are a commodity which it always has been, and still continues to be, extremely advantageous to carry from Europe to India.* There is scarce any commodity which brings a better price there; or which, in proportion to the quantity of labour and commodities which it costs in Europe, will purchase or command a greater quantity of labour and commodities in India. It is more advantageous too to carry silver thither than gold; because in China, and the greater part of the other markets of India, the proportion between fine silver and fine gold is but as ten, or at most as twelve, to one; whereas in Europe it is as fourteen or fifteen to one. In China, and the greater part of the other markets of India, ten, or at most twelve, ounces of silver will purchase an ounce of gold: in Europe it requires from fourteen to fifteen ounces. In the cargoes, therefore, of the greater part of European ships which sail to India, silver has generally been one of the most valuable articles. It is the most valuable article in the Acapulco ships which sail to Manilla. The silver of the new continent seems in this manner to be

* Within the last six or seven years, the drain of bullion to the East Indies had entirely ceased; and considerable quantities were actually imported thence into this country. It has again returned to its old channel. *See the Appendix to the second volume of this work.*

one of the principal commodities by which the commerce between the two extremities of the old one is carried on, and it is by means of it, in a great measure, that those distant parts of the world are connected with one another.*

In order to supply so very widely extended a market, the quantity of silver annually brought from the mines must not only be sufficient to support that continual increase both of coin and of plate which is required in all thriving countries; but to repair that continual waste and consumption of silver which takes place in all countries where that metal is used.

The continual consumption of the precious metals in coin by wearing, and in plate both by wearing and cleaning, is very sensible; and in commodities of which the use is so very widely extended, would alone require a very great annual supply. The consumption of those metals in some particular manufactures, though it may not perhaps be greater upon the whole than this gradual consumption, is, however, much more sensible, as it is much

* M. Humboldt estimates, that of the sum of 43,500,000 dollars of gold and silver, which he supposes were annually imported from America into Europe previously to the late convulsions in the former, no less than 25,500,000 were subsequently exported to Asia, viz.

4,000,000 by means of the commerce of the Levant;

17,500,000 by the commerce carried on by the route round the Cape of Good Hope; and

4,000,000 by the commerce carried on with China and India by way of Kiachta, Tobolsk, &c.

There must necessarily be a good deal of conjecture in this estimate; but the pains bestowed on it by M. Humboldt entitle it to a considerable degree of credit. See *Essai Politique sur la Nouvelle Es- pagne*, tome iv. p. 278.

more rapid. In the manufactures of Birmingham alone, the quantity of gold and silver annually employed in gilding and plating, and thereby disqualified from ever afterwards appearing in the shape of those metals, is said to amount to more than fifty thousand pounds sterling. We may from thence form some notion how great must be the annual consumption in all the different parts of the world, either in manufactures of the same kind with those of Birmingham, or in laces, embroideries, gold and silver stuffs, the gilding of books, furniture, &c. A considerable quantity too must be annually lost in transporting those metals from one place to another both by sea and by land. In the greater part of the governments of Asia, besides, the almost universal custom of concealing treasures in the bowels of the earth, of which the knowledge frequently dies with the person who makes the concealment, must occasion the loss of a still greater quantity.

The quantity of gold and silver imported at both Cadiz and Lisbon (including not only what comes under register, but what may be supposed to be smuggled) amounts, according to the best accounts, to about six millions sterling a year.

According to Mr. Meggens* the annual importation of the precious metals into Spain, at an average of six years, viz. from 1748 to 1753, both in-

* Postscript to the *Universal Merchant*, p. 15 and 16. This postscript was not printed till 1756, three years after the publication of the book, which has never had a second edition. The postscript is, therefore, to be found in few copies: it corrects several errors in the book. (Note by the author.)

clusive; and into Portugal, at an average of seven years, viz. from 1747 to 1753, both inclusive; amounted in silver to 1,101,107 pounds weight; and in gold to 49,940 pounds weight. The silver, at sixty-two shillings the pound Troy, amounts to L.3,413,431, 10s. sterling. The gold, at forty-four guineas and a half the pound Troy, amounts to L.2,333,446, 14s. sterling. Both together amount to L.5,746,878, 4s. sterling. The account of what was imported under register, he assures us is exact. He gives us the detail of the particular places from which the gold and silver were brought, and of the particular quantity of each metal, which, according to the register, each of them afforded. He makes an allowance too for the quantity of each metal which he supposes may have been smuggled. The great experience of this judicious merchant renders his opinion of considerable weight.

According to the eloquent and sometimes well-informed author of the Philosophical and Political History of the Establishment of the Europeans in the two Indies, the annual importation of registered gold and silver into Spain, at an average of eleven years, viz. from 1754 to 1764, both inclusive, amounted to 13,984,185 $\frac{1}{2}$ piasters of ten reals. On account of what may have been smuggled, however, the whole annual importation, he supposes, may have amounted to seventeen millions of piasters; which, at 4s. 6d. the piaster, is equal to L.3,825,000 sterling. He gives the detail too of the particular places from which the gold and silver were brought, and of the particular quantities of each metal which, according to the register, each of them afforded. He informs us too, that if we

were to judge of the quantity of gold annually imported from the Brazils into Lisbon by the amount of the tax paid to the king of Portugal, which it seems is one-fifth of the standard metal, we might value it at eighteen millions of cruzadoes, or forty-five millions of French livres, equal to about two millions sterling. On account of what may have been smuggled, however, we may safely, he says, add to this sum an eighth more, or L.250,000 sterling, so that the whole will amount to L.2,250,000 sterling. According to this account, therefore, the whole annual importation of the precious metals into both Spain and Portugal, amounts to about L.6,075,000 sterling.

Several other very well authenticated, though manuscript, accounts, I have been assured, agree, in making this whole annual importation amount at an average to about six millions sterling; sometimes a little more, sometimes a little less.

The annual importation of the precious metals into Cadiz and Lisbon, indeed, is not equal to the whole annual produce of the mines of America. Some part is sent annually by the Acapulco ships to Manilla; some part is employed in the contraband trade which the Spanish colonies carry on with those of other European nations; and some part, no doubt, remains in the country. The mines of America, besides, are by no means the only gold and silver mines in the world. They are, however, by far the most abundant. The produce of all the other mines which are known, is insignificant; it is acknowledged, in comparison with theirs; and the far greater part of their produce, it is likewise acknowledged, is annually im-

ported into Cadiz and Lisbon. But the consumption of Birmingham alone, at the rate of fifty thousand pounds a year, is equal to the hundred-and-twentieth part of this annual importation at the rate of six millions a year. The whole annual consumption of gold and silver, therefore, in all the different countries of the world where those metals are used, may perhaps be nearly equal to the whole annual produce. The remainder may be no more than sufficient to supply the increasing demand of all thriving countries. It may even have fallen so far short of this demand as somewhat to raise the price of those metals in the European market.*

* The learned, laborious, and accurate researches of M. Humboldt have furnished a great deal of new and important information with respect to this subject. They show that the importation of gold and silver from America was considerably greater at the period when the "Wealth of Nations" was published than Dr. Smith supposes, and that it had continued to increase up to the commencement of the late disturbances. The following table contains the result of M. Humboldt's investigations.

Annual Produce of the Mines of America at the Commencement of the Nineteenth Century.

POLITICAL DIVISIONS.	GOLD.		SILVER.		Value of the Gold and Silver in dollars.
	Marses of Castille.	kilogr.	Marses of Castille.	kilogr.	
Vice-Royalty of New Spain.....	7,000	1,609	2,338,220	537,512	23,000,000
Vice-Royalty of Peru Captain-Generalship of Chili.....	3,400	782	611,090	140,478	6,240,000
Vice-Royalty of Buenos-Ayres.....	12,212	2,807	29,700	6,827	2,060,000
Vice-Royalty of New Granada.....	2,200	506	481,830	110,764	4,850,000
Brazil.....	20,505	4,714	2,990,000
	29,900	6,873	4,360,000
Total.....	75,217	17,291	3,460,840	795,581	43,500,000

The quantity of brass and iron annually brought from the mine to the market is out of all proportion greater than that of gold and silver. We do not, however, upon this account, imagine that those coarse metals are likely to multiply beyond the demand, or to become gradually cheaper and cheaper. Why should we imagine that the precious metals are likely to do so? The coarse metals, indeed, though harder, are put to much harder uses, and, as they are of less value, less care is employed in their preservation. The precious metals, however, are not necessarily immortal any more

This sum of 43,500,000 dollars, at 4s. 3d. a dollar, amounts to L.9,243,750; and M. Humboldt estimates the annual produce of the European mines, and those of Northern Asia, at about a million more.

Mr. Jacob, the author of the article Mexico, in the Supplement to the Encyclopædia Britannica, and who is well versed in statistical inquiries, estimates the annual average produce of the American mines from 1800 to 1810 at 47,061,000 dollars. (Tooke on High and Low Prices, p. 380, 2d ed.) But the revolutionary struggles which began in 1810, and which still continue (1826) to disturb the peace of Peru and some other districts, have caused some of the most productive mines to be entirely abandoned, and have occasioned a most extraordinary falling off in the supply of the precious metals previously obtained from the New World. Mr. Jacob estimates the annual average produce of the American mines from 1810 to 1820 at only 16,036,000 dollars, being very little more than a *third* of their annual produce for the previous ten years; and though this estimate has been suspected of being somewhat underrated, there are pretty strong grounds for thinking that it is not far from accurate. Within the last three or four years, however, mining operations have begun to be again prosecuted with spirit. And considering the additional stimulus that cannot fail to be given to every sort of industry by means of the free governments that have been established in the country, and the great influx of adventurers from Europe, it is most probable that the produce of the mines will, at no distant period, exceed what it has ever hitherto amounted to.

than they, but are liable too to be lost, wasted, and consumed in a great variety of ways.

The price of all metals, though liable to slow and gradual variations, varies less from year to year than that of almost any other part of the rude produce of land ; and the price of the precious metals is even less liable to sudden variations than that of the coarse ones. The durability of metals is the foundation of this extraordinary steadiness of price. The corn which was brought to market last year, will be all or almost all consumed long before the end of this year. But some part of the iron which was brought from the mine two or three hundred years ago, may be still in use, and perhaps some part of the gold which was brought from it two or three thousand years ago. The different masses of corn which in different years must supply the consumption of the world, will always be nearly in proportion to the respective produce of those different years. But the proportion between the different masses of iron which may be in use, in two different years, will be very little affected by any accidental difference in the produce of the iron mines of those two years ; and the proportion between the masses of gold will be still less affected by any such difference in the produce of the gold mines. Though the produce of the greater part of metallic mines, therefore, varies perhaps still more from year to year than that of the greater part of corn fields, those variations have not the same effect upon the price of the one species of commodities as upon that of the other.

Variations in the Proportion between the respective Values of Gold and Silver.

BEFORE the discovery of the mines of America, the value of fine gold to fine silver was regulated in the different mints of Europe, between the proportions of one to ten and one to twelve; that is, an ounce of fine gold was supposed to be worth from ten to twelve ounces of fine silver. About the middle of the last century it came to be regulated, between the proportions of one to fourteen and one to fifteen; that is, an ounce of fine gold came to be supposed worth between fourteen and fifteen ounces of fine silver. Gold rose in its nominal value, or in the quantity of silver which was given for it. Both metals sunk in their real value, or in the quantity of labour which they could purchase; but silver sunk more than gold. Though both the gold and silver mines of America exceeded in fertility all those which had ever been known before, the fertility of the silver mines had, it seems, been proportionably still greater than that of the gold ones.

The great quantities of silver carried annually from Europe to India have, in some of the English settlements, gradually reduced the value of that metal in proportion to gold. In the mint of Calcutta, an ounce of fine gold is supposed to be worth fifteen ounces of fine silver, in the same manner as in Europe. It is in the mint perhaps rated too high for the value which it bears in the

market of Bengal. In China, the proportion of gold to silver still continues as one to ten, or one to twelve. In Japan, it is said to be as one to eight.

The proportion between the quantities of gold and silver annually imported into Europe, according to Mr. Meggens's account, is as one to twenty-two nearly; that is, for one ounce of gold there are imported a little more than twenty-two ounces of silver. The great quantity of silver sent annually to the East Indies reduces, he supposes, the quantities of those metals which remain in Europe to the proportion of one to fourteen or fifteen, the proportion of their values. The proportion between their values, he seems to think, must necessarily be the same as that between their quantities, and would therefore be as one to twenty-two, were it not for this greater exportation of silver.

But the ordinary proportion between the respective values of two commodities is not necessarily the same as that between the quantities of them which are commonly in the market.* The price of an ox, reckoned at ten guineas, is about three-score times the price of a lamb, reckoned at 3s. 6d. It would be absurd, however, to infer from thence,

* The proportion between the average values of any number of freely produced commodities depends upon the comparative cost of their production, and is not in the slightest degree influenced by the quantities of them brought to market. If it takes fourteen or fifteen times the expense to produce a pound weight of gold bullion that it does to produce a pound weight of silver, the value of the former will be fourteen or fifteen times greater than the value of the latter, and this, though the quantity of silver brought to market should be fifty times more than the quantity of gold.—See my *Principles of Political Economy*, p. 253.

that there are commonly in the market threescore lambs for one ox ; and it would be just as absurd to infer, because an ounce of gold will commonly purchase from fourteen to fifteen ounces of silver, that there are commonly in the market only fourteen or fifteen ounces of silver for one ounce of gold.

The quantity of silver commonly in the market, it is probable, is much greater in proportion to that of gold, than the value of a certain quantity of gold is to that of an equal quantity of silver. The whole quantity of a cheap commodity brought to market, is commonly not only greater, but of greater value, than the whole quantity of a dear one. The whole quantity of bread annually brought to market, is not only greater, but of greater value than the whole quantity of butcher's meat; the whole quantity of butcher's meat, than the whole quantity of poultry; and the whole quantity of poultry, than the whole quantity of wild fowl. There are so many more purchasers for the cheap than for the dear commodity, that, not only a greater quantity of it, but a greater value, can commonly be disposed of. The whole quantity, therefore, of the cheap commodity must commonly be greater in proportion to the whole quantity of the dear one, than the value of a certain quantity of the dear one is to the value of an equal quantity of the cheap one. When we compare the precious metals with one another, silver is a cheap, and gold a dear commodity. We ought naturally to expect, therefore, that there should always be in the market, not only a greater quantity, but a

greater value of silver than of gold. Let any man, who has a little of both, compare his own silver with his gold plate, and he will probably find, that, not only the quantity, but the value of the former greatly exceeds that of the latter. Many people, besides, have a good deal of silver who have no gold plate, which, even with those who have it, is generally confined to watch-cases, snuff-boxes, and such like trinkets, of which the whole amount is seldom of great value. In the British coin, indeed, the value of the gold preponderates greatly, but it is not so in that of all countries. In the coin of some countries the value of the two metals is nearly equal. In the Scotch coin, before the union with England, the gold preponderated very little, though it did somewhat,* as it appears by the accounts of the mint. In the coin of many countries the silver preponderates. In France, the largest sums are commonly paid in that metal, and it is there difficult to get more gold than what is necessary to carry about in your pocket. The superior value, however, of the silver plate above that of the gold, which takes place in all countries, will much more than compensate the preponderancy of the gold coin above the silver, which takes place only in some countries.

Though, in one sense of the word, silver always has been, and probably always will be, much cheaper than gold; yet in another sense, gold may, perhaps, in the present state of the Spanish market, be said to be somewhat cheaper than silver.

* See Ruddiman's Preface to Anderson's *Diplomata*, &c. Scotiæ.

A commodity may be said to be dear or cheap, not only according to the absolute greatness or smallness of its usual price, but according as that price is more or less above the lowest for which it is possible to bring it to market for any considerable time together. This lowest price is that which barely replaces, with a moderate profit, the stock which must be employed in bringing the commodity thither. It is the price which affords nothing to the landlord, of which rent makes not any component part, but which resolves itself altogether into wages and profit. But, in the present state of the Spanish market, gold is certainly somewhat nearer to this lowest price than silver. The tax of the King of Spain upon gold is only one-twentieth part of the standard metal, or five per cent. ; whereas his tax upon silver amounts to one-tenth part of it, or to ten per cent. In these taxes too, it has already been observed, consists the whole rent of the greater part of the gold and silver mines of Spanish America ; and that upon gold is still worse paid than that upon silver. The profits of the undertakers of gold mines too, as they more rarely make a fortune, must, in general, be still more moderate than those of the undertakers of silver mines. The price of Spanish gold, therefore, as it affords both less rent and less profit, must, in the Spanish market, be somewhat nearer to the lowest price for which it is possible to bring it thither, than the price of Spanish silver. When all expenses are computed, the whole quantity of the one metal, it would seem, cannot, in the Spanish market, be disposed of so advantageously as the whole quantity

of the other. The tax, indeed, of the King of Portugal upon the gold of the Brazils, is the same with the ancient tax of the King of Spain upon the silver of Mexico and Peru; or one-fifth part of the standard metal. It may, therefore, be uncertain whether to the general market of Europe the whole mass of American gold comes at a price nearer to the lowest for which it is possible to bring it thither, than the whole mass of American silver.

The price of diamonds and other precious stones may, perhaps, be still nearer to the lowest price at which it is possible to bring them to market, than even the price of gold.

Though it is not very probable that any part of a tax, which is not only imposed upon one of the most proper subjects of taxation, a mere luxury and superfluity, but which affords so very important a revenue, as the tax upon silver, will ever be given up as long as it is possible to pay it; yet the same impossibility of paying it, which in 1736 made it necessary to reduce it from one-fifth to one-tenth, may in time make it necessary to reduce it still further; in the same manner as it made it necessary to reduce the tax upon gold to one-twentieth. That the silver mines of Spanish America, like all other mines, become gradually more expensive in the working, on account of the greater depths at which it is necessary to carry on the works, and of the greater expense of drawing out the water and of supplying them with fresh air at those depths, is acknowledged by every body who has inquired into the state of those mines.

These causes, which are equivalent to a grow-

ing scarcity of silver (for a commodity may be said to grow scarcer when it becomes more difficult and expensive to collect a certain quantity of it) must, in time, produce one or other of the three following events. The increase of the expense must either, first, be compensated altogether by a proportionable increase in the price of the metal; or, secondly, it must be compensated altogether by a proportionable diminution of the tax upon silver; or, thirdly, it must be compensated partly by the one, and partly by the other of those two expedients. This third event is very possible. As gold rose in its price in proportion to silver, notwithstanding a great diminution of the tax upon gold; so silver might rise in its price in proportion to labour and commodities, notwithstanding an equal diminution of the tax upon silver.

Such successive reductions of the tax, however, though they may not prevent altogether, must certainly retard, more or less, the rise of the value of silver in the European market. In consequence of such reductions, many mines may be wrought which could not be wrought before, because they could not afford to pay the old tax; and the quantity of silver annually brought to market must always be somewhat greater, and, therefore, the value of any given quantity somewhat less, than it otherwise would have been. In consequence of the reduction in 1736, the value of silver in the European market, though it may not at this day be lower than before that reduction, is, probably, at least ten per cent. lower than it would have been, had the Court of Spain continued to exact the old tax.

That, notwithstanding this reduction, the value of silver has, during the course of the present century, begun to rise somewhat in the European market; the facts and arguments which have been alleged above, dispose me to believe, or more properly to suspect and conjecture; for the best opinion which I can form upon this subject scarce, perhaps, deserves the name of belief. The rise, indeed, supposing there has been any, has hitherto been so very small, that after all that has been said, it may, perhaps, appear to many people uncertain, not only whether this event has actually taken place; but whether the contrary may not have taken place, or whether the value of silver may not still continue to fall in the European market.

It must be observed, however, that whatever may be the supposed annual importation of gold and silver, there must be a certain period, at which the annual consumption of those metals will be equal to that annual importation. Their consumption must increase as their mass increases, or rather in a much greater proportion. As their mass increases, their value diminishes. They are more used, and less cared for, and their consumption consequently increases in a greater proportion than their mass. After a certain period, therefore, the annual consumption of those metals must, in this manner, become equal to their annual importation, provided that importation is not continually increasing; which, in the present times, is not supposed to be the case.

If, when the annual consumption has become equal to the annual importation, the annual im-

portation should gradually diminish, the annual consumption may, for some time, exceed the annual importation. The mass of those metals may gradually and insensibly diminish, and their value gradually and insensibly rise, till the annual importation becoming again stationary, the annual consumption will gradually and insensibly accommodate itself to what that annual importation can maintain.

Grounds of the Suspicion that the Value of Silver still continues to decrease.

THE increase of the wealth of Europe, and the popular notion that, as the quantity of the precious metals naturally increases with the increase of wealth, so their value diminishes as their quantity increases, may, perhaps, dispose many people to believe that their value still continues to fall in the European market; and the still gradually increasing price of many parts of the rude produce of land may confirm them still further in this opinion.

That that increase in the quantity of the precious metals, which arises in any country from the increase of wealth, has no tendency to diminish their value, I have endeavoured to show already. Gold and silver naturally resort to a rich country, for the same reason that all sorts of luxuries and curiosities resort to it; not because they are cheaper there than in poorer countries, but because they are dearer, or because a better price is given for them. It is the superiority of price which attracts

them, and as soon as that superiority ceases, they necessarily cease to go thither.

If you except corn and such other vegetables as are raised altogether by human industry, that all other sorts of rude produce, cattle, poultry, game of all kinds, the useful fossils and minerals of the earth, &c. naturally grow dearer as the society advances in wealth and improvement, I have endeavoured to show already. Though such commodities, therefore, come to exchange for a greater quantity of silver than before, it will not from thence follow that silver has become really cheaper, or will purchase less labour than before, but that such commodities have become really dearer, or will purchase more labour than before. It is not their nominal price only, but their real price which rises in the progress of improvement. The rise of their nominal price is the effect, not of any degradation of the value of silver, but of the rise in their real price.

Different Effects of the Progress of Improvement upon three different Sorts of rude Produce.

THESE different sorts of rude produce may be divided into three classes. The first comprehends those which it is scarce in the power of human industry to multiply at all. The second, those which it can multiply in proportion to the demand. The third, those in which the efficacy of industry is either limited or uncertain. In the progress of wealth and improvement, the real price of the first

may rise to any degree of extravagance, and seems not to be limited by any certain boundary. That of the second, though it may rise greatly, has, however, a certain boundary beyond which it cannot well pass for any considerable time together. That of the third, though its natural tendency is to rise in the progress of improvement, yet in the same degree of improvement it may sometimes happen even to fall, sometimes to continue the same, and sometimes to rise more or less, according as different accidents render the efforts of human industry, in multiplying this sort of rude produce, more or less successful.

First Sort.

THE first sort of rude produce of which the price rises in the progress of improvement, is that which it is scarce in the power of human industry to multiply at all. It consists in those things which nature produces only in certain quantities, and which being of a very perishable nature, it is impossible to accumulate together the produce of many different seasons. Such are the greater part of rare and singular birds and fishes, many different sorts of game, almost all wild fowl, all birds of passage in particular, as well as many other things. When wealth and the luxury which accompanies it increase, the demand for these is likely to increase with them, and no effort of human industry may be able to increase the supply much beyond what it was before this increase of the demand. The quantity of such commodities, therefore, remaining the same, or nearly the same, while the

competition to purchase them is continually increasing, their price may rise to any degree of extravagance, and seems not to be limited by any certain boundary. If woodcocks should become so fashionable as to sell for twenty guineas a-piece, no effort of human industry could increase the number of those brought to market, much beyond what it is at present. The high price paid by the Romans, in the time of their greatest grandeur, for rare birds and fishes, may in this manner easily be accounted for. These prices were not the effects of the low value of silver in those times, but of the high value of such rarities and curiosities as human industry could not multiply at pleasure. The real value of silver was higher at Rome, for some time before and after the fall of the republic, than it is through the greater part of Europe at present. Three sestertii, equal to about sixpence sterling, was the price which the republic paid for the modius or peck of the tithe wheat of Sicily. This price, however, was probably below the average market price, the obligation to deliver their wheat at this rate being considered as a tax upon the Sicilian farmers. When the Romans, therefore, had occasion to order more corn than the tithe of wheat amounted to, they were bound by capitulation to pay for the surplus at the rate of four sestertii, or eightpence sterling, the peck; and this had probably been reckoned the moderate and reasonable, that is, the ordinary or average contract price of those times; it is equal to about one-and-twenty shillings the quarter. Eight-and-twenty shillings the quarter was, before the late years of

scarcity, the ordinary contract price of English wheat, which in quality is inferior to the Sicilian, and generally sells for a lower price in the European market. The value of silver, therefore, in those ancient times, must have been to its value in the present, as three to four inversely; that is, three ounces of silver would then have purchased the same quantity of labour and commodities which four ounces will do at present. When we read in Pliny, therefore, that Seius* bought a white nightingale, as a present for the empress Agrippina, at the price of six thousand sestertii, equal to about fifty pounds of our present money; and that Asinius Celer† purchased a surmullet at the price of eight thousand sestertii, equal to about sixty-six pounds thirteen shillings and fourpence of our present money; the extravagance of those prices, how much soever it may surprise us, is apt, notwithstanding, to appear to us about one-third less than it really was. Their real price, the quantity of labour and subsistence which was given away for them, was about one-third more than their nominal price is apt to express to us in the present times. Seius gave for the nightingale the command of a quantity of labour and subsistence equal to what L.66, 13s. 4d. would purchase in the present times; and Asinius Celer gave for the surmullet the command of a quantity equal to what L.88, 17s. 9½d. would purchase. What occasioned the extravagance of those high prices was, not so much the abundance of silver, as the abundance of labour

* Lib. x. c. 29.

† Lib. ix. c. 17.

and subsistence, of which those Romans had the disposal, beyond what was necessary for their own use. The quantity of silver, of which they had the disposal, was a good deal less than what the command of the same quantity of labour and subsistence would have procured to them in the present times.*

Second Sort.

THE second sort of rude produce of which the price rises in the progress of improvement, is that which human industry can multiply in proportion to the demand. It consists in those useful plants and animals which, in uncultivated countries, nature produces with such profuse abundance, that they are of little or no value, and which, as cultivation advances, are therefore forced to give place to some more profitable produce. During a long period in the progress of improvement, the quantity of these is continually diminishing, while at the same time the demand for them is continually increasing. Their real value, therefore, the real quantity of labour which they will purchase or command, gradually rises, till at last it gets so high as to render them as profitable a produce as any thing else which human industry can raise upon the most fertile and best cultivated land. When it has got so high it cannot well go higher. If it did, more land and more industry would soon be employed to increase their quantity.

When the price of cattle, for example, rises so

* See note *ante*, p. 222.

high that it is as profitable to cultivate land in order to raise food for them, as in order to raise food for man, it cannot well go higher. If it did, more corn land would soon be turned into pasture. The extension of tillage, by diminishing the quantity of wild pasture, diminishes the quantity of butcher's meat which the country naturally produces without labour or cultivation, and by increasing the number of those who have either corn, or, what comes to the same thing, the price of corn, to give in exchange for it, increases the demand. The price of butcher's meat, therefore, and consequently of cattle, must gradually rise till it gets so high, that it becomes as profitable to employ the most fertile and best cultivated lands in raising food for them as in raising corn. But it must always be late in the progress of improvement before tillage can be so far extended as to raise the price of cattle to this height; and till it has got to this height, if the country is advancing at all, their price must be continually rising. There are, perhaps, some parts of Europe in which the price of cattle has not yet got to this height. It had not got to this height in any part of Scotland before the Union. Had the Scotch cattle been always confined to the market of Scotland, in a country in which the quantity of land, which can be applied to no other purpose but the feeding of cattle, is so great in proportion to what can be applied to other purposes, it is scarce possible, perhaps, that their price could ever have risen so high as to render it profitable to cultivate land for the sake of feeding them. In England, the price of

cattle, it has already been observed, seems, in the neighbourhood of London, to have got to this height about the beginning of the last century; but it was much later probably before it got to it through the greater part of the remoter counties; in some of which, perhaps, it may scarce yet have got to it. Of all the different substances, however, which compose this second sort of rude produce, cattle is, perhaps, that of which the price, in the progress of improvement, first rises to this height.

Till the price of cattle, indeed, has got to this height, it seems scarce possible that the greater part, even of those lands which are capable of the highest cultivation, can be completely cultivated. In all farms too distant from any town to carry manure from it, that is, in the far greater part of those of every extensive country, the quantity of well-cultivated land must be in proportion to the quantity of manure which the farm itself produces; and this again must be in proportion to the stock of cattle which are maintained upon it. The land is manured either by pasturing the cattle upon it, or by feeding them in the stable, and from thence carrying out their dung to it. But unless the price of the cattle be sufficient to pay both the rent and profit of cultivated land, the farmer cannot afford to pasture them upon it; and he can still less afford to feed them in the stable. It is with the produce of improved and cultivated land only, that cattle can be fed in the stable; because to collect the scanty and scattered produce of waste and unimproved lands would require too much labour and be too expensive. If the price of the cattle, there-

fore, is not sufficient to pay for the produce of improved and cultivated land, when they are allowed to pasture it, that price will be still less sufficient to pay for that produce when it must be collected with a good deal of additional labour, and brought into the stable to them. In these circumstances, therefore, no more cattle can, with profit, be fed in the stable than what are necessary for tillage. But these can never afford manure enough for keeping constantly in good condition, all the lands which they are capable of cultivating. What they afford, being insufficient for the whole farm, will naturally be reserved for the lands to which it can be most advantageously or conveniently applied; the most fertile, or those, perhaps, in the neighbourhood of the farm-yard. These, therefore, will be kept constantly in good condition and fit for tillage. The rest will, the greater part of them, be allowed to lie waste, producing scarce any thing but some miserable pasture, just sufficient to keep alive a few straggling, half-starved cattle; the farm, though much understocked in proportion to what would be necessary for its complete cultivation, being very frequently overstocked in proportion to its actual produce. A portion of this waste land, however, after having been pastured in this wretched manner for six or seven years together, may be ploughed up, when it will yield, perhaps, a poor crop or two of bad oats, or of some other coarse grain, and then, being entirely exhausted, it must be rested and pastured again as before, and another portion ploughed up to be in the same manner exhausted and rested again in its turn. Such ac-

cordingly was the general system of management all over the low country of Scotland before the Union. The lands which were kept constantly well manured and in good condition, seldom exceeded a third or a fourth part of the whole farm, and sometimes did not amount to a fifth or a sixth part of it. The rest were never manured, but a certain portion of them was in its turn, notwithstanding, regularly cultivated and exhausted. Under this system of management, it is evident, even that part of the lands of Scotland which is capable of good cultivation, could produce but little in comparison of what it may be capable of producing. But how disadvantageous soever this system may appear, yet before the Union the low price of cattle seems to have rendered it almost unavoidable. If, notwithstanding a great rise in their price, it still continues to prevail through a considerable part of the country, it is owing, in many places, no doubt, to ignorance and attachment to old customs, but in most places to the unavoidable obstructions which the natural course of things opposes to the immediate or speedy establishment of a better system: first, to the poverty of the tenants, to their not having yet had time to acquire a stock of cattle sufficient to cultivate their lands more completely, the same rise of price which would render it advantageous for them to maintain a greater stock, rendering it more difficult for them to acquire it; and, secondly, to their not having yet had time to put their lands in condition to maintain this greater stock properly, supposing they were capable of acquiring it. The increase of stock and the improve-

ment of land are two events which must go hand in hand, and of which the one can nowhere much outrun the other. Without some increase of stock, there can be scarce any improvement of land, but there can be no considerable increase of stock but in consequence of a considerable improvement of land; because otherwise the land could not maintain it. These natural obstructions to the establishment of a better system cannot be removed but by a long course of frugality and industry; and half a century or a century more, perhaps, must pass away before the old system, which is wearing out gradually, can be completely abolished through all the different parts of the country. Of all the commercial advantages, however, which Scotland has derived from the union with England, this rise in the price of cattle is, perhaps, the greatest. It has not only raised the value of all highland estates, but it has, perhaps, been the principal cause of the improvement of the low country.*

In all new colonies the great quantity of waste land, which can for many years be applied to no other purpose but the feeding of cattle, soon renders them extremely abundant, and in every thing great cheapness is the necessary consequence of great abundance. Though all the cattle of the European colonies in America were originally carried from Europe, they soon multiplied so much there, and became of so little value, that even

* The system of husbandry in Scotland has been vastly improved since the close of the American war. In all the lower districts of the country, it is now fully equal, if it be not superior, to that of England.

horses were allowed to run wild in the woods without any owner thinking it worth while to claim them. It must be a long time after the first establishment of such colonies, before it can become profitable to feed cattle upon the produce of cultivated land. The same causes, therefore, the want of manure, and the disproportion between the stock employed in cultivation, and the land which it is destined to cultivate, are likely to introduce there a system of husbandry not unlike that which still continues to take place in so many parts of Scotland. Mr. Kalm, the Swedish traveller, when he gives an account of the husbandry of some of the English colonies in North America, as he found it in 1749, observes, accordingly, that he can with difficulty discover there the character of the English nation, so well skilled in all the different branches of agriculture. They make scarce any manure for their corn fields, he says; but when one piece of ground has been exhausted by continual cropping, they clear and cultivate another piece of fresh land; and when that is exhausted, proceed to a third. Their cattle are allowed to wander through the woods and other uncultivated grounds, where they are half-starved; having long ago extirpated almost all the annual grasses by cropping them too early in the spring, before they had time to form their flowers, or to shed their seeds.* The annual grasses were, it seems, the best natural grasses in that part of North America; and when the Europeans first settled there,

* Kalm's Travels, vol. i. p. 343, 344.

they used to grow very thick, and to rise three or four feet high. A piece of ground which, when he wrote, could not maintain one cow, would in former times, he was assured, have maintained four, each of which would have given four times the quantity of milk which that one was capable of giving. The poorness of the pasture had, in his opinion, occasioned the degradation of their cattle, which degenerated sensibly from one generation to another. They were probably not unlike that stunted breed which was common all over Scotland thirty or forty years ago, and which is now so much mended through the greater part of the low country, not so much by a change of the breed, though that expedient has been employed in some places, as by a more plentiful method of feeding them.

Though it is late, therefore, in the progress of improvement before cattle can bring such a price as to render it profitable to cultivate land for the sake of feeding them; yet of all the different parts which compose this second sort of rude produce, they are perhaps the first which bring this price; because till they bring it, it seems impossible that improvement can be brought near even to that degree of perfection to which it has arrived in many parts of Europe.

As cattle are among the first, so perhaps venison is among the last parts of this sort of rude produce which bring this price. The price of venison in Great Britain, how extravagant soever it may appear, is not near sufficient to compensate the expense of a deer park, as is well known to all these

who have had any experience in the feeding of deer. If it was otherwise, the feeding of deer would soon become an article of common farming; in the same manner as the feeding of those small birds called Turdi was among the ancient Romans. Varro and Columella assure us that it was a most profitable article. The fattening of ortolans, birds of passage which arrive lean in the country, is said to be so in some parts of France. If venison continues in fashion, and the wealth and luxury of Great Britain increase as they have done for some time past, its price may very probably rise still higher than it is at present.

Between that period in the progress of improvement which brings to its height the price of so necessary an article as cattle, and that which brings to it the price of such a superfluity as venison, there is a very long interval, in the course of which many other sorts of rude produce gradually arrive at their highest price, some sooner and some later, according to different circumstances.

Thus in every farm the offals of the barn and stables will maintain a certain number of poultry. These, as they are fed with what would otherwise be lost, are a mere save-all; and as they cost the farmer scarce any thing, so he can afford to sell them for very little. Almost all that he gets is pure gain, and their price can scarce be so low as to discourage him from feeding this number. But in countries ill cultivated, and, therefore, but thinly inhabited, the poultry, which are thus raised without expense, are often fully sufficient to supply the whole demand. In this state of things,

therefore, they are often as cheap as butcher's meat, or any other sort of animal food. But the whole quantity of poultry, which the farm in this manner produces without expense, must always be much smaller than the whole quantity of butcher's meat which is reared upon it; and in times of wealth and luxury what is rare, with only nearly equal merit, is always preferred to what is common. As wealth and luxury increase, therefore, in consequence of improvement and cultivation, the price of poultry gradually rises above that of butcher's meat, till at last it gets so high that it becomes profitable to cultivate land for the sake of feeding them. When it has got to this height, it cannot well go higher. If it did, more land would soon be turned to this purpose. In several provinces of France, the feeding of poultry is considered as a very important article in rural economy, and sufficiently profitable to encourage the farmer to raise a considerable quantity of Indian corn and buck-wheat for this purpose. A middling farmer will there sometimes have four hundred fowls in his yard. The feeding of poultry seems scarce yet to be generally considered as a matter of so much importance in England. They are certainly, however, dearer in England than in France, as England receives considerable supplies from France. In the progress of improvement, the period at which every particular sort of animal food is dearest, must naturally be that which immediately precedes the general practice of cultivating land for the sake of raising it. For some time before this practice becomes general, the

scarcity must necessarily raise the price. After it has become general, new methods of feeding are commonly fallen upon, which enable the farmer to raise upon the same quantity of ground a much greater quantity of that particular sort of animal food. The plenty not only obliges him to sell cheaper, but in consequence of these improvements he can afford to sell cheaper; for if he could not afford it, the plenty would not be of long continuance. It has been probably in this manner that the introduction of clover, turnips, carrots, cabbages, &c. has contributed to sink the common price of butcher's meat in the London market somewhat below what it was about the beginning of the last century.

The hog, that finds his food among ordure, and greedily devours many things rejected by every other useful animal, is, like poultry, originally kept as a save-all. As long as the number of such animals, which can thus be reared at little or no expense, is fully sufficient to supply the demand, this sort of butcher's meat comes to market at a much lower price than any other. • But when the demand rises beyond what this quantity can supply, when it becomes necessary to raise food on purpose for feeding and fattening hogs, in the same manner as for feeding and fattening other cattle, the price necessarily rises, and becomes proportionably either higher or lower than that of other butcher's meat, according as the nature of the country, and the state of its agriculture, happen to render the feeding of hogs more or less expensive than that of other cattle. In France, ac-

According to Mr. Buffon, the price of pork is nearly equal to that of beef. In most parts of Great Britain it is at present somewhat higher.

The great rise in the price both of hogs and poultry has in Great Britain been frequently imputed to the diminution of the number of cottagers and other small occupiers of land; an event which has in every part of Europe been the immediate forerunner of improvement and better cultivation, but which at the same time may have contributed to raise the price of those articles, both somewhat sooner and somewhat faster than it would otherwise have risen. As the poorest family can often maintain a cat or a dog, without any expense, so the poorest occupiers of land can commonly maintain a few poultry, or a sow and a few pigs, at very little. The little offals of their own table, their whey, skimmed milk and buttermilk, supply those animals with a part of their food, and they find the rest in the neighbouring fields without doing any sensible damage to any body. By diminishing the number of those small occupiers, therefore, the quantity of this sort of provisions which is thus produced at little or no expense, must certainly have been a good deal diminished, and their price must consequently have been raised both sooner and faster than it would otherwise have risen. Sooner or later, however, in the progress of improvement, it must at any rate have risen to the utmost height to which it is capable of rising; or to the price which pays the labour and expense of cultivating the land which furnishes them with food as well as these

are paid upon the greater part of other cultivated land.

The business of the dairy, like the feeding of hogs and poultry, is originally carried on as a save-all. The cattle necessarily kept upon the farm, produce more milk than either the rearing of their own young or the consumption of the farmer's family requires; and they produce most at one particular season. But of all the productions of land, milk is perhaps the most perishable. In the warm season, when it is most abundant, it will scarce keep four-and-twenty hours. The farmer, by making it into fresh butter, stores a small part of it for a week; by making it into salt butter, for a year; and by making it into cheese, he stores a much greater part of it for several years. Part of all these is reserved for the use of his own family. The rest goes to market, in order to find the best price which is to be had, and which can scarce be so low as to discourage him from sending thither whatever is over and above the use of his own family. If it is very low, indeed, he will be likely to manage his dairy in a very slovenly and dirty manner, and will scarce perhaps think it worth while to have a particular room or building on purpose for it, but will suffer the business to be carried on amidst the smoke, filth, and nastiness of his own kitchen; as was the case of almost all the farmers dairies in Scotland thirty or forty years ago, and as is the case of many of them still. The same causes which gradually raise the price of butcher's meat, the increase of the demand, and, in consequence of the improvement of the country,

the diminution of the quantity which can be fed at little or no expense, raise, in the same manner, that of the produce of the dairy, of which the price naturally connects with that of butcher's meat, or with the expense of feeding cattle. The increase of price pays for more labour, care, and cleanliness. The dairy becomes more worthy of the farmer's attention, and the quality of its produce gradually improves. The price at last gets so high that it becomes worth while to employ some of the most fertile and best cultivated lands in feeding cattle merely for the purpose of the dairy; and when it has got to this height, it cannot well go higher. If it did, more land would soon be turned to this purpose. It seems to have got to this height through the greater part of England, where much good land is commonly employed in this manner. If you except the neighbourhood of a few considerable towns, it seems not yet to have got to this height anywhere in Scotland, where common farmers seldom employ much good land in raising food for cattle merely for the purpose of the dairy. The price of the produce, though it has risen very considerably within these few years, is probably still too low to admit of it. The inferiority of the quality, indeed, compared with that of the produce of English dairies, is fully equal to that of the price. But this inferiority of quality is, perhaps, rather the effect of this lowness of price than the cause of it. Though the quality was much better, the greater part of what is brought to market could not, I apprehend, in the present circumstances of the country, be disposed of at a much better price;

and the present price, it is probable, would not pay the expense of the land and labour necessary for producing a much better quality. Through the greater part of England, notwithstanding the superiority of price, the dairy is not reckoned a more profitable employment of land than the raising of corn, or the fattening of cattle, the two great objects of agriculture. Through the greater part of Scotland, therefore, it cannot yet be even so profitable.

The lands of no country, it is evident, can ever be completely cultivated and improved, till once the price of every produce, which human industry is obliged to raise upon them, has got so high as to pay for the expense of complete improvement and cultivation. In order to do this, the price of each particular produce must be sufficient, first, to pay the rent of good corn land, as it is that which regulates the rent of the greater part of other cultivated land; and, secondly, to pay the labour and expense of the farmer as well as they are commonly paid upon good corn land; or, in other words, to replace with the ordinary profits the stock which he employs about it. This rise in the price of each particular produce must evidently be previous to the improvement and cultivation of the land which is destined for raising it. Gain is the end of all improvement, and nothing could deserve that name of which loss was to be the necessary consequence. But loss must be the necessary consequence of improving land for the sake of a produce of which the price could never bring back the expense. If the complete improvement and

cultivation of the country be, as it most certainly is, the greatest of all public advantages, this rise in the price of all those different sorts of rude produce, instead of being considered as a public calamity, ought to be regarded as the necessary forerunner and attendant of the greatest of all public advantages.

This rise too in the nominal or money price of all those different sorts of rude produce has been the effect, not of any degradation in the value of silver, but of a rise in their real price. They have become worth not only a greater quantity of silver, but a greater quantity of labour and subsistence than before. As it costs a greater quantity of labour and subsistence to bring them to market, so when they are brought thither, they represent or are equivalent to a greater quantity.

Third Sort.

THE third and last sort of rude produce, of which the price naturally rises in the progress of improvement, is that in which the efficacy of human industry, in augmenting the quantity, is either limited or uncertain. Though the real price of this sort of rude produce, therefore, naturally tends to rise in the progress of improvement, yet, according to different accidents happen to render the efforts of human industry more or less successful in augmenting the quantity, it may happen sometimes even to fall, sometimes to continue the same in very different periods of improvement, and sometimes to rise more or less in the same period.*

* This is really the case with corn and every sort of raw produce. See note on Rent in last volume.

There are some sorts of rude produce which nature has rendered a kind of appendages to other sorts ; so that the quantity of the one which any country can afford, is necessarily limited by that of the other. The quantity of wool or of raw hides, for example, which any country can afford, is necessarily limited by the number of great and small cattle that are kept in it. The state of its improvement, and the nature of its agriculture, again necessarily determine this number.

The same causes which, in the progress of improvement, gradually raise the price of butcher's meat, should have the same effect, it may be thought, upon the prices of wool and raw hides, and raise them too nearly in the same proportion. It probably would be so, if in the rude beginnings of improvement the market for the latter commodities was confined within as narrow bounds as that for the former. But the extent of their respective markets is commonly extremely different.

The market for butcher's meat is almost everywhere confined to the country which produces it. Ireland and some part of British America, indeed, carry on a considerable trade in salt provisions ; but they are, I believe, the only countries in the commercial world which do so, or which export to other countries any considerable part of their butcher's meat.

The market for wool and raw hides, on the contrary, is in the rude beginnings of improvement very seldom confined to the country which produces them. They can easily be transported to distant countries, wool without any preparation,

and raw hides with very little : and as they are the materials of many manufactures, the industry of other countries may occasion a demand for them, though that of the country which produces them might not occasion any.

In countries ill cultivated, and therefore but thinly inhabited, the price of the wool and the hide bears always a much greater proportion to that of the whole beast, than in countries where, improvement and population being further advanced, there is more demand for butcher's meat. Mr. Hume observes, that in the Saxon times, the fleece was estimated at two-fifths of the value of the whole sheep, and that this was much above the proportion of its present estimation. In some provinces of Spain, I have been assured, the sheep is frequently killed merely for the sake of the fleece and the tallow. The carcass is often left to rot upon the ground, or to be devoured by beasts and birds of prey. If this sometimes happens even in Spain, it happens almost constantly in Chili, at Buenos Ayres, and in many other parts of Spanish America, where the horned cattle are almost constantly killed merely for the sake of the hide and the tallow. This too used to happen almost constantly in Hispaniola, while it was infested by the Buccaneers, and before the settlement, improvement, and populousness of the French plantations (which now extend round the coast of almost the whole western half of the island) had given some value to the cattle of the Spaniards, who still continue to possess, not only the eastern part of the coast,

but the whole inland and mountainous part of the country.

Though in the progress of improvement and population, the price of the whole beast necessarily rises, yet the price of the carcass is likely to be much more affected by this rise than that of the wool and the hide. The market for the carcass, being in the rude state of society confined always to the country which produces it, must necessarily be extended in proportion to the improvement and population of that country. But the market for the wool and the hides even of a barbarous country often extending to the whole commercial world, it can very seldom be enlarged in the same proportion. The state of the whole commercial world can seldom be much affected by the improvement of any particular country; and the market for such commodities may remain the same or very nearly the same, after such improvements, as before. It should, however, in the natural course of things rather upon the whole be somewhat extended in consequence of them. If the manufactures, especially, of which those commodities are the materials, should ever come to flourish in the country, the market, though it might not be much enlarged, would at least be brought much nearer to the place of growth than before; and the price of those materials might at least be increased by what had usually been the expense of transporting them to distant countries. Though it might not rise therefore in the same proportion as that of butcher's meat, it ought naturally to rise somewhat, and it ought certainly not to fall.

In England, however, notwithstanding the flourishing state of its woollen manufacture, the price of English wool has fallen very considerably since the time of Edward III. There are many authentic records which demonstrate that during the reign of that prince (towards the middle of the fourteenth century, or about 1339) what was reckoned the moderate and reasonable price of the tod or twenty-eight pounds of English wool was not less than ten shillings of the money of those times,* containing, at the rate of twenty pence the ounce, six ounces of silver Tower weight, equal to about thirty shillings of our present money. In the present times, one-and-twenty shillings the tod may be reckoned a good price for very good English wool. The money price of wool, therefore, in the time of Edward III. was to its money price in the present times as ten to seven. The superiority of its real price was still greater. At the rate of six shillings and eightpence the quarter, ten shillings was in those ancient times the price of twelve bushels of wheat. At the rate of twenty-eight shillings the quarter, one-and-twenty shillings is in the present times the price of six bushels only. The proportion between the real prices of ancient and modern times, therefore, is as twelve to six, or as two to one. In those ancient times a tod of wool would have purchased twice the quantity of subsistence which it will purchase at present; and consequently twice the quantity of labour, if the real recompence of labour had been the same in both periods.

* See Smith's *Memoirs of Wool*, vol. i. c. 6, and 7; also vol. ii. c. 176. (Note by the author.)

This degradation, both in the real and nominal value of wool, could never have happened in consequence of the natural course of things. It has accordingly been the effect of violence and artifice : first, of the absolute prohibition of exporting wool from England ; secondly, of the permission of importing it from Spain duty-free ; thirdly, of the prohibition of exporting it from Ireland to any other country but England. In consequence of these regulations, the market for English wool, instead of being somewhat extended in consequence of the improvement of England, has been confined to the home market, where the wool of several other countries is allowed to come into competition with it, and where that of Ireland is forced* into competition with it.* As the woollen manufactures too of Ireland are fully as much discouraged as is consistent with justice and fair dealing, the Irish can work up but a small part of their own wool at home, and are, therefore, obliged to send a greater proportion of it to Great Britain, the only market they are allowed.†

* There is reason to think that Dr. Smith has exaggerated the effect of the restrictions on the trade in wool. It is probable they had some influence in depressing the price of the very long wool used in the manufacture of worsteds, which is reckoned of a peculiarly fine quality in England. But the fact that large quantities of Spanish, Saxon, and other foreign wool, used in the principal branches of the cloth manufacture, have been regularly imported into this country for a long series of years, shows that the prices of the great bulk of British wool have been, on an average, decidedly higher than the prices of continental wool.

† The laws with respect to wool, alluded to in the text, have been repealed. By the act passed in the Sess. 1824-5, wool may be freely exported on paying a duty of 1d. per lib. if above 1s. per lib. of value, and 1d. per lib. if under that price ; and it may be imported on paying a duty of 2d. per lib.

I have not been able to find any such authentic records concerning the price of raw hides in ancient times. Wool was commonly paid as a subsidy to the king, and its valuation in that subsidy ascertains, at least in some degree, what was its ordinary price. But this seems not to have been the case with raw hides. Fleetwood, however, from an account in 1425, between the prior of Burcester Oxford and one of his canons, gives us their price, at least as it was stated, upon that particular occasion; viz. five ox hides at twelve shillings; five cow hides at seven shillings and threepence; thirty-six sheep skins of two years old at nine shillings; sixteen calves skins at two shillings. In 1425, twelve shillings contained about the same quantity of silver as four-and-twenty shillings of our present money. An ox hide, therefore, was in this account valued at the same quantity of silver as 4s. $\frac{2}{3}$ ths of our present money. Its nominal price was a good deal lower than at present. But at the rate of six shillings and eightpence the quarter, twelve shillings would in those times have purchased fourteen bushels and four-fifths of a bushel of wheat, which, at three and sixpence the bushel, would in the present times cost 51s. 4d. An ox hide, therefore, would in those times have purchased as much corn as ten shillings and threepence would purchase at present. Its real value was equal to ten shillings and threepence of our present money.* In those ancient times, when

* That is on the assumption that corn is a measure of real value, which it certainly is not. See notes on Value and Rent in the last volume.

the cattle were half-starved during the greater part of the winter, we cannot suppose that they were of a very large size. An ox hide which weighs four stone of sixteen pounds averdupois, is not in the present times reckoned a bad one; and in those ancient times would probably have been reckoned a very good one. But at half a crown the stone, which at this moment (February 1773) I understand to be the common price, such a hide would at present cost only ten shillings. Though its nominal price, therefore, is higher in the present than it was in those ancient times, its real price, the real quantity of subsistence which it will purchase or command, is rather somewhat lower. The price of cow hides, as stated in the above account, is nearly in the common proportion to that of ox hides. That of sheep skins is a good deal above it. They had probably been sold with the wool. That of calves skins, on the contrary, is greatly below it. In countries where the price of cattle is very low, the calves which are not intended to be reared in order to keep up the stock, are generally killed very young; as was the case in Scotland twenty or thirty years ago. It saves the milk, which their price would not pay for. Their skins, therefore, are commonly good for little.

The price of raw hides is a good deal lower at present than it was a few years ago; owing probably to the taking off the duty upon seal skins, and to the allowing, for a limited time, the importation of raw hides from Ireland and from the plantations duty-free, which was done in 1769. Take the whole of the present century at an average, their

real price has probably been somewhat higher than it was in those ancient times. The nature of the commodity renders it not quite so proper for being transported to distant markets as wool. It suffers more by keeping. A salted hide is reckoned inferior to a fresh one, and sells for a lower price. This circumstance must necessarily have some tendency to sink the price of raw hides produced in a country which does not manufacture them, but is obliged to export them; and comparatively to raise that of those produced in a country which does manufacture them. It must have some tendency to sink their price in a barbarous, and to raise it in an improved and manufacturing country. It must have had some tendency therefore to sink it in ancient, and to raise it in modern times. Our tanners besides have not been quite so successful as our clothiers, in convincing the wisdom of the nation, that the safety of the commonwealth depends upon the prosperity of their particular manufacture. They have accordingly been much less favoured. The exportation of raw hides has, indeed, been prohibited, and declared a nuisance: but their importation from foreign countries has been subjected to a duty; and though this duty has been taken off from those of Ireland and the plantations, (for the limited time of five years only) yet Ireland has not been confined to the market of Great Britain for the sale of its surplus hides, or of those which are not manufactured at home. The hides of common cattle have but within these few years been put among the enumerated commodities which the plantations can send nowhere but to the

mother country ; neither has the commerce of Ireland been in this case oppressed hitherto, in order to support the manufactures of Great Britain.

Whatever regulations tend to sink the price either of wool or of raw hides below what it naturally would be, must, in an improved and cultivated country, have some tendency to raise the price of butcher's meat. The price both of the great and small cattle which are fed on improved and cultivated land, must be sufficient to pay the rent which the landlord, and the profit which the farmer has reason to expect from improved and cultivated land. If it is not, they will soon cease to feed them. Whatever part of this price, therefore, is not paid by the wool and the hide, must be paid by the carcass. The less there is paid for the one, the more must be paid for the other. In what manner this price is to be divided upon the different parts of the beast, is indifferent to the landlords and farmers, provided it is all paid to them. In an improved and cultivated country, therefore, their interest as landlords and farmers cannot be much affected by such regulations; though their interest as consumers may, by the rise in the price of provisions. It would be quite otherwise, however, in an unimproved and uncultivated country, where the greater part of the lands could be applied to no other purpose but the feeding of cattle, and where the wool and the hide made the principal part of the value of those cattle. Their interest as landlords and farmers would in this case be very deeply affected by such regulations, and their interest as consumers very little. The fall

in the price of the wool and the hide, would not in this case raise the price of the carcass; because the greater part of the lands of the country being applicable to no other purpose but the feeding of cattle, the same number would still continue to be fed. The same quantity of butcher's meat would still come to market. The demand for it would be no greater than before. Its price, therefore, would be the same as before. The whole price of cattle would fall, and along with it both the rent and the profit of all those lands of which cattle was the principal produce, that is, of the greater part of the lands of the country. The perpetual prohibition of the exportation of wool, which is commonly, but very falsely, ascribed to Edward III., would, in the then circumstances of the country, have been the most destructive regulation which could well have been thought of. It would not only have reduced the actual value of the greater part of the lands of the kingdom, but by reducing the price of the most important species of small cattle, it would have retarded very much its subsequent improvement.

The wool of Scotland fell very considerably in its price in consequence of the union with England, by which it was excluded from the great market of Europe, and confined to the narrow one of Great Britain. The value of the greater part of the lands in the southern parts of Scotland, which are chiefly a sheep country, would have been very deeply affected by this event, had not the rise in the price of butcher's meat fully compensated the fall in the price of wool.

As the efficacy of human industry, in increasing the quantity either of wool or of raw hides, is limited, so far as it depends upon the produce of the country where it is exerted; so it is uncertain so far as it depends upon the produce of other countries. It so far depends, not so much upon the quantity which they produce, as upon that which they do not manufacture; and upon the restraints which they may or may not think proper to impose upon the exportation of this sort of rude produce. These circumstances, as they are altogether independent of domestic industry, so they necessarily render the efficacy of its efforts more or less uncertain. In multiplying this sort of rude produce, therefore, the efficacy of human industry is not only limited, but uncertain.

In multiplying another very important sort of rude produce, the quantity of fish that is brought to market, it is likewise both limited and uncertain. It is limited by the local situation of the country, by the proximity or distance of its different provinces from the sea, by the number of its lakes and rivers, and by what may be called the fertility or barrenness of those seas, lakes and rivers, as to this sort of rude produce. As population increases, as the annual produce of the land and labour of the country grows greater and greater, there come to be more buyers of fish, and those buyers too have a greater quantity and variety of other goods, or, what is the same thing, the price of a greater quantity and variety of other goods, to buy with. But it will generally be impossible to supply the great and extended market without

employing a quantity of labour greater than in proportion to what had been requisite for supplying the narrow and confined one. A market which, from requiring only one thousand, comes to require annually ten thousand ton of fish, can seldom be supplied without employing more than ten times the quantity of labour which had before been sufficient to supply it. The fish must generally be sought for at a greater distance, larger vessels must be employed, and more expensive machinery of every kind made use of. The real price of this commodity, therefore, naturally rises in the progress of improvement. It has accordingly done so, I believe, more or less in every country.

Though the success of a particular day's fishing may be a very uncertain matter, yet, the local situation of the country being supposed, the general efficacy of industry in bringing a certain quantity of fish to market, taking the course of a year, or of several years together, it may perhaps be thought, is certain enough; and it, no doubt, is so. As it depends more, however, upon the local situation of the country, than upon the state of its wealth and industry; as upon this account it may in different countries be the same in different periods of improvement, and very different in the same period; its connexion with the state of improvement is uncertain, and it is of this sort of uncertainty that I am here speaking.

In increasing the quantity of the different minerals and metals which are drawn from the bowels of the earth, that of the more precious ones parti-

cularly, the efficacy of human industry seems not to be limited, but to be altogether uncertain.

The quantity of the precious metals which is to be found in any country is not limited by any thing in its local situation, such as the fertility or barrenness of its own mines. Those metals frequently abound in countries which possess no mines. Their quantity in every particular country seems to depend upon two different circumstances; first, upon its power of purchasing, upon the state of its industry, upon the annual produce of its land and labour, in consequence of which it can afford to employ a greater or a smaller quantity of labour and subsistence in bringing or purchasing such superfluities as gold and silver, either from its own mines or from those of other countries; and, secondly, upon the fertility or barrenness of the mines which may happen at any particular time to supply the commercial world with those metals. The quantity of those metals in the countries most remote from the mines must be more or less affected by this fertility or barrenness, on account of the easy and cheap transportation of those metals, of their small bulk and great value. Their quantity in China and Indostan must have been more or less affected by the abundance of the mines of America.

So far as their quantity in any particular country depends upon the former of those two circumstances, (the power of purchasing) their real price, like that of other luxuries and superfluities, is dearer in the rich and more plentiful, and less dear in the poor and more scanty. The wealth and improvement of a country tends to increase the quantity of these metals, and to fall with its poverty and de-

pression. Countries which have a great quantity of labour and subsistence to spare, can afford to purchase any particular quantity of those metals at the expense of a greater quantity of labour and subsistence, than countries which have less to spare.

So far as their quantity in any particular country depends upon the latter of those two circumstances, (the fertility or barrenness of the mines which happen to supply the commercial world) their real price, the real quantity of labour and subsistence which they will purchase or exchange for, will, no doubt, sink more or less in proportion to the fertility, and rise in proportion to the barrenness of those mines.

The fertility or barrenness of the mines, however, which may happen at any particular time to supply the commercial world, is a circumstance which, it is evident, may have no sort of connexion with the state of industry in a particular country. It seems even to have no very necessary connexion with that of the world in general. As arts and commerce, indeed, gradually spread themselves over a greater and a greater part of the earth, the search for new mines, being extended over a wider surface, may have somewhat a better chance for being successful, than when confined within narrower bounds. The discovery of new mines, however, as the old ones come to be gradually exhausted, is a matter of the greatest uncertainty, and such as no human skill or industry can insure. All indications, it is acknowledged, are partial and the actual discovery and success

of a new mine can alone ascertain the reality of its value, or even of its existence. In this search there seem to be no certain limits either to the possible success, or to the possible disappointment of human industry. In the course of a century or two, it is possible that new mines may be discovered more fertile than any that have ever yet been known; and it is just equally possible that the most fertile mine then known may be more barren than any that was wrought before the discovery of the mines of America. Whether the one or the other of those two events may happen to take place, is of very little importance to the real wealth and prosperity of the world, to the real value of the annual produce of the land and labour of mankind. Its nominal value, the quantity of gold and silver by which this annual produce could be expressed or represented, would, no doubt, be very different; but its real value, the real quantity of labour which it could purchase or command, would be precisely the same. A shilling might in the one case represent no more labour than a penny does at present; and a penny in the other might represent as much as a shilling does now. But in the one case he who had a shilling in his pocket would be no richer than he who has a penny at present; and in the other he who had a penny would be just as rich as he who has a shilling now. The cheapness and abundance of gold and silver plate would be the sole advantage which the world could derive from the one event, and the dearness and scarcity of those trifling superflui-

ties the only inconveniency it could suffer from the other.

Conclusion of the Digression concerning the Variations in the Value of Silver.

THE greater part of the writers who have collected the money prices of things in ancient times, seem to have considered the low money price of corn, and of goods in general, or, in other words, the high value of gold and silver, as a proof, not only of the scarcity of those metals, but of the poverty and barbarism of the country at the time when it took place. This notion is connected with the system of political economy which represents national wealth as consisting in the abundance, and national poverty in the scarcity of gold and silver; a system which I shall endeavour to explain and examine at great length in the fourth book of this inquiry. I shall only observe at present, that the high value of the precious metals can be no proof of the poverty or barbarism of any particular country at the time when it took place. It is a proof only of the barrenness of the mines which happened at that time to supply the commercial world. A poor country, as it cannot afford to buy more, so it can as little afford to pay dearer for gold and silver than a rich one; and the value of those metals, therefore, is not likely to be higher in the former than in the latter. In China, a country much richer than any part of Europe, the value of the precious metals is much higher than in any part of

Europe.* As the wealth of Europe, indeed, has increased greatly since the discovery of the mines of America, so the value of gold and silver has gradually diminished. This diminution of their value, however, has not been owing to the increase of the real wealth of Europe, of the annual produce of its land and labour, but to the accidental discovery of more abundant mines than any that were known before. The increase of the quantity of gold and silver in Europe, and the increase of its manufactures and agriculture, are two events which, though they have happened nearly about the same time, yet have arisen from very different causes, and have scarce any natural connexion with one another. The one has arisen from a mere accident, in which neither prudence nor policy either had or could have any share; the other from the fall of the feudal system, and from the establishment of a government which afforded to industry the only encouragement which it requires, some tolerable security that it shall enjoy the fruits of its own labour. Poland, where the feudal system still continues to take place, is at this day as beggarly a country as it was before the discovery of America. The money price of corn, however, has risen; the real value of the precious metals has fallen in Poland in the same manner as in other parts of Europe. Their quantity, therefore, must have increased there as in other places, and nearly in the same proportion to the annual produce of its land and labour. This increase of the quantity of those me-

tals, however, has not, it seems, increased that annual produce, has neither improved the manufactures and agriculture of the country, nor mended the circumstances of its inhabitants. Spain and Portugal, the countries which possess the mines, are, after Poland, perhaps, the two most beggarly countries in Europe. The value of the precious metals, however, must be lower in Spain and Portugal than in any other part of Europe; as they come from those countries to all other parts of Europe, loaded not only with a freight and an insurance, but with the expense of smuggling, their exportation being either prohibited or subjected to a duty. In proportion to the annual produce of the land and labour, therefore, their quantity must be greater in those countries than in any other part of Europe. Those countries, however, are poorer than the greater part of Europe. Though the feudal system has been abolished in Spain and Portugal, it has not been succeeded by a much better.

As the low value of gold and silver, therefore, is no proof of the wealth and flourishing state of the country where it takes place; so neither is their high value, or the low money price either of goods in general, or of corn in particular, any proof of its poverty and barbarism.

But though the low money price either of goods in general, or of corn in particular, be no proof of the poverty or barbarism of the times, the low money price of some particular sorts of goods, such as cattle, poultry, game of all kinds, &c. in proportion to that of corn is a most decisive one. It

clearly demonstrates, first, their great abundance in proportion to that of corn, and consequently the great extent of the land which they occupied in proportion to what was occupied by corn; and, secondly, the low value of this land in proportion to that of corn land, and consequently the uncultivated and unimproved state of the far greater part of the lands of the country. It clearly demonstrates that the stock and population of the country did not bear the same proportion to the extent of its territory, which they commonly do in civilized countries, and that society was at that time, and in that country, but in its infancy. From the high or low money price either of goods in general, or of corn in particular, we can infer only that the mines which at that time happened to supply the commercial world with gold and silver, were fertile or barren, not that the country was rich or poor. But from the high or low money price of some sorts of goods in proportion to that of others, we can infer, with a degree of probability that approaches almost to certainty, that it was rich or poor, that the greater part of its lands were improved or unimproved, and that it was either in a more or less barbarous state, or in a more or less civilized one.

Any rise in the money price of goods which proceeded altogether from the degradation of the value of silver, would affect all sorts of goods equally, and raise their price universally a third, or a fourth, or a fifth part higher, according as silver happened to lose a third, or a fourth, or a fifth part of its former value. But the rise in the

price of provisions, which has been the subject of so much reasoning and conversation, does not affect all sorts of provisions equally. Taking the course of the present century at an average, the price of corn, it is acknowledged, even by those who account for this rise by the degradation of the value of silver, has risen much less than that of other sorts of provisions. The rise in the price of those other sorts of provisions, therefore, cannot be owing altogether to the degradation of the value of silver. Some other causes must be taken into the account, and those which have been above assigned, will, perhaps, without having recourse to the supposed degradation of the value of silver, sufficiently explain this rise in those particular sorts of provisions of which the price has actually risen in proportion to that of corn.

As to the price of corn itself, it has, during the sixty-four first years of the present century, and before the late extraordinary course of bad seasons, been somewhat lower than it was during the sixty-four last years of the preceding century. This fact is attested, not only by the accounts of Windsor market, but by the public fiars of all the different counties of Scotland, and by the accounts of several different markets in France, which have been collected with great diligence and fidelity by Mr. Messance, and by Mr. Dupré de St. Mau. The evidence is more complete than could well have been expected in a matter which is naturally so very difficult to be ascertained.

As to the high price of corn during these last ten or twelve years, it can be sufficiently accounted

for from the badness of the seasons, without supposing any degradation in the value of silver.

The opinion, therefore, that silver is continually sinking in its value, seems not to be founded upon any good observations, either upon the prices of corn, or upon those of other provisions.

The same quantity of silver, it may perhaps be said, will in the present times, even according to the account which has been here given, purchase a much smaller quantity of several sorts of provisions than it would have done during some part of the last century; and to ascertain whether this change be owing to a rise in the value of those goods, or to a fall in the value of silver, is only to establish a vain and useless distinction, which can be of no sort of service to the man who has only a certain quantity of silver to go to market with, or a certain fixed revenue in money. I certainly do not pretend that the knowledge of this distinction will enable him to buy cheaper. It may not, however, upon that account be altogether useless.

It may be of some use to the public by affording an easy proof of the prosperous condition of the country. If the rise in the price of some sorts of provisions be owing altogether to a fall in the value of silver, it is owing to a circumstance from which nothing can be inferred but the fertility of the American mines. The real wealth of the country, the annual produce of its land and labour, may, notwithstanding this circumstance, be either gradually declining, as in Portugal and Poland, or gradually advancing, as in most other parts of Europe. But if this rise in the price of some sorts of

provisions be owing to a rise in the real value of the land which produces them, to its increased fertility; or, in consequence of more extended improvement and good cultivation, to its having been rendered fit for producing corn; it is owing to a circumstance which indicates in the clearest manner the prosperous and advancing state of the country. The land constitutes by far the greatest, the most important, and the most durable part of the wealth of every extensive country. It may surely be of some use, or, at least, it may give some satisfaction to the public, to have so decisive a proof of the increasing value of by far the greatest, the most important, and the most durable part of its wealth.

It may too be of some use to the public in regulating the pecuniary reward of some of its inferior servants. If this rise in the price of some sorts of provisions be owing to a fall in the value of silver, their pecuniary reward, provided it was not too large before, ought certainly to be augmented in proportion to the extent of this fall. If it is not augmented, their real recompence will evidently be so much diminished. But if this rise of price is owing to the increased value, in consequence of the improved fertility of the land which produces such provisions, it becomes a much nicer matter to judge either in what proportion any pecuniary reward ought to be augmented, or whether it ought to be augmented at all. The extension of improvement and cultivation, as it necessarily raises more or less, in proportion to the price of corn, that of every sort of animal food, so it necessarily

lowers that of, I believe, every sort of vegetable food. It raises the price of animal food; because a great part of the land which produces it, being rendered fit for producing corn, must afford to the landlord and farmer the rent and profit of corn-land. It lowers the price of vegetable food; because, by increasing the fertility of the land, it increases its abundance. The improvements of agriculture too introduce many sorts of vegetable food, which, requiring less land and not more labour than corn, come much cheaper to market. Such are potatoes and maize, or what is called Indian corn, the two most important improvements which the agriculture of Europe, perhaps, which Europe itself, has received from the great extension of its commerce and navigation. Many sorts of vegetable food, besides, which in the rude state of agriculture are confined to the kitchen garden, and raised only by the spade, come in its improved state to be introduced into common fields, and to be raised by the plough; such as turnips, carrots, cabbages, &c. If in the progress of improvement, therefore, the real price of one species of food necessarily rises, that of another as necessarily falls, and it becomes a matter of more nicety to judge how far the rise in the one may be compensated by the fall in the other. When the real price of butcher's meat has once got to its height, (which, with regard to every sort, except, perhaps, that of hog's flesh, it seems to have done through a great part of England, more than a century ago,) any rise which can afterwards happen in that of any other sort of animal food, cannot much affect the

circumstances of the inferior ranks of people. The circumstances of the poor through a great part of England cannot surely be so much distressed by any rise in the price of poultry, fish, wild fowl, or venison, as they must be relieved by the fall in that of potatoes.

In the present season of scarcity the high price of corn no doubt distresses the poor. But in times of moderate plenty, when corn is at its ordinary or average price, the natural rise in the price of any other sort of rude produce cannot much affect them. They suffer more, perhaps, by the artificial rise which has been occasioned by taxes in the price of some manufactured commodities; as of salt, soap, leather, candles, malt, beer, and ale, &c.

Effects of the Progress of Improvement upon the Real Price of Manufactures.

It is the natural effect of improvement, however, to diminish gradually the real price of almost all manufactures. That of the manufacturing workmanship diminishes, perhaps, in all of them without exception. In consequence of better machinery, of greater dexterity, and of a more proper division and distribution of work, all of which are the natural effects of improvement, a much smaller quantity of labour becomes requisite for executing any particular piece of work; and though, in consequence of the flourishing circumstances of the society, the real price of labour should rise very considerably, yet the great diminution of quan-

tity will generally much more than compensate the greatest rise which can happen in the price.

There are, indeed, a few manufactures, in which the necessary rise in the real price of the rude materials will more than compensate all the advantages which improvement can introduce into the execution of the work. In carpenter's and joiner's work, and in the coarser sort of cabinet work, the necessary rise in the real price of barren timber, in consequence of the improvement of land, will more than compensate all the advantages which can be derived from the best machinery, the greatest dexterity, and the most proper division and distribution of work.

But in all cases in which the real price of the rude materials either does not rise at all, or does not rise very much, that of the manufactured commodity sinks very considerably.

This diminution of price has, in the course of the present and preceding century, been most remarkable in those manufactures of which the materials are the coarser metals. A better movement of a watch, than about the middle of the last century could have been bought for twenty pounds, may now perhaps be had for twenty shillings. In the work of cutlers and locksmiths, in all the toys which are made of the coarser metals, and in all those goods which are commonly known by the name of Birmingham and Sheffield ware, there has been, during the same period, a very great reduction of price, though not altogether so great as in watch-work. It has, however, been sufficient to astonish workmen of every other part of Eu-

rope, who in many cases acknowledge that they can produce no work of equal goodness for double, or even for triple the price. There are perhaps no manufactures in which the division of labour can be carried further, or in which the machinery employed admits of a greater variety of improvements, than those of which the materials are the coarser metals.

In the clothing manufacture there has, during the same period, been no such sensible reduction of price. The price of superfine cloth, I have been assured, on the contrary, has, within these five-and-twenty or thirty years, risen somewhat in proportion to its quality; owing, it was said, to a considerable rise in the price of the material, which consists altogether of Spanish wool. That of the Yorkshire cloth, which is made altogether of English wool, is said indeed, during the course of the present century, to have fallen a good deal in proportion to its quality. Quality, however, is so very disputable a matter, that I look upon all information of this kind as somewhat uncertain. In the clothing manufacture, the division of labour is nearly the same now as it was a century ago, and the machinery employed is not very different. There may, however, have been some small improvements in both, which may have occasioned some reduction of price.

But the reduction will appear much more sensible and undeniable, if we compare the price of this manufacture in the present times with what it was in a much remoter period, towards the end of the fifteenth century, when the labour was probably

much less subdivided, and the machinery employed much more imperfect, than it is at present.

In 1487, being the 4th of Henry VII., it was enacted, that "whosoever shall sell by retail a broad yard of the finest scarlet grained, or of other grained cloth of the finest making, above sixteen shillings, shall forfeit forty shillings for every yard so sold." Sixteen shillings, therefore, containing about the same quantity of silver as four-and-twenty shillings of our present money, was, at that time, reckoned not an unreasonable price for a yard of the finest cloth; and as this is a sumptuary law, such cloth, it is probable, had usually been sold somewhat dearer. A guinea may be reckoned the highest price in the present times. Even though the quality of the cloths, therefore, should be supposed equal, and that of the present times is most probably much superior, yet, even upon this supposition, the money price of the finest cloth appears to have been considerably reduced since the end of the fifteenth century. But its real price has been much more reduced. Six shillings and eightpence was then, and long afterwards, reckoned the average price of a quarter of wheat. Sixteen shillings, therefore, was the price of two quarters and more than three bushels of wheat. Valuing a quarter of wheat in the present times at eight-and-twenty shillings, the real price of a yard of fine cloth must, in those times, have been equal to at least three pounds six shillings and sixpence of our present money. The man who bought it must have parted with the command of a quantity of la-

bour and subsistence equal to what that sum would purchase in the present times.

The reduction in the real price of the coarse manufacture, though considerable, has not been so great as in that of the fine.

In 1463, being the 3d of Edward IV., it was enacted, that "no servant in husbandry, nor common labourer, nor servant to any artificer inhabiting out of a city or burgh, shall use or wear in their clothing any cloth above two shillings the broad yard." In the 3d of Edward IV. two shillings contained very nearly the same quantity of silver as four of our present money. But the Yorkshire cloth which is now sold at four shillings the yard, is probably much superior to any that was then made for the wearing of the very poorest order of common servants. Even the money price of their clothing, therefore, may, in proportion to the quality, be somewhat cheaper in the present than it was in those ancient times. The real price is certainly a good deal cheaper. Tenpence was then reckoned what is called the moderate and reasonable price of a bushel of wheat. Two shillings, therefore, was the price of two bushels and near two pecks of wheat; which, in the present times, at three shillings and sixpence the bushel, would be worth eight shillings and ninepence. For a yard of this cloth the poor servant must have parted with the power of purchasing a quantity of subsistence equal to what eight shillings and ninepence would purchase in the present times. This is a sumptuary law too, restraining the luxury and ex-

travagance of the poor. Their clothing, therefore, had commonly been much more expensive.

The same order of people are, by the same law, prohibited from wearing hose, of which the price should exceed fourteen pence the pair, equal to about eight-and-twenty pence of our present money. But fourteen pence was in those times the price of a bushel and near two pecks of wheat; which, in the present times, at three and sixpence the bushel, would cost five shillings and three-pence. We should in the present times consider this as a very high price for a pair of stockings to a servant of the poorest and lowest order. He must, however, in those times have paid what was really equivalent to this price for them.

In the time of Edward IV. the art of knitting stockings was probably not known in any part of Europe. Their hose were made of common cloth, which may have been one of the causes of their dearness. The first person that wore stockings in England is said to have been Queen Elizabeth. She received them as a present from the Spanish ambassador.

Both in the coarse, and in the fine woollen manufacture, the machinery employed was much more imperfect in those ancient than it is in the present times. It has since received three very capital improvements, besides, probably, many smaller ones of which it may be difficult to ascertain either the number or the importance. The three capital improvements are, first, the exchange of the rock and spindle for the spinning wheel, which, with the same quantity of labour, will perform more

than double the quantity of work. Secondly, the use of several very ingenious machines which facilitate and abridge in a still greater proportion the winding of the worsted and woollen yarn, or the proper arrangement of the warp and woof before they are put into the loom; an operation which, previous to the invention of those machines, must have been extremely tedious and troublesome. Thirdly, the employment of the fulling mill for thickening the cloth, instead of treading it in water. Neither wind nor water mills of any kind were known in England so early as the beginning of the sixteenth century, nor, so far as I know, in any other part of Europe north of the Alps. They had been introduced into Italy some time before.

The consideration of these circumstances may, perhaps, in some measure explain to us why the real price both of the coarse and of the fine manufacture was so much higher in those ancient than it is in the present times. It cost a greater quantity of labour, to bring the goods to market. When they were brought thither, therefore, they must have purchased or exchanged for the price of a greater quantity.

The coarse manufacture probably was, in those ancient times, carried on in England, in the same manner as it always has been in countries where arts and manufactures are in their infancy. It was probably a household manufacture, in which every different part of the work was occasionally performed by all the different members of almost every private family; but so as to be their work only when they had nothing else to do, and not to be

the principal business from which any of them derived the greater part of their subsistence. The work which is performed in this manner, it has already been observed, comes always much cheaper to market than that which is the principal or sole fund of the workman's subsistence. The fine manufacture, on the other hand, was not in those times carried on in England, but in the rich and commercial country of Flanders; and it was probably conducted then, in the same manner as now, by people who derived the whole, or the principal part of their subsistence from it. It was besides a foreign manufacture, and must have paid some duty, the ancient custom of tonnage and poundage at least, to the king. This duty, indeed, would not probably be very great. It was not then the policy of Europe to restrain, by high duties, the importation of foreign manufactures, but rather to encourage it, in order that merchants might be enabled to supply, at as easy a rate as possible, the great men with the conveniencies and luxuries which they wanted, and which the industry of their own country could not afford them.

The consideration of these circumstances may perhaps in some measure explain to us why, in those ancient times, the real price of the coarse manufacture was, in proportion to that of the fine, so much lower than in the present times.*

* Mr. Smith has not made any allusion, either here or in any other part of the *Wealth of Nations*, to the cotton manufacture. At the time when he wrote it, was indeed carried on only to a small extent. But it has now become of vast and paramount importance; nor is it too much to say, that the progress in Great Britain since 1770, in the present manufacture, beyond all question, the most extensive and important in the history of industry.

CONCLUSION OF THE CHAPTER.

I SHALL conclude this very long chapter with observing that every improvement in the circumstances of the society tends either directly or indirectly to raise the real rent of land, to increase the real wealth of the landlord, his power of purchasing the labour, or the produce of the labour of other people.

The extension of improvement and cultivation tends to raise it directly. The landlord's share of the produce necessarily increases with the increase of the produce.

That rise in the real price of those parts of the rude produce of land, which is first the effect of extended improvement and cultivation, and afterwards the cause of their being still further extended, the rise in the price of cattle, for example, tends too to raise the rent of land directly, and in a still greater proportion. The real value of the landlord's share, his real command of the labour of other people, not only rises with the real value of the produce, but the proportion of his share to the whole produce rises with it. That produce, after the rise in its real price, requires no more labour to collect it than before. A smaller proportion of it will, therefore, be sufficient to replace, with the ordinary profit, the stock which employs that labour. A greater proportion of it must, consequently, belong to the landlord.

All those improvements in the productive powers

of labour, which tend directly to reduce the real price of manufactures, tend indirectly to raise the real rent of land. The landlord exchanges that part of his rude produce which is over and above his own consumption, or what comes to the same thing, the price of that part of it, for manufactured produce. Whatever reduces the real price of the latter, raises that of the former. An equal quantity of the former becomes thereby equivalent to a greater quantity of the latter; and the landlord is enabled to purchase a greater quantity of the conveniencies, ornaments, or luxuries, which he has occasion for.*

Every increase in the real wealth of the society, every increase in the quantity of useful labour employed within it, tends indirectly to raise the real rent of land. A certain proportion of this labour naturally goes to the land. A greater number of men and cattle are employed in its cultivation, the produce increases with the increase of the stock which is thus employed in raising it, and the rent increases with the produce.

The contrary circumstances, the neglect of cultivation and improvement, the fall in the real price of any part of the rude produce of land, the rise in the real price of manufactures from the decay of manufacturing art and industry, the declension of

*But the condition of all the other classes is as much improved by a decline in the value of manufactured goods, as that of the landlords. The rent the landlord will go farther in purchasing manufactured goods after they have declined in price; but they decline only because the capital and labour of the other classes have become able to purchase them in larger quantities.

the real wealth of the society, all tend, on the other hand, to lower the real rent of land, to reduce the real wealth of the landlord, to diminish his power of purchasing either the labour or the produce of the labour of other people.

The whole annual produce of the land and labour of every country, or what comes to the same thing, the whole price of that annual produce, naturally divides itself, it has already been observed, into three parts; the rent of land, the wages of labour, and the profits of stock; and constitutes a revenue to three different orders of people; to those who live by rent, to those who live by wages, and to those who live by profit. These are the three great, original and constituent orders of every civilized society, from whose revenue that of every other order is ultimately derived.

The interest of the first of those three great orders, it appears from what has been just now said, is strictly and inseparably connected with the general interest of the society.* Whatever either promotes or obstructs the one, necessarily promotes or obstructs the other. When the public deliberates concerning any regulation of commerce or police, the proprietors of land never can mislead it, with a view to promote the interest of their own particular order; at least if they have any tolerable knowledge of that interest.† They are, in-

* This is perfectly true of their prospective and lasting interests; but it is not true of their immediate interests. These are very often opposed, in the most decided manner, to those of the other classes.

† When Dr. Smith proposed to repeal the bounty on the importation of corn into Great Britain, he had forgot the bounty on the importation of corn into the colonies, and the act prohibiting

deed, too often defective in this tolerable knowledge. They are the only one of the three orders whose revenue costs them neither labour nor care, but comes to them, as it were, of its own accord, and independent of any plan or project of their own. That indolence, which is the natural effect of the ease and security of their situation, renders them too often, not only ignorant, but incapable of that application of mind which is necessary in order to foresee and understand the consequences of any public regulation.

The interest of the second order, that of those who live by wages, is as strictly connected with the interest of the society as that of the first. The wages of the labourer, it has already been shown, are never so high as when the demand for labour is continually rising, or when the quantity employed is every year increasing considerably. When this real wealth of the society becomes stationary, his wages are soon reduced to what is barely enough to enable him to bring up a family, or to continue the race of labourers. When the society declines, they fall even below this. The order of proprietors may, perhaps, gain more by the prosperity of the society than that of labourers; but there is no order that suffers so cruelly from its decline. But though the interest of the labourer is strictly connected with that of the society, he is incapable either of comprehending that interest, or of under-

the importation of Irish cattle into Great Britain. These, independently altogether of the corn laws of 1804 and 1815, are sufficient to show that the spirit of monopoly has uniformly been as powerful among landlords as among either manufacturers or merchants.

standing its connexion with his own. His condition leaves him no time to receive the necessary information, and his education and habits are commonly such as to render him unfit to judge even though he was fully informed.* In the public deliberations, therefore, his voice is little heard and less regarded, except upon some particular occasions, when his clamour is animated, set on, and supported by his employers, not for his, but their own particular purposes.

His employers constitute the third order, that of those who live by profit. It is the stock that is employed for the sake of profit, which puts into motion the greater part of the useful labour of every society. The plans and projects of the employers of stock regulate and direct all the most important operations of labour, and profit is the end proposed by all those plans and projects. But the rate of profit does not, like rent and wages, rise with the prosperity, and fall with the declension of the society. On the contrary, it is naturally low in rich, and high in poor countries, and it is always highest in the countries which are going fastest to ruin.

* This opinion must be received with great modification. The improved education and greater intelligence of the labourers enable them to perceive their own real and lasting interests infinitely better at present than at any former period.

† This is a most erroneous position. Profit is much higher in the United States than in either England or France; but will any one be bold enough to say that they are going fast to ruin? The very reverse of what Dr. Smith has stated is true. Profits are always highest in those countries that are advancing fastest in the career of improvement; and if they ever appear to be high in countries that are declining, it is because of the want of capital, and because the premium necessary to induce the investment of capital is confounded with the rate of profit.

The interest of this third order, therefore, has not the same connexion with the general interest of society as that of the other two. Merchants and master manufacturers are, in this order, the two classes of people who commonly employ the largest capitals, and who by their wealth draw to themselves the greatest share of the public consideration. As during their whole lives they are engaged in plans and projects, they have frequently more acuteness of understanding than the greater part of country gentlemen. As their thoughts, however, are commonly exercised rather about the interest of their own particular branch of business, than about that of the society, their judgment, even when given with the greatest candour, (which it has not been upon every occasion,) is much more to be depended upon with regard to the former of those two objects, than with regard to the latter. Their superiority over the country gentleman is, not so much in their knowledge of the public interest, as in their having a better knowledge of their own interest than he has of his. It is by this superior knowledge of their own interest that they have frequently imposed upon his generosity, and persuaded him to give up both his own interest and that of the public, from a very simple but honest conviction, that their interest, and not his, was the interest of the public. The interest of the dealers, however, in any particular branch of trade or manufactures, is always in some respects different from, and even opposite to, that of the public. To widen the market and to narrow the

competition, is always the interest of the dealers. To widen the market may frequently be agreeable enough to the interest of the public; but to narrow the competition must always be against it, and can serve only to enable the dealers, by raising their profits above what they naturally would be, to levy, for their own benefit, an absurd tax upon the rest of their fellow-citizens. The proposal of any new law or regulation of commerce which comes from this order, ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention. It comes from an order of men, whose interest is never exactly the same with that of the public; who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it.



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