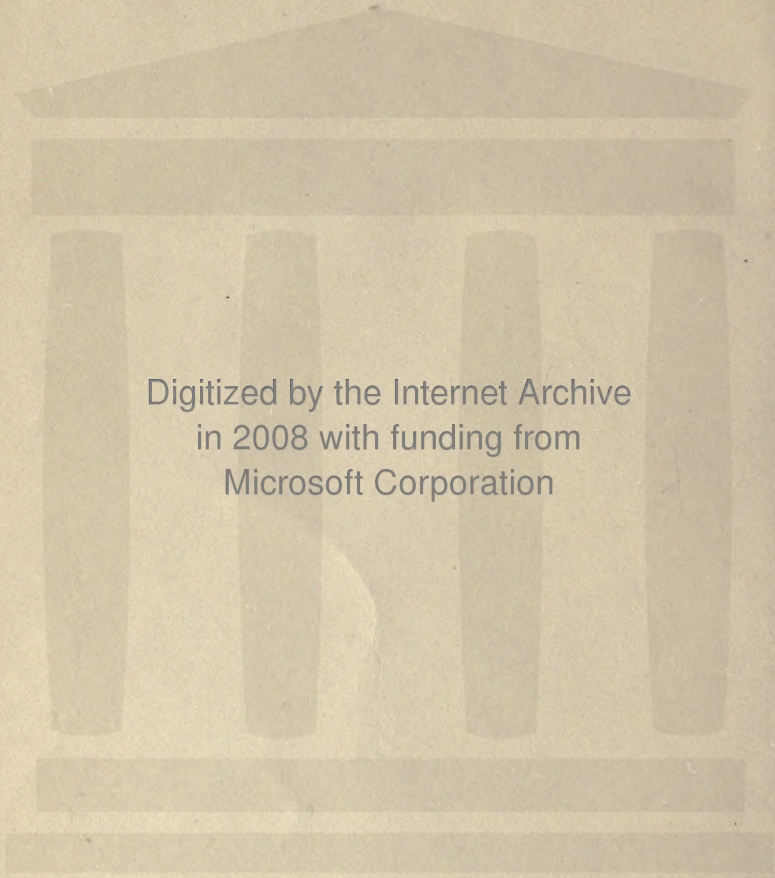
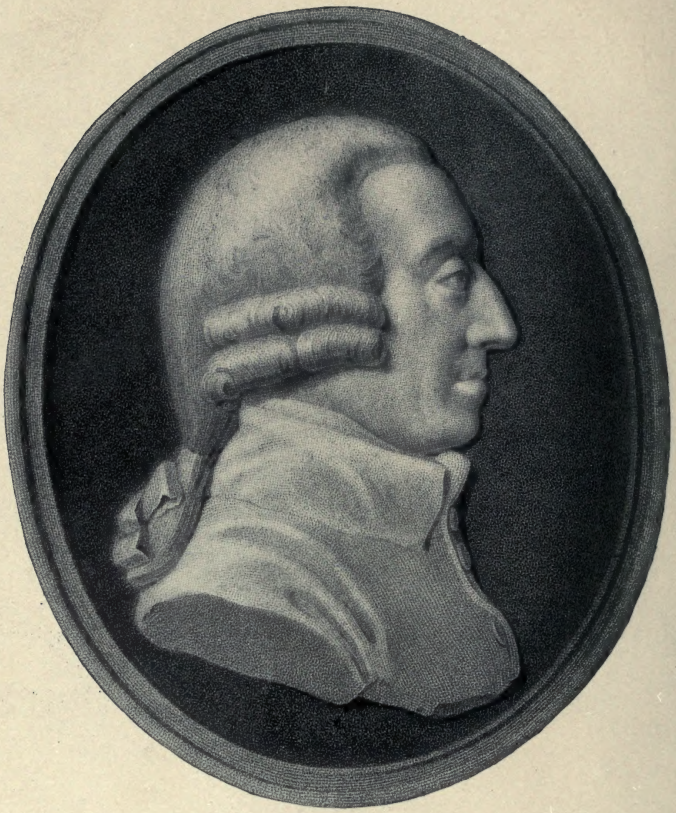
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ADAM SMITH

THE WEALTH OF NATIONS

BY

ADAM SMITH, LL.D.

PART ONE





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16



SCIENCE

ADAM SMITH

ADAM SMITH, the greatest of political economists, was born in 1723 at Kirkcaldy in Fifeshire, Scotland. He was sent in 1737 to the University of Glasgow, and three years later to Balliol College, Oxford, where he remained seven years. In 1748 he gave lectures at Edinburgh on rhetoric and belles-lettres, and the intimate friendship which he here formed with David Hume must have powerfully influenced the formation of his opinions. In 1751 he was elected Professor of Logic in Glasgow, and in the following year was transferred to the Chair of Moral Philosophy in the same University, a position which he occupied for nearly twelve years. In 1759 he brought out his "Theory of Moral Sentiments." Subsequently he made a prolonged sojourn in France, where he lived in the society of Quesnay, Turgot, D'Alembert and Helvetius. There is reason to believe that he began at Toulouse the "Inquiry into the Nature and Causes of the Wealth of Nations," a work upon which he was employed for many years. This remarkable book appeared in 1776, and must still be regarded as the greatest existing essay in the field of political economy, the only attempt to replace it, that of John Stuart Mill, having, on the whole, miscarried, notwithstanding its partial usefulness. Buckle pronounced it "the most important book ever written."

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PREFACE

In this new edition of an often-republished work no attempt has been made, as has generally been done, to bring it up to date by a vast accumulation of footnotes. The book has been regarded exclusively from the historical side, in the belief that in that form it will be most useful to the student. Footnotes are given only when they have seemed absolutely necessary as correctives of the text; and the short introductory sketch of the history of political economy gives an outline of the development of the science, both before and after the epoch which was marked by the publication of this work. E. B. B.

INTRODUCTORY SKETCH OF THE HISTORY OF POLITICAL ECONOMY

Political Economy is essentially a modern department of learning. It may be defined as the science which treats of the production, distribution and exchange of commodities. In the ancient world we have only fitful adumbrations of the conception of such a science. In the Middle Ages proper, as might naturally be expected, no advance is made. Indeed, the idea itself is even lost. Production was almost exclusively for use, and trade or exchange were so little developed that the economic aspect of things never presented itself distinctively. At the end of the fourteenth century, however, when the medieval order was gradually breaking up, and the germination of the modern industrial system was beginning to be apparent, a French bishop in the service of Charles V. of France, and a translator of Aristotle, revived the teaching of the great master of ancient speculation, but with no immediate results. Early in the sixteenth century, the famous astronomer and mathematician, Copernicus, wrote a treatise on the coining of money, again based on the principles of Aristotle; and toward the end of the century modern economic science began to take shape in the great mercantile theory which held sway more or less almost until the days of Adam Smith. Before his time there were, however, isolated writers who attacked with more or less perspicuity the fallacies of this theory, and had glimpses, in some cases not incon-

siderable, of the more scientific doctrines developed in later times. The leading developments of political economy since Adam Smith's time have been (1) the classical economy expounded by Ricardo, Malthus, J. B. Say, James Mill,[1] etc., which for a long time held almost undisputed possession of the field; (2) as a later development, what is known as the "vulgar economy," consisting of the attempts made by writers such as Wagner, Laveleye, Jevons, and Sidgwick, to modify the classical economy in such a way as to justify legislative interference with the unrestrained freedom of modern capitalist production; and (3) the socialistic economy of Karl Marx and his school.

Among the Greeks, where commerce (in the ancient sense of the word, implying the direct exchange of commodities) was considerably extended, are found the first germs of this as of all other sciences. Economic questions could hardly escape the notice of philosophers, least of all of those in the first rank. Accordingly we find Plato and Aristotle alluding to the more important matters connected with the exchange of wealth in a manner which shows considerable insight into the question. Its production, however, entered but slightly into their calculations. The institution of slavery, upon which ancient industry was based, could not fail to obscure the importance of this aspect of the subject. Plato, indeed, perceives that labor is the source of all wealth; but the conditions of his time prevented him from seeing in their true light the consequences of this doctrine. In the "Republic" [2] he says:

[1] John Stuart Mill stands in many respects alone as an eclectic who tried to reconcile the unyielding "laws" of the classical economy with his benevolent nature. He is in a sense the precursor of the "vulgar" economy, but cannot be classed among its exponents.

[2] "Rep.," bk. ii.

"That which gives rise to society is our inability to satisfy our own desires, and the need we have for a large number of things. Thus necessity having compelled men to combine with one another, society is established for the sake of mutual assistance. . . . One gives to another what he has in return for what he has not, only because he believes it will be to his advantage." And then he goes on to show the beneficial results of the division of labor.

A much less important figure, Xenophon, has also some interesting observations on the subject. His "Oikonomikos," or "The Economist," though primarily dealing with the domestic economy of the Greeks and the practice of agriculture, is interspersed with passages concerned with social economy in its wider sense. He quaintly speaks of wealth as whatever is useful to a man. "A man's wealth is only what benefits him. Suppose a man used his money to buy a mistress by whose influence his body, his soul, and his household would be all made worse, how could we then say that his money was of any advantage to him? . . . We may then exclude money also from being counted as wealth, if it is in the hands of one who does not know how to use it." [1] But he believes that money differs essentially from other kinds of wealth. "There is this difference," he writes, "between silver-getting and other professions, that whereas other men—braziers and blacksmiths, for instance—when their trades are overstocked, are injured because the price of their commodities is necessarily lowered by the multitude of sellers, similarly a good harvest and a plentiful vintage does harm to the farmers, and forces them to leave their

[1] "Oikonomikos," ch. i., 12–14.

occupations, and to turn merchants or bankers; with silver it is otherwise; the more ore is found, and the more mines are worked, the more people seek to possess it, and the more men are employed. . . . If there are any who have more than they require, they hoard it up with as much pleasure as if they actually made use of it. . . . And in war what resource have we left but silver to purchase necessaries for our support, and to hire allies for our defence?'' [1] We find here the germs of the mercantile theory, although Xenophon, in common with most of his contemporaries, regarded agriculture as the only industrial occupation not altogether contemptible for the free man. His view of the relative advantages to the human constitution of the agricultural and the handicraft life displays a considerable amount of enlightenment, on one side of the question at least. ''Not only are the mechanical arts despised, but States also have a bad opinion of them—and justly. For they injure the health of the workmen and overseers, by compelling them to sit indoors, and often all day before a fire, and when the body is weakened the mind also is made weaker and weaker.'' [2] But in this depreciation of the artisan's craft we see the beginning of the physiocratic fallacy that agriculture is the only original source of wealth. The following extract from the ''Oikonomikos'' will illustrate the view of slavery common to the ancients, and which appears, as will be seen, no less in Aristotle and later writers. He takes it for granted that the citizen will have slaves to work for him. ''Men do not live as animals do, under the open vault of heaven, but evidently require shelter. To have anything to bring

[1] Means of Increasing the Revenues of Athens. [2] ''Oik.,'' ch. iv.

within that shelter, they must also have men to perform the works of the field, such as tilling and sowing, planting trees, tending the flocks, from which are obtained the necessaries of life. And, further, when these necessaries are brought within, they must have others to look after them, as well as a wife to superintend the business of the house."[1]

Before leaving Xenophon we will give one more extract which may be taken as the anticipation in the ancient world of the modern economic objection to war as held by the Cobden-Bright school. "If any man," he writes, "can have so wild a notion as to imagine that war will contribute more to the increase of riches than peace, I know no better way to decide the controversy than by appealing to the experience of former ages, and producing precedents to the contrary out of our own story. . . . It is an absurd supposition to imagine that peace will weaken our strength, and ruin our authority and reputation abroad, for of all governments those are happiest who have continued longest without war."[2]

The views of Aristotle on the subject of economy are contained partly in his "Ethics" and partly in his "Politics." The chapters of the fifth book of the "Ethics," relating to the subject, are too familiar to need quotation. The "Politics" contains the following statement on the subject of money, in which, as will be seen, an approximation is made to a correct view of the function of money. Plato also appears to have had reasonable views upon this subject. Speaking of early societies, Aristotle writes: "There were different things which they had to give in exchange for what they wanted, a kind of barter which is

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[1] "Oik.," ch. vii. § 19. [2] Means of Increasing the Revenues of Athens.

still practiced among barbarous nations who exchange with one another the necessaries of life: giving and receiving wine, for example, in exchange for coin and the like. . . . But the various necessaries of life are not easily carried about, and hence men agreed to employ in their dealings with each other something which was intrinsically useful, and easily applicable to the purposes of life—for example, iron, silver, and the like. Of this the value was at first measured by size and weight; but in process of time a stamp was put upon it to save the trouble of weighing, and to mark the value. . . . Wealth is assumed by many to be only a quantity of coin. . . . Others maintain that coined money is a sham, a thing not natural, but conventional only, which would have no value or use for any of the purposes of daily life if another commodity were substituted by the users. Indeed, he who is rich in coin may often be in want of necessary food. And how can that be wealth of which a man may have a great abundance, and yet perish with hunger, like Midas in the fable, whose insatiable prayer turned everything that was set before him into gold." [1]

In the same connection Aristotle considers the various ways of money-making, and incidentally refers to the abhorrence of the trade of money-lending, which was universal throughout the ancient world. "The most hated sort," he writes, "of money-making, and with reason, is usury."

Another passage, also from the "Politics," shows that the ancients looked upon slavery as no less a natural and permanent institution, than the modern middle-class econo-

[1] "Politics," bk. i., ch. ix., *et seq.*

mists regard the system of wage labor at the present time. Aristotle would have considered quite as Utopian the idea of a condition of society in which the relation of master and slave no longer existed, as the late Professor Jevons, for example, might have looked upon the conception of a society in which the antithesis of capitalist and laborer did not obtain. The passage in question is as follows: "It is nature herself who has created slavery. . . . There are in the human race individuals as inferior to others as the body is to the soul, or as the beast is to man; these are beings suitable for the labors of the body alone, and incapable of doing anything more perfect. These individuals are destined by nature to slavery because there is nothing better for them to do than to obey. . . . Let us conclude from these principles that nature creates some men for liberty and others for slavery; that it is useful and just that the slave should obey." [1] The reader will perceive how exactly this passage is paralleled by the statements of middle-class economists, that incapacity, laziness, and thriftlessness will inevitably condemn a large portion of the population always to labor for a mere subsistence wage.

Such ideas as the Romans had upon economy were, as might be expected, essentially similar to those of the Greeks. The trade of the Roman Empire was so intimately bound up with the fiscal system that it consisted of little more than the gathering of taxes, either in the form of agricultural products or the precious metals. Hence there was even less likelihood than among the Greek peoples of the foundation of an economical science

[1] "Politics," bk. iii., ch. i.

properly so called. The only question which seems to have interested the Roman mind in this connection was that as to the nature of money. Pliny advocates the prevention of the exportation of money on mercantilist grounds, and in common with other Roman writers condemns usury in most unqualified terms. In the second century, the great jurisconsult, Paullus,[1] expounds clearly enough the true origin and function of money: "The origin of buying and selling is in exchange. Formerly there were no coins, and merchandise was in no way distinguished from money. Every man, according to the necessity of the time and of things, exchanged what was useless to him for what was useful, and it was generally the case that what one had abundance of, another was deficient in. But as it did not always easily happen that when one person had what another desired, that other had also what the first desired: a substance was chosen whose general and durable value obviated the difficulties of exchange by being a common measure. This substance, having received a public stamp, has use and value less as a material than as a quantity, and is no longer called merchandise, but money."

Henceforward, as already intimated, there is a great gap in the history of economic science. Agriculture had been throughout the entire ancient world the dominating branch of production. During the Empire the system of *latifundia*, or agriculture on a large scale, increasingly tended to sweep away the *petite culture*. The *latifundium* was a large estate which was cultivated by a large number of slaves, under the command of a *villicus*, or overseer, who was also a slave, though his power was practically absolute over his subor-

[1] "Apud Justinii Pandecta," xviii., i. 1.

dinates. A similar system was adopted in the case of pasture lands. But as the owners became impoverished and the towns decayed, the *latifundia* were divided up into small portions, which were distributed among the cultivators. These received for their labor only a sixth or even a ninth part of the year's produce. Then many of these were united together into colonies, and paid a total fixed sum every year to the owners. They were not slaves, nor yet were they free, and were the direct forerunners of the villeins or serfs of the Middle Ages.

Trade and industry were never the special characteristics of the conquering Romans; it was in usury and tax-gathering that their talents chiefly lay so far as concerns matters economic. What had already been acquired from trade rapidly broke up under the pressure of taxation; what remained existed chiefly in the eastern part of the Empire. "Universal impoverishment, retrogression in the matter of communication, of manufactures, of art, decline of population, decay of towns, the degeneration of agriculture into more primitive forms—such was the final result of the Roman world-empire." [1] The feudal system, which arose on the ruins of the Roman world, was, in many respects, a return to the early forms of tribal and gentile life in which so-called primitive or natural communism prevailed, and which had been the stage of social evolution obtaining among the Germanic peoples previous to their migrations.

From all this it will be seen that the conditions of life in the Middle Ages were such as to render economic science an impossibility, even had the intellectual development of the time permitted it. Nicole Oresme, bishop of Lisieux, was

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[1] "Ursprung der Familie, F. Engels," p. 110.

the first to break the long silence. In Aristotle, the fount of medieval philosophy, he naturally looked for light on the economic question now with the growth of towns again beginning to present itself. In his treatise[1] on the origin, etc., of money, following and expanding Aristotle, he speaks of it as "an artificial instrument invented for the easier exchange of wealth." He does not fall into the common error of supposing that money is the only form of wealth, but writes: "All moneys are artificial wealth, and not otherwise, for it may happen that a man has abundance of them, and yet may die of hunger"; and he quotes the story of Midas, previously cited by Aristotle in his "Politics," to prove this. He goes on to show what make gold and silver the most suitable substances to use as money, and the evils which result from debasing the coinage. After Oresme, who died in 1382, there is again silence until the small treatise by Copernicus, previously mentioned, which appeared in 1526. Both were directly inspired by the necessities of taxation, the one by those of France, and the other of Poland.

Toward the close of the sixteenth century, when the conditions of medieval, were rapidly giving place to those of modern, life, attention begins to be directed, in various quarters, toward economic problems. Almost simultaneously in Italy, France, and England we find the first modern economical treatises published. Unconsciously in the minds of men a theory of commerce had grown up, based upon the simplest and most superficial observation of economic phenomena, to wit, that the precious metals were the concentrated form of all wealth, and this

[1] "Tractatus de Origine, Natura, Jure et Mutationibus Monetarum." Reprinted by Wolowski, 1864.

in spite of the clear insight of Aristotle and his followers to the contrary. Enthusiasm for commerce had arisen with the recent expansion of the world-market, and men, seeing trade continually produce large fortunes, instinctively came to the conclusion that in trade—that is, exchange—is to be found the source of wealth, and that its symbol and agent, money, was its sole repository. This was the celebrated mercantile system; the great corollary from it being the doctrine of the balance of trade, so called, which declared it necessary to the prosperity of a country that the exports should always exceed the imports, inasmuch as by this means bullion flowed into the country, while otherwise there was a loss. The rise in prices, due to the influx of gold and silver from the newly discovered America, had dislocated the commercial relations of the time, and set men thinking on the nature of economic processes, while the attempts of government, arising out of the mercantile theory, to debase the coinage in the hope of thereby increasing their wealth, gave a practical turn to the various controversies.

Jean Bodin, a French writer, was author of "Les six livres de la Republique," and also of a book on witchcraft, in which he was a firm believer. The latter work, "Le Demonomanie des Sorciers," advocates the enactment of ferocious penalties against sorcery. In the person of Bodin it will thus be seen that the medieval and the modern curiously blend themselves. His most important economical treatise is a little tract against a Sieur Malestroict, who had denied that there had been a general rise of prices dur ing the preceding three centuries. In this little book Bodin showed very conclusively that prices had risen, and also the cause of their rise: "The abundance of gold and silver, which is the wealth of a country, ought in part to explain the rise

in prices: for if there was a scarcity of them as in the past times, it is very certain that everything would be as much cheaper as the gold and silver were dearer." [1]

A book with practically the same purpose was published in England shortly after Bodin's by W. S. (William Stafford), in which the rise in prices is again discussed, and shown to be due to the influx of gold and silver from America.[2] About the same time two Italian writers, Count Gasparo Scaruffi and Bernardo Davanzati, both published works[3] dealing with the money question. Both attack the debasement of the coinage, and the former propounds a scheme for the adoption of universal money. A little later Antonio Serra published his "Brief Tract on the Causes which produce abundance of gold and silver." [4]

The first writer who employed the term "political economy" in its modern sense was a Frenchman named M. Chrétien de Watteville. In his "Treatise on Political Economy," [5] he gives a formal exposition of the mercantile system. This system also found in Thomas Mun, a large English merchant, a zealous and able defender. Mun wrote two works, one published at the beginning of the century on the East India trade,[6] and the second in 1664, with the title, "England's Treasure by Foreign Trade." The latter work contains the following statements, which embody the teaching of the mercantile school: "The ordinary

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[1] "La Repouse de Jean Bodin au Paradone de Malestroict, touchant l'Encherissement de toutes choses et le moyen de remedier." Paris, 1578.

[2] "A compendious or briefe examination of certayne ordinary complaints of our countrymen, 1587."

[3] "Discorso sopra le Monete"; 1582, by Count Gasparo Scaruffi Lezione della Monete; Bernardo Davanzati, 1588.

[4] Breve Trattato.

[5] "Traité de l'Economie politique," by M. Chrétien de Watteville, 1615.

[6] "Discourse of the Trade from England unto the East Indies," by Thomas Mun. 2d edition, 1621.

means to encrease our wealth and treasure is by *Forraign Trade*, wherein we must ever observe this rule; to sell more to strangers yearly than we consume of theirs in value" (p. 11); and, "we have no other means to get treasure but by forraign trade" (p. 35). He pleads for sumptuary laws, "so that men would soberly refrain from excessive consumption of foreign wares in their diet and rayment, with such often change of fashions as is used so much the more to encrease the waste and charge; which vices are more notorious amongst us than in former ages" (p. 16). In this way, he thinks, importations would be diminished, and the amount of wealth, *i.e.*, treasure, annually received, be increased. He is, however, obliged to slightly modify his system, so far as to allow money to be occasionally carried out of the country, but only in order that it might return with other money that it had gathered as it rolled.

The importance, indeed, of the mercantile error lay not so much in the belief that money was synonymous with wealth as in the corollary from it, that wealth was only to be obtained by means of trade; and the later English writers were all more or less conscious of this. Glimmerings of the truth begin to appear among them. Sir William Temple, in his "Observations upon the United Provinces of the Netherlands" (1672), writes: "The time of laboring or industrious men is the greatest native commodity of any country"; and Charles Davenant writes in 1696 ("Works," i. 382): "Industry and skill to improve the advantages of soil and situation are more truly riches to a people than even the possession of gold and silver mines." In Germany the mercantile theory had a great hold. Schröder gives one of the most thoroughgoing statements of the mercantilist position: "A country grows rich in proportion

as it draws gold or money from the earth or from other countries, poor in proportion as money leaves it. The wealth of a country must be estimated by the quantity of gold and silver in it." [1]

Schröder's book provoked a passionate attack from a French writer, Pierre Boisguillebert, in his "Dissertation on the Nature of Wealth" (1697), while in England the mercantilist advocates found in Sir William Petty a powerful opponent. Petty is by far the most important figure in political economy which the seventeenth century produced, although he wrote no large treatise specially concerned with economical matters. To him was first due the conception of labor as the ground or basis of value. "Labor," he wrote, "is the father and active principle of wealth; lands are the mother." [2] And, again, in another place: "If a man can 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, then one is the natural price of the other; now if by reason of new and more easie mines a man can get two ounces of silver as easily as formerly he did one, then Corn will be as cheap at ten shillings the bushel as it was before at five shillings, *ceteris paribus.*" [3] He also anticipates, as the following passage will show, the theory of economic rent, its full conception only escaping him just as it escaped Adam Smith nearly a century later. "Suppose a man could with his own hands plant a certain scope of land with corn, could dig or plow, harrow, weed, reap, carry home, thresh and winnow so much of the husbandry as this land requires; and had withal seed wherewith to

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[1] "Furstliche Schatz und Rentkammer," 1686, ch. xxix.
[2] "Essay on Taxes and Contributions," 1662.
[3] *Loc. cit.*, p. 32.

sow the same, I say that when this man hath subducted his seed out of the process of his harvest, and also what himself hath both eaten and given to others in exchange for clothes and other natural necessaries, that the remainder of corn is the natural and true rent for that year." [1]

Among seventeenth century economists, Sir Dudley North ranks next to Petty in reputation and influence upon after-thought. In his "Discourses upon Trade" (1691) he shows very clearly that commerce is the exchange of commodities, and that it is not money people want when trade is bad, but other commodities for which to exchange their products. "Commerce and Trade, as hath been said, first springs from the Labor of Man, but as the Stock increases it dilates more and more. If you suppose a Country to have nothing in it but the Land itself and the Inhabitants; it is plain that at first the People have only the Fruits of the Earth and the Metals raised from the Bowels of it, to Trade withal, either by carrying out into Foreign parts, or by selling to such as will come to buy of them, whereby they may be supplied with the Goods of other Countries wanted there. In this course of Trade Gold and Silver are in no sort different from other commodities, but are taken from them who have plenty and carried to them who want, or desire them, with as good profit as other Merchandises. So that an active, prudent Nation groweth rich and the sluggish Drones grow poor; and there cannot be any other Policy than this, which being introduced and practiced shall avail to increase Trade and Riches. But this Proposition, as single and plain as it is, is seldom so well understood, as to pass with the generality of mankind; but

[1] *Loc. cit.*, p. 24.

they think by force of Laws to retain in their Country all the Gold and Silver which Trade brings in; and thereby expect to grow rich immediately: All which is a profound Fallacy" (p. 11, *et seq.*).

And on page 11: "What do these people want who cry out for more money? . . . Money is not their want but a Price for their Corn & Cattle, which they would sell but cannot." Summing up the whole of his principles in his postscript, he exclaims: "We may labor to hedge in the Cuckoo but in vain: for no People ever yet grew rich by Policies; but it is Peace, Industry and Freedom that brings Trade and Wealth, and nothing else." John Bellers wrote his "Proposals for raising a College of Industry" in 1696, in which he attacks the mercantilist system, and at the same time anticipates many doctrines of the classical economists.

Of all the opponents of the mercantile system none seem to have had so much sympathy with the toiling and suffering classes as Le Prestre de Vauban, Marshal of France. Vauban was probably a survival of the benevolent feudal baron who hated the progress of trade and the trading class, and, above all, the policy of the representative of that class, Colbert, the great financial minister of Louis XIV. He proposed that a tax, *le dixme Royale*, should be levied impartially on all incomes, to be paid in kind by the agriculturists, and in money by manufacturers and traders, all other taxes being abolished. It was probably only by his death, which occurred shortly after the publication of his book, "Le Dixme Royale," in 1707, that he escaped the vengeance of the powerful trading faction. His principal opinions may be gleaned from the following extracts: ". . . The real wealth of a people consists in an

abundance of those things the use of which is so necessary to sustain the life of man, that they cannot at all be dispensed with" (p. 26). "It is the lower class of the people that by its labor and its commerce, and by that which it pays to the king, enriches both him and all his kingdom. . . . It is they who make all the commerce and the manufactures of the kingdom; who furnish all the laborers, vine-dressers, and tillers of the fields; who tend the cattle; who sow the corn and harvest it; who tend the vine, and make the wine; in short, it is they who do all things great and small in the country and in the towns. Such is this portion of the nation, so useful and so despised, who have suffered, and who still suffer so much" (p. 21).

By the middle of the eighteenth century, the extreme mercantile theory had wellnigh succumbed to the various attacks made upon it. The last English exponent of Mercantilism, pure and simple, was John Gee, who wrote "Trade and Navigation of Great Britain Considered," the second edition of which was published in 1730. In this he laments that: "So mistaken are many people, that they cannot see the difference between having a vast treasure of Silver and Gold in the Kingdom, and the Mint employed in coining Money, the only true token of Treasure and Riches, and having it carried away; but they say Money is a Commodity like other things, and think themselves never the poorer for what the nation daily exports" (p. 8).

Although, however, the mercantile theory was practically destroyed, the policy which had been based upon it continued to subsist even after the time of Adam Smith. This policy was the endeavor, by legislation or other arbitrary means, to secure a balance of trade in favor of a particular nation—its classical heroes being the great statesmen

Colbert in France, and Walpole in England. Protection was one of the great cornerstones of the system, since by protection the imports of a country were diminished, even if the exports were not increased. The aim of middle-class statesmanship up to this time had been to secure monopolies. This notion of monoply to be acquired by high imposts and other means was a relic of medieval methods, albeit applied for the advantage of a class, which as a class embodied the new principle opposed to that of the Middle Ages. It is needless to say, that with the more complete development of that principle and of its correlative class, it soon became apparent that while subserving the immediate ends of the individuals then representing the latter, it was really an obstacle to its complete success as a class. The unconsciousness of this fact is perceptible even in Adam Smith, who at times attacks protection, etc., apparently in the belief that he is attacking the special interests of the trading classes as such, whereas he is of course really placing those interests on a solid theoretic foundation.[1]

The reaction against the fundamental principle of the mercantile system, that money was the sole repository of wealth, with its corollary that trade was the only means of attaining it, appeared in France in the guise of the "physiocratic" system, which maintained that land was the sole repository of wealth, with *its* corollary that agriculture was the sole means of realizing it. The ideas of this school first originated with a merchant named Cantillon,[2] but did not attract attention until definitely formulated in detail by François Quesnay and Jean de

[1] Other mercantilist and semi-mercantilist writers are: in England, Child, Culpeper, Digger, Pollexfen, Hobbes, and Locke; in Italy, Turbolo, Genovesi, Galiani; in Spain, Ustariz; in Germany, Justi and Zincke.

[2] "Essai sur la Nature du Commerce in General."

Gournay, who were the chiefs of "The Economists," as they were called at the time, or "The Physiocrats," as they were afterward named. In Cantillon's "Essai," however, the root idea of the system is to be found. "The earth," he wrote, "is the source or the matter whence is drawn all wealth; the labor of man is the instrument which produces it." This was the idea that was worked out with great elaboration of detail in Quesnay's "Tableau Economique" (1755), and in his "Maximes générales de Gouvernement Economique d'un Royaume Agricole" (1758). In the latter work, which consists of a number of maxims for the guidance of rulers and peoples, the following passages occur:

"Maxim iii. Let the Ruler and the Nation never forget that the earth is the sole source of wealth, and that it is agriculture which augments it. For the increase of wealth assures that of the population; men and wealth make agriculture prosper, extend commerce, animate industry, add to and perpetuate wealth. On this abundant source depends the success of every part of the government of the nation."

"Maxim xxv. Let absolute freedom of commerce be maintained; for the surest guardian of internal and external commerce, the most exact and the most profitable to the Nation and the State, lies in the unlimited freedom of competition."

The "Tableau Economique" bears as its motto the phrase, *Pauvres paysans, pauvre royaume; pauvre royaume, pauvre roi.* To Gournay is due the phrase since become proverbial, *Laissez faire, laissez aller.* The most distinguished disciples of the physiocratic school were the elder Mirabeau and the celebrated finance minister, Turgot. Mir-

abeau wrote several works explaining the system, from one of which, "La Philosophie Rurale" (1763), we take the following: "The artisans who weave stuffs, the merchants who trade in them, the carriers who transport them, the tailors who make them into clothes, the lawyer who pleads a cause, the servant who attends him, all these people can consume only because of the recompense which is paid to them by those who employ them, or who buy their products. For their labor and their goods produce for them nothing beyond this recompense, which is itself an expense for those who pay. If this payment be traced to its source . . . it will be found to come solely from the earth, which alone produces all the commodities we use" (p. 15).

It is Turgot who gives perhaps the most complete and systematic exposition of the system of the economists or physiocrats. In his "Réflexions sur la formation et la Distribution des Richesses" (1766), he supplies a brief but fairly complete survey of the whole of the science of political economy, and begins, like Adam Smith, by showing the advantage and necessity of the division of labor and how from it results a systematic exchange of commodities. "Every one attaching himself to a particular species of labor, succeeds much better therein. The husbandman draws from his field the greatest quantity it is able to produce, and procures for himself, with greater facility, all the other objects of his wants, by an exchange of his superflux than he could have done by his own labor. The shoemaker by making shoes for the husbandman, secures to himself a portion of the harvest of the latter. Every workman labors for the wants of the workmen of every other trade who, on their side, toil also for him" (§ 4).

He then goes on to show that the labor of the husband-

man upon the land is the original source of all wealth, since food is the first necessity of man, but then erroneously argues, as a physiocrat, that only the land produces wealth. "The husbandman is the only one whose industry produces more than the wages of his labor. He, therefore, is the only source of all wealth" (§ 7).

He shows clearly how wages are reduced to the limit of subsistence by competition, and, like Petty and Smith, only just misses arriving at the conception of economic rent. Turgot writes (§ 12): "Every piece of ground is not equally fertile; two men with the same extent of land may reap a very different harvest; this is the second source of inequality."

He has a correct conception of exchange value. "Commerce gives to all merchandise a current value with respect to any other merchandise; from which it follows that all merchandise is the equivalent for a certain quantity of any other merchandise, and may be looked on as a pledge to represent it. Every merchandise therefore may serve as a scale or common measure, by which to compare the value of any other." Then he goes on to show that all money is merchandise and why it is that the most precious metals are most fitted to serve as money. He also has sound notions of the sources and function of capital. The work is very clear and succinct, and had, no doubt, a powerful influence, as one of its immediate precursors, on the "Wealth of Nations."

In England, Tucker, Hume, and Stewart may all be regarded as leading up to Adam Smith. Sir James Stewart, indeed, in his comprehensive but confused "Inquiry into the Principles of Political Economy" (1767), sees dimly many of the truths which Smith clearly expressed only

ten years later. The Rev. Josiah Tucker wrote his "Important Questions on Commerce" in 1755, and in it argues against the mercantilists, and in favor of free-trade, while Hume, in his "Political Discourses" (1752), enunciates some detached economic truths, as when he says: "In the national stock of labor consists all real power and riches."

In 1776 the first edition of the "Wealth of Nations" was published, and with it scientific political economy first came into existence. Of the work and of its author it is not necessary to say much. The former largely speaks for itself, and the preceding historical review has shown the condition of economic science in its day. This historical review is, indeed, not so much intended to be a complete account of all that had been previously accomplished in the department of economic science, as a prefatory sketch which should contribute to a better understanding of the import of Adam Smith's great departure. The notes which have been appended to the text call attention to the more special features of the work. It remains for us to consider the further advances which have been made since Adam Smith's time in the elucidation and solution of economic problems.

First, perhaps, attention should be called to the third book, which is the earliest attempt to treat economic problems, and, indeed, it may be said, one of the earliest to treat any social problem from the historical point of view. This alone would constitute the "Wealth of Nations" an epoch-making work.

Adam Smith's book, as will be readily seen, was based upon the manufacture-industry which had as yet not been supplanted by the great machine-industry of modern times. It is important to bear this in mind in considering many of the views advanced in the work. Those who followed in

his footsteps had necessarily to take into account the great industrial revolution which supervened but a few years after his death. The more immediate result of his teaching and the one which has maintained itself until the present day was the complete overthrow, in this country at least, of the doctrine of protection, and the establishment of free-trade as the basis of orthodox middle-class economics on their practical side.

Thomas Robert Malthus (1756–1834), originally led to speculate on economic questions by the Rousseauite theories of his father, supplied to the classical middle-class economy in his theory of population a new buttress—a buttress which was required against the socialistic aspirations the new conditions were calling forth, more than against the humanitarian sentimentalism of the eighteenth century which was the original occasion of it. The rapid extension of machinery and the consequent displacement of hand labor was driving thousands into the direst poverty and misery, and it behooved economists to find some explanation of this. Malthus thought he had discovered it in his theory that the growth of population always tends to outstrip the food supply, and that hence the cure of poverty lies in the limitation of the numbers of the human race. Since his time this has been accepted as axiomatic by almost all the writers of the classical school of economy, and is generally admitted in one shape or another even by their successors, the "vulgar" economists of today. The "Essay on the Principle of Population," in which his theory was elaborated, was first published in 1798 and expanded into a larger volume in 1803.

David Ricardo (1772–1823) was the first important successor to Adam Smith in the strictly economic field. He

published his "Principles of Political Economy" in the year 1817. Ricardo's great service consisted in pointing out that wealth, whether in the form of capital or otherwise, is merely the accumulated product of labor, and in enforcing Adam Smith's position that labor is the sole basis of value, with its corollary that the "natural price" of a commodity expresses the total amount of embodied social labor it contains. We should also mention that he was the first to definitely formulate the theory of "economic rent," by which is meant the surplus yield or produce from any land over and above that of the worst land in cultivation.

Adam Smith, Malthus, and Ricardo constitute the trinity of the classical economy. The doctrines laid down by them were expanded, illustrated and popularized by a series of writers whom the Germans have named *epigoni*, and who consisted of James Mill, McCulloch, Senior, and others.

Before saying a few words on what is called the "vulgar" economy, we must not forget to mention John Stuart Mill (1806–1873), who, although in no sense an original thinker, is one of the most popular writers on political economy. His "Principles of Political Economy," published in 1848, though in substance little more than a manual of the classical system, is distinguished by breadth of sympathy, and by the consciousness that the so-called economic laws, that is, the deductions of political economy based on the present conditions of society, have not the absolute character other exponents of the science were apt to assign to them. At the same time it must be remembered that J. S. Mill was totally deficient in what has been sometimes called the "historical sense" and had little conception of the historical method. His heart rebelled against the

hard and fast conclusions and pretended laws of the orthodox economy, but his intellect saw no effectual means of escaping them. In consequence, his book is an alternation of clear statements of the current views and confused attempts to evade their consequences.

The recent developments of Socialist economy, combined with general economic conditions, have resulted in the formation of a school of economists called in Germany the "Katheder-Sozialisten," or the "Socialists of the Professorial Chair," which, while criticising the classical economy, both as to premises and conclusions, recognizes its fundamental principles, and seeks to harmonize them with rejection of *laissez-faire* and a systematized State regulation of industrial relations. Among its representatives the names of Held, Rösler, and Wagner are the most prominent. Schäffle may also be noticed in this connection, though, in some respects, leaning more to the Socialist side. Similar tendencies have not been wanting on other parts of the continent or in this country. Prominent among non-German exponents of this school, though differing in the degree of their alienation from the orthodox system, as well as in the nature of their results, are the Belgian writer Laveleye and the English economists Jevons and Sidgwick. Emile de Laveleye would apparently refuse to recognize the existence of any determinate lines of economic development, and hence of economics at all as a science. He would thus reduce the solution of the whole question to the goodwill of individuals, a position which necessarily cuts at the root of the historical method, though the only consistent one for the Christian or Sentimental Socialist to adopt.

A very different writer, Professor Henry Sidgwick, is

one of the most prominent exponents in the direction above referred to. His avowed aim is to amend the *laissez-faire* economy so as to leave room under certain circumstances for industrial action by government. His work on political economy, published in 1883, is so well known that it is unnecessary to say more about it here.

The late Professor Jevons may be roughly classed as belonging to this school. Value he expresses in terms of what he calls the "final utility" of a commodity, that is the degree of need for it, at the moment, on the part of the consumer. This degree of utility is determined by the supply, and the supply in turn is dependent on the cost of production or the labor expended on it. This, it will be seen, does not absolutely differ from the labor theory of Adam Smith, and still less from Ricardo's; but the mathematical language in which this writer exhibits much of his reasoning is pedantic, and often meaningless. Some of his equations are perhaps useful as a concise mode of expression: others appear to illustrate the impossibility of dealing with abstract ideas by mathematical processes. He is, consequently, often credited with the obviously absurd theory that the ultimate criterion of value is the current estimation of a commodity, or, to use the ill-chosen Jevonian expression, "the final degree of utility." Such a theory, like many others of a similar kind, would confound the essence or the substance of a thing with its mere phenomenal expression or manifestation. No one denies, or ever has denied, that supply and demand enter into the temporary value or the price of anything, but this is very different from confounding the mere expression of value in any particular instance with that value which constitutes the substance of every economic object, and without which that

object could not be. It has never been denied that "supply and demand" is the *ratio existendi*, the empirical cause, of the value of a commodity; but this does not touch the fact that the ground of its essential being (its *ratio essendi*) is "labor." This economic value is the point round which the temporary differences of price due to the fluctuations of the market, that is, the inequalities between supply and demand, circulate. Whenever supply and demand balance each other this essential or substantive value is realized, and in all the fluctuations of the market, however great, it tends toward realization. The above mixed systems, viz., those of the "Katheder-Sozialisten" of Germany, and of the non-orthodox political economists of other countries whose views tend in the same direction, are, as already stated, sometimes collectively known as the "vulgar economy."

The Socialist school, of which the late Karl Marx is the foremost exponent, while accepting the Smith-Ricardian doctrine of value, draws from it conclusions very divergent from those of the classical economy. When Adam Smith wrote things were very different from what they are now. He stood in no fear of consequences, and therefore followed out the natural results of his own thought. Nowadays, every non-socialist economist has the dread of Socialism before his eyes, and, consequently, feels bound to caution in the statement of conclusions. For instance, the doctrine that labor is the basis of value seems to the ordinary economist to remove any theoretic justification in the nature of things for the independent function of the capitalist. In consequence, we have the various attempts of the "vulgar economy" to "nibble" at this and other orthodox definitions which seem to have dangerous implications.

Marx draws from the Ricardian theory of value the following conclusions:

1. That the value of a commodity is the labor power embodied in that commodity.

2. That the primal form of exchange is an exchange of equivalent values embodied in commodities.

3. That money is a commodity whose value is also the labor power embodied in it.

4. That in the exchange of commodities for money and of money for commodities—*i.e.*, buying and selling—the primal form would still be the same—an exchange of equal values.

5. That in the inverted, or "commercial" form of exchange this is not so; but money is exchanged for commodities and commodities back into money, in order that money may be increased, the increase being called surplus value.

6. That it is this power of money of increasing by exchange which converts it into capital.

But next arises the question, whence comes this surplus value? How is it that money can increase itself in a way in which no other commodity can? "The common-sense mind explains it at once, by seeing in the whole affair merely a swindling transaction, in which the capitalist gets more commodities than he pays for, and is paid for more commodities than he sells. But," says Marx, "the totality of the capitalist class in a country cannot outwit itself." "The change of value that occurs in the case of money intended to be converted into capital cannot take place in the money itself. . . . In order to be able to extract value from the consumption of a commodity, our friend Moneybags must be so lucky as to find within the sphere of

circulation, in the market, a commodity whose use-value possesses the peculiar property of being a source of value; whose actual consumption, therefore, is itself an embodiment of labor, and, consequently, a creator of value. The possessor of money does find on the market such a special commodity in capacity for labor or labor power."[1] From this, therefore, comes the surplus value. In other words, the surplus value is unpaid labor. This idea Marx develops with great detail, embodying much trenchant criticism of previous economists. In Part IV. of the first volume of "Das Kapital," Marx shows the development of the modern capitalist system historically, beginning at the break-up of the Middle Ages, during which simple individual or family labor obtained; leading up to simple co-operation, this rapidly developing into the manufacture system prevalent during the so-called *période manufacturière*, which dates, roughly speaking, from the middle of the sixteenth to the end of the eighteenth century; and this mode of production again, toward the close of the last century and the beginning of the present, passing into the "GREAT INDUSTRY" of modern times, in which all but the simplest forms of direct human labor are superseded by machinery.

The above cannot, of course, give more than a hint on one or two points dealt with, in what is, in its bearing on human life generally, perhaps the most important work of the century. We may here again remind the reader that the preceding introduction does not profess in any way to be a complete history of the science. Such a history is at

[1] "Das Kapital," by Karl Marx. Eng. trans., vol. i., p. 145.

present a desideratum. What has been attempted has been to outline the course of the development of economic theory, so that the "Wealth of Nations" may be better understood, both in its relation to the past, and its bearing on the present and future.

AN INQUIRY INTO THE NATURE AND CAUSES OF

THE WEALTH OF NATIONS

INTRODUCTION AND PLAN OF THE WORK

THE annual labor of every nation is the fund which originally supplies it with all the necessaries and conveniences of life which it annually consumes, and which consist always either in the immediate produce of that labor, 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 conveniences 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 labor is generally applied; and, secondly, by the proportion between the number of those who are employed in useful labor, 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 labor, and endeavors to provide, as well as he can, the necessaries and conveniences 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 labor at all, many of whom consume the produce of ten times, frequently of a hundred times more labor than the greater part of those who work; yet the produce of the whole labor 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 conveniences of life than it is possible for any savage to acquire.

The causes of this improvement, in the productive powers of labor, 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 labor 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 labor, and that of those who are not so employed. The number of useful and productive laborers, it will hereafter appear, is everywhere 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 qualities of labor 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 labor, have followed very different plans in the general conduct or direction of it; and those plans have not all been equally favorable 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 downfall of the Roman empire, the policy of Europe has been more favorable 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 endeavored in the Fourth Book, to explain, as fully and distinctly as I can, those different theories, and the principal effects which 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 endeavored 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 toward 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 labor of the society.

BOOK I

Of the Causes of Improvement in the Productive Powers of Labor, and of the Order according to which its Produce is naturally distributed among the different Ranks of the People

CHAPTER I

OF THE DIVISION OF LABOR

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

The effects of the division of labor, 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 labor has been very often taken notice of, the trade of the pin-maker; a workman not educated to this business (which the division of labor 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 labor 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 straights 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 em-

ployed, 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 upward of four thousand pins of a middling size. Those ten persons, therefore, could make among them upward 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.[1]

In every other art and manufacture, the effects of the division of labor are similar to what they are in this very trifling one; though in many of them the labor can neither be so much subdivided, nor reduced to so great a simplicity of operation. The division of labor, however, so far as it can be introduced, occasions, in every art, a proportionable increase of the productive powers of labor. The separa-

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[1] The "great industry" has produced results in pinmaking which reduce Adam Smith's illustration to insignificance. At the present time not more than 1,000 persons are employed in all the processes of pinmaking. These suffice to turn out, on an average, twenty-five tons of pins per week. In Adam Smith's time not less than 4,200 were required for the production of about one-seventh of that quantity.—ED.

tion 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 labor 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 labor, 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 plowman, the harrower, the sower of the seed, and the reaper of the corn, are often the same. The occasions for those different sorts of labor 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 labor employed in agriculture, is perhaps the reason why the improvement of the productive powers of labor in this art, does not always keep pace with their improvement in manufactures. The most opu-

lent nations, indeed, generally excel all their neighbors 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 labor 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 labor and expense. In agriculture, the labor 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 in 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.

This great increase in the quantity of work, which, in consequence of the division of labor, 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 labor, and enable one man to do the work of many.

First, the improvement of the dexterity of the workman necessarily increases the quantity of the work he can perform; and the division of labor, 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 upward 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 whose whole 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, exceed 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 workhouse, 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, everybody must be sensible how much labor 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 labor is so much facilitated and abridged, seems to have been originally owing to the division of labor. Men are much more likely to discover easier and readier methods of attaining any object, when the whole attention of their minds is directed toward that single object, than when it is dissipated among a great variety of things. But in consequence of the division of labor, the whole of every man's attention comes naturally to be directed toward 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 labor 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 labor 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 toward 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 playfellows. 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 labor.

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 anything, but to observe everything; 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 labor, 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-laborer 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-laborer, as coarse and rough as it may appear, is the produce of the joint labor 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 shipbuilders, sailors, sailmakers, ropemakers, 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 labor, 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 labor 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 brickmaker, the bricklayer, the workmen who attend the furnace, the millwright, 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 vict-

uals, 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 labor 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 may 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 a 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.

CHAPTER II

OF THE PRINCIPLE WHICH GIVES OCCASION TO THE DIVISION OF LABOR

THIS division of labor, 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 toward his companion, or endeavors to intercept her when his companion turns her toward 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 favor of those whose service it requires. A puppy fawns upon its dam, and a spaniel endeavors 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, endeavors by every servile and fawning attention to obtain their goodwill. He had not time, however, to do this upon every occasion. In civilized society he stands at all times in need of the co-operation 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 favor, 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 ad-

dress 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 labor. 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 armorer. Another excels in making the frames and covers of their little huts

or movable houses. He is accustomed to be of use in this way to his neighbors, 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 the savages. And thus the certainty of being able to exchange all that surplus part of the produce of his own labor, which is over and above his own consumption, for such parts of the produce of other men's labor as he may have occasion for, encourages every man to apply himself to a particular occupation, and to cultivate and bring to perfection whatever 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 labor. 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, perhaps, very much alike, and neither their parents nor playfellows 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 convenience 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 convenience 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.

CHAPTER III

THAT THE DIVISION OF LABOR IS LIMITED BY THE EXTENT OF THE MARKET

AS IT is the power of exchanging that gives occasion to the division of labor, so the extent of this 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 labor, which is over and above his own consumption, for such parts of the produce of other men's labor as he has occasion for.

There are some sorts of industry, even of the lowest kind, which can be carried on nowhere 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 scat-

tered 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 everywhere 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 plow-wright, a wheelwright, a cart and wagon 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 wagon, 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 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 wagons, 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 wagons. 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 distant 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 convenience opens the whole world for a market to the produce of every sort of labor, 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 anywhere 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 neighboring shores, extremely favorable 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 shipbuilding, to abandon themselves to the boisterous waves of the ocean. To pass beyond the Pillars of Hercules, that is, to sail out of the Straits 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 shipbuilders 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 farmhouses 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.

CHAPTER IV

OF THE ORIGIN AND USE OF MONEY

WHEN the division of labor has been once thoroughly established, it is but a very small part of a man's wants which the produce of his own labor can supply. He supplies the far greater part of them by exchanging that surplus part of the produce of his own labor, which is over and above his own consumption, for such parts of the produce of other men's labor 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 labor 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 inconvenience of such situations, every prudent man in every period of society, after the first establishment of the division of labor, must naturally have endeavored 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 armor of Diomede, says Homer, cost only nine oxen; but that of Glaucus cost a hundred oxen. Salt is said to be the common instrument 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 cannot only be kept with as little loss as any other commodity, scarce anything 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 easily 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,[1] upon the authority of Timæus,

[1] Plin. Hist. Nat., lib. 33, cap. 3.

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 inconveniences; 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 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 toward 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 inconvenience 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 denomina-

tion 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 fourpence.* 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 neighbors, 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 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 favorable 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 value 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 anything; scarce anything 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 endeavor 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 endeavor 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 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.

CHAPTER V[1]

OF THE REAL AND NOMINAL PRICE OF COMMODITIES, OR OF THEIR PRICE IN LABOR, AND THEIR PRICE IN MONEY

EVERY man is rich or poor according to the degree in which he can afford to enjoy the necessaries, conveniences, and amusements of human life. But after the division of labor has once thoroughly taken place, it is but a very small part of these with which a man's own labor can supply him. The far greater part of them he must derive from the labor of other people, and he must be rich or poor according to the quantity of that labor which he 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 labor which it enables him to purchase or command. Labor, therefore, is the real measure of the exchangeable value of all commodities.

The real price of everything, what everything really costs to the man who wants to acquire it, is the toil and trouble of acquiring it. What everything 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 im-

[1] This chapter contains the enunciation of the principle on which Karl Marx bases his economical doctrine.—ED.

pose upon other people. What is bought with money or with goods is purchased by labor, 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 labor which we exchange for what is supposed at the time to contain the value of an equal quantity. Labor was the first price, the original purchase-money that was paid for all things. It was not by gold or by silver, but by labor, 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 labor 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 succeed 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 labor, or over all the produce of labor 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 labor, or, what is the same thing, of the produce of other men's labor, which it enables him to purchase or command. The exchangeable value of everything must always be precisely equal to the extent of this power which it conveys to its owner.

But though labor 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 as-

certain the proportion between two different quantities of labor. 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 labor 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' labor 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 labor 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 labor. It is more natural, therefore, to estimate its exchangeable value by the quantity of some other commodity than by that of the labor 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 labor. 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 afterward 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 afterward 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 labor 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 labor 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 labor to bring those metals from the mine to the market, so when they were brought thither

they could purchase or command less labor; 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 commodity which is itself continually varying in its own value can never be an accurate measure of the value of other commodities. Equal quantities of labor, at all times and places, may be said to be of equal value to the laborer. 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 labor which purchases them. At all times and places that is dear which it is difficult to come at, or which it costs much labor to acquire; and that cheap which is to be had easily, or with very little labor. Labor 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 labor are always of equal value to the laborer, 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 labor 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, labor, 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 conveniences of life which are given for it; its nominal price, in the quantity of money. The laborer is rich or poor, is well or ill rewarded in proportion to the real, not to the nominal price of his labor.

The distinction between the real and the nominal price of commodities and labor 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 favor it is reserved that it should not consist of a particular sum of money. Its value would in this case be liable to variation 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 the present times, according to Doctor 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 labor will at distant times be purchased more nearly with equal quantities of corn, the subsistence of the laborer, 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 labor 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 laborer, or the real price of labor, as I shall endeavor 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 backward. Every other commodity, however, will at any particular time purchase a greater or smaller quantity of labor 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 va-

riations in the quantity of labor 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 labor 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 labor, as I shall endeavor to show hereafter, does not fluctuate from year to year with the money price of corn, but seems to be everywhere 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 endeavor 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 labor 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 labor, provided, at least, the society continues, in other respects, in the same or nearly in the same condition. In the meantime 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 labor or of the greater part of other commodities; the money price of labor, and along with it that of most other things, continuing the same during all these fluctuations.

Labor, 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 labor we can, with the greatest accuracy, estimate it both from century to century and from year to year. From century to century, corn is better measure than silver, because, from century to century, equal quantities of corn will command the same quantity of labor 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 labor.

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 labor 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 the 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 labor and of the necessaries and conveniences 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 afterward 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 labor and of a greater quantity of the necessaries and conveniences 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 labor 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 labor which those different quantities of silver could have purchased. But the current prices of labor 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 labor, 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,[1] 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 sel-

[1] Pliny, lib. xxxiii., c. 3.

dom mention the number of guineas, but the number of pounds sterling which we suppose would be given for it.

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 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 require 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 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 neighborhood, 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, as 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 £3 17*s.* 10½*d.* in silver. In England no duty or seigniorage 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 tenpence 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 upward of £3 18*s.*, sometimes £3 19*s.*, and very frequently £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 £3 17*s.* 7*d.* 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 twopence an 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 fourpence, five shillings and fivepence, five shillings and sixpence, five shillings and sevenpence, and very often five shillings and eightpence an ounce. Five shillings and sevenpence, 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 threepence, five shillings and fourpence, and five shillings and fivepence an ounce, which last price it has scarce ever exceeded. Though the market price of silver bullion has fallen considerably since the reformation of 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 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, underrated 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 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 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 afterward 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 inconvenience.

The inconvenience 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 endeavor to gain time by paying in sixpences, and they would be precluded by this regulation 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 inconvenience to them, it would at the same time be a considerable security to their creditors.

Three pounds seventeen shillings and tenpence 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 seigniorage 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 seigniorage 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 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, endeavor, 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 overdo the business, and sometimes underdo 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 eightpence, 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.

CHAPTER 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 labor 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 labor 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' labor should be worth double of what is usually the produce of one day's or one hour's labor.

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

Or if the one species of labor 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 labor 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 labor; 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 labor belongs to the laborer; and the quantity of labor commonly employed in acquiring or producing any commodity, is the only circumstance which can regulate the quantity of labor 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 labor adds to the value of the materials. In exchanging the complete manufacture either for money, for labor, 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 labor, the labor 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 labor of inspection and 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 a 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 labor of inspection and direction may be either altogether or very nearly the same. In many great works, almost the whole labor of this kind is committed to some principal clerk. His wages properly express the value of this labor of inspection and direction. Though in settling them some regard is had commonly, not only to his labor 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 labor, 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 labor, and regulated by quite different principles.

In this state of things, the whole produce of labor does not always belong to the laborer. He must in most cases share it with the owner of the stock which employs him. Neither is the quantity of labor 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 labor.

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 laborer only the trouble of gathering them, come, even to him, to have an additional price fixed upon them. He must then pay for the license to gather them; and must give up to the landlord a portion of what his labor 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 labor which they can, each of them, purchase or command. Labor measures the value not only of that part of price which resolves itself into labor, 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 laborers and laboring 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 stock of the farmer, or for compensating the wear and tear of his laboring cattle, and other instruments of husbandry. But it must be considered that the price of any instrument of husbandry, such as a laboring horse, is itself made up of the same three parts; the rent of the land upon which he is reared, the labor of tending and rearing him, and the profits of the farmer who advances both the rent of this land and the wages of this labor. Though the price of the corn, therefore, may pay the price as well as the maintenance of the horse, the whole price still resolves itself either immediately or ultimately into the same three parts of rent, labor, 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 labor 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 labor.

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 flaxdresser, of the spinner, of the weaver, of the bleacher, etc., 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 labor, and the profits of stock; and a still smaller number, in which it consists altogether in the wages of labor. In the price of sea-fish, for example, one part pays the labor 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 stonecutter is altogether the wages of their labor; neither rent nor profit makes 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 labor 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 labor 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 labor, the profits of their stock, or the rent of their land. The whole of what is annually either collected or produced by the labor 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 labor, from his stock, or

from his land. The revenue derived from labor 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 labor, and partly from his stock. To him, land is only the instrument which enables him to earn the wages of this labor, 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 labor, 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 plowmen, harrowers, etc. 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 laborers 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 laborer. His produce, there-

fore, 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 labor. 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 labor only, rent and profit contributing largely to that of the far greater part of them, so the annual produce of its labor will always be sufficient to purchase or command a much greater quantity of labor than what was employed in raising, preparing, and bringing that produce to market. If the society were annually to employ all the labor which it can annually purchase, as the quantity of labor 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 everywhere 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.

CHAPTER VII

OF THE NATURAL AND MARKET PRICE OF COMMODITIES

THERE is in every society or neighborhood an ordinary or average rate both of wages and profit in every different employment of labor 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 neighborhood 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 neighborhood 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 more nor less than what is sufficient to pay the rent of the land, the wages of the labor, 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 neighborhood, 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 rea-

sonably 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, labor, 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, happens 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, labor, 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 laborers in the one case, and of their employers in the other, will prompt them to withdraw a part of their labor 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 laborers and dealers will soon prompt them to employ more labor 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 toward 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 laborers in husbandry will, in different years, produce very different quantities of corn, wine, oil, hops, etc. 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 labor 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 which consists either in a certain proportion or in a certain quantity of the rude produce, is no doubt affected in its yearly value by all the occasional and temporary fluctuations in the market price of that rude produce; but it is seldom affected by them in its yearly rate. In settling the terms of the lease, the landlord and farmer endeavor, according to their best judgment, to adjust that rate, not to the temporary and occasional, but to the average and ordinary price of the produce.

Such fluctuations affect both the value and the rate either of wages or of profit, according as the market happens to be either overstocked or understocked with commodities or with labor; with work done, or with work to be done. A public mourning raises the price of black cloth (with which the market is almost always understocked upon such occasions), and augments the profits of the merchants who possess any considerable quantity of it. It has no effect upon the wages of the weavers. The market is understocked with commodities, not with labor; with work done, not with work to be done. It raises the wages of journeymen tailors. The market is here understocked with labor. There is an effectual demand for more labor, for more work to be done than can be had. It sinks the price of colored silks and cloths, and thereby reduces the profits of the merchants who have any considerable quantity of them upon hand. It sinks, too, the wages of the workmen employed in preparing such commodities, for which all demand is stopped for six months, perhaps for a twelvemonth. The market is here overstocked both with commodities and with labor.

But though the market price of every particular commodity is in this manner continually gravitating, if one may say so, toward 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 color 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 labor. They properly consist in the high wages of that labor. 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 labor, 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 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 neighborhood. The wages of the labor 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 labor and stock in their neighborhood.

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 forever.

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, 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 labor 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 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 labor, 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 afterward educated to the trade will naturally suit itself to the effectual demand. The police must be as violent as that of Hindustan 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 labor 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, endeavor to explain, as fully and distinctly as I can, the causes of those different variations.

First, I shall endeavor 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 endeavor 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 labor and stock; yet a certain proportion seems commonly to take place between both the pecuniary wages in all the different employments of labor, and the pecuniary profits in all the different employments 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, endeavor to explain all the different circumstances which regulate this proportion.

In the fourth and last place, I shall endeavor 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.

CHAPTER VIII

OF THE WAGES OF LABOR

THE produce of labor constitutes the natural recompense or wages of labor. In that original state of things, which precedes both the appropriation of land and the accumulation of stock, the whole produce of labor belongs to the laborer. He has neither landlord nor master to share with him.

Had this state continued, the wages of labor would have augmented with all those improvements in its productive powers to which the division of labor gives occasion. All things would gradually have become cheaper. They would have been produced by a smaller quantity of labor; and as the commodities produced by equal quantities of labor 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 labor had been improved to tenfold, or that a day's labor 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 labor could produce only twice the quantity of work which it had done before. In exchanging the produce of a day's labor in the greater part of employments, for that of a

day's labor 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 labor 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 laborer enjoyed the whole produce of his own labor, 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 labor, and it would be to no purpose to trace further what might have been its effects upon the recompense or wages of labor.

As soon as land becomes private property, the landlord demands a share of almost all the produce which the laborer can either raise or collect from it. His rent makes the first deduction from the produce of the labor 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 labor, or unless his stock was to be replaced to him with a profit. This profit makes a second deduction from the produce of the labor which is employed upon land.

The produce of almost all other labor 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 labor, 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 labor, 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 labor.

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 labor are everywhere understood to be, what they usually are, when the laborer is one person, and the owner of the stock which employs him, another.

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

It is not, however, difficult to foresee which of the two parties must upon all ordinary occasions have the advan-

tage 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, authorizes, 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 of the world as of the subject. Masters are always and everywhere in a sort of tacit, but constant and uniform, combination, not to raise the wages of labor above their actual rate. To violate this combination is everywhere a most unpopular action, and a sort of reproach to a master among his neighbors 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 labor 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, with-

out 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 labor. 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 clamor, 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, laborers, 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 labor.

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 generation. Mr. Cantillon seems, upon this account, to suppose that the lowest species of common laborers must everywhere earn at least double their own maintenance, in order that one with another they may be enabled to bring up two children; the labor 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 laborers, 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 labor of an able-bodied slave, the same author adds, is computed to be worth double his maintenance; and that of the meanest laborer, 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 labor of the husband and wife together must, even in the lowest species of common labor, 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 laborers 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, laborers, 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 moneyed 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 labor. 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 labor are highest. England is certainly, in the present times, a much richer country than any part of North America. The wages of labor, however, are much higher in North America than in any part of England. In the province of New York, common laborers earn[1] 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 and tenpence 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 everywhere 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

[1] This was written in 1773, before the commencement of the late disturbances. [The disturbances referred to are those of the American war of independence.—ED.]

price of labor, therefore, be higher than it is anywhere in the mother country, its real price, the real command of the necessaries and conveniences of life which it conveys to the laborer, 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, descendants from their own body. Labor is there so well rewarded, that a numerous family of children, instead of being a burden, is a source of opulence and prosperity to the parents. The labor 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 laborers, the funds destined for maintaining them, increase, it seems, still faster than they can find laborers 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 labor 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 laborers 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 laborers would be obliged to bid against one another in order to get it. If in such a country the wages of labor had ever been more than sufficient to maintain the laborer, and to enable him to bring up a family, the competition of the laborers 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 labor, and in the difficulty which a laborer 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 workhouses, 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 service, 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 neighborhood of Canton many hundred, 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 backward. Its towns are nowhere deserted by their inhabitants. The lands which had once been cul-

tivated are nowhere neglected. The same, or very nearly the same, annual labor must therefore continue to be performed, and the funds destined for maintaining it must not, consequently, be sensibly diminished. The lowest class of laborers, 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 labor were sensibly decaying. Every year the demand for servants and laborers 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 labor to the most miserable and scanty subsistence of the laborer. 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, con-

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

In Great Britain the wages of labor seem, in the present times, to be evidently more than what is precisely necessary to enable the laborer 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 labor 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 labor, 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 laborer, 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 labor 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 labor remains uniformly the same sometimes for half a century together. If in these places, therefore, the laboring 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 labor. It has, indeed, in some; owing, probably, more to the increase of the demand for labor than to that of the price of provisions.

Thirdly, as the price of provisions varies more from year to year than the wages of labor, so, on the other hand, the wages of labor 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 laboring 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 labor in a great town and its neighborhood are frequently a fourth or a fifth part, twenty or five-and-twenty per cent higher than at a few miles' distance. Eighteenpence a day may be reckoned the common price of labor in London and its neighborhood. At a few miles' distance it falls to fourteen and fifteen pence. Tenpence may be reckoned its price in Edinburgh and its neighborhoood. At a few miles' distance it falls to eightpence, the usual price of common labor 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 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 inconstancy 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 laboring poor, therefore, can maintain their families in those parts of the kingdom where the price of labor is lowest, they must be in affluence where it is highest.

Fourthly, the variations in the price of labor 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 labor, on the contrary, is dearer in England than in Scotland. If the laboring 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 neighbors 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 neighbor 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, an-

nual 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 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 labor was much cheaper. If the laboring 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 labor 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 labor are now eightpence a day; tenpence, sometimes a shilling about Edinburgh, in the counties which border upon England, probably on account of that neighborhood, and in a few other places where there has lately been a considerable rise in the demand for labor, about Glasgow, Carron, Ayrshire, etc. In England the improvements of agriculture, manufactures and commerce began much earlier than in Scotland. The demand for labor, 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 labor were higher in England than in 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 ascer-

tain how much. In 1614, the pay of a foot soldier was the same as in the present times, eightpence a day. When it was first established it would naturally be regulated by the usual wages of common laborers, 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 laborer'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 labor, they must make it up, he supposes, either by begging or stealing. He appears to have inquired very carefully into this subject.[1] In 1688, Mr. Gregory King, whose skill in political arithmetic is so much extolled by Doctor Davenant, computed the ordinary income of laborers 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 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 labor have lately represented them to the public. The price of labor, 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 labor, not only accord-

[1] See his scheme for the maintenance of the Poor, in Burn's History of the Poor-laws.

ing 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 recompense of labor, the real quantity of the necessaries and conveniences of life which it can procure to the laborer, 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 plow. All sorts of garden stuff, too, have 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 laborers 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 laboring 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 laboring 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 labor only, but its real recompense, 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 inconvenience to the society? The answer seems at first sight abundantly plain. Servants, laborers 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 inconvenience 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 labor as to be themselves tolerably well fed, clothed and lodged.[1]

Poverty, though it no doubt discourages, does not always prevent marriage. It seems even to be favorable 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

[1] A noteworthy admission on the part of an eighteenth century economist.—ED.

to weaken, and frequently to destroy altogether, the powers of generation.[1]

But poverty, though it does not prevent the generation, is extremely unfavorable 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

[1] The orthodox eighteenth century view was the direct antithesis of that of modern Malthusianism, as the reader will see from this and other passages.—Ed.

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 labor, 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 deserves to be remarked, too, that it necessarily does this as nearly as possible in the proportion which the demand for labor requires. If this demand is continually increasing, the reward of labor must necessarily encourage in such a manner the marriage and multiplication of laborers, 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 understocked with labor in the one case, and so much overstocked 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 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 labor are so very high.[1]

The liberal reward of labor, therefore, as it is the effect

[1] "It is only the form in which surplus value is extracted from its immediate producer, the workman, that distinguishes the economical formations of society, *e.g.*, the society founded on slavery from that based on wage-labor."—"Das Kapital," vol. i., p. 207.

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 laboring 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 labor, as it encourages the propagation, so it increases the industry of the common people. The wages of labor 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 laborer, 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 neighborhood 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 vigor 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 labor, 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. Ramuzzini, 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 labor. 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 labor either of mind or body, continued for several days together, is in most men naturally followed by a great desire of relaxation, which, if not restrained by force or by some 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 laboring 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 labor, 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 favorable 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 tallies in the election of St. Etienne, endeavors 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 backward nor forward.

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 connection 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 different 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 humor 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 manufacture. The menservants who leave their masters become independent laborers. 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 neighbors in manufactures for family use. The produce of their labor, 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 labor, 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 labor. The money price of

labor is necessarily regulated by two circumstances; the demand for labor, and the price of the necessaries and conveniences of life. The demand for labor, 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 conveniences of life which must be given to the laborer; and the money price of labor is determined by what is requisite for purchasing this quantity. Though the money price of labor, 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 labor increases in years of sudden and extraordinary plenty, and diminishes in those of sudden and extraordinary scarcity, that the money price of labor 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 labor.

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 one against another, in order to get it, which sometimes lowers both the real and the money price of labor. 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 laborers and servants.

The scarcity of a dear year, by diminishing the demand for labor, 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 labor, 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 labor are everywhere so much more steady and permanent than the price of provisions.

The increase in the wages of labor 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 labor, the increase of stock, tends to increase its productive powers, and to make a smaller quantity of labor produce a greater quantity of work. The owner of the stock which employs a great number of laborers, necessarily endeavors, 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 endeavors to supply them with the best machinery which either he or they can think of. What takes place among the laborers 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 labor than before, that the increase of its price is more than compensated by the diminution of its quantity.

CHAPTER 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 labor, 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 labor, 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 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 labor 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 labor 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 labor, 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 labor, 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 labor, 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.[1] In 1720 interest 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 three and one-third 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 Abbe Terray

[1] See Denisart, Article Taux des Interets, tom. iii. p. 18.

raised it afterward 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 labor 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 backward; 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 labor 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 French and English funds, about forty millions, it is said, in the latter (in which I suspect, however, there is a considerable 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 labor, 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 of labor 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 understocked in proportion to the extent of its territory, and more underpeopled 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 favorably 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 population have increased, interest has declined. The wages of labor do not sink with the profits of stock. The demand for labor 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 labor, 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, 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 society, or of the funds destined for the maintenance of industry, however, as it lowers the wages of labor, so it raises the profits of stock, and consequently the interest of money. By the wages of labor 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 labor 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 loaned 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 loaned money in Cyprus at eight-and-forty per cent, as we learn from the letters of Cicero.

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 backward, both the wages of labor 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 labor to what was barely sufficient to keep up the number of laborers, 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 mandarins, 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 overran 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 interest 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 Mohammedan 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 net 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 labor of preparing and bringing them to market, according to the lowest rate at which labor can anywhere be paid, the bare subsistence of the laborer. 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 recompense 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 labor, and enable those countries to sell as cheap as their less thriving neighbors, among whom the wages of labor may be lower.

In reality high profits tend much more to raise the price of work than high wages. If in the linen manufacture, for example, the wages of the different working people, the flax-dressers, the spinners, the weavers, etc., should, all of them, be advanced twopence a day, it would be necessary to heighten the price of a piece of linen only by a number of twopences 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 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.[1]

CHAPTER X

OF WAGES AND PROFIT IN THE DIFFERENT EMPLOYMENTS OF LABOR AND STOCK

THE whole of the advantages and disadvantages of the different employments of labor and stock must, in the same neighborhood, be either perfectly equal, or continually tending to equality. If in the same neighborhood, there was any employment evidently either more

[1] The foregoing chapter has special historical interest and importance as a general exposition of the conditions of the capitalistic system before the rise of the *grande industrie*. The subject is worked out in detail in the following and subsequent chapters.—ED.

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 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 labor 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 this 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 labor vary with the ease or hardship, the cleanliness or dirtiness, the honorableness or dishonorableness 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 cleanlier. A journeyman blacksmith, though an artificer, seldom earns so much in twelve hours, as a collier, who is only a laborer, does in eight. His work is not quite so dirty, is less dangerous, and is carried on in daylight and above ground. Honor makes a great part of the reward of all honorable professions. In point of pecuniary gain, all things considered, they are generally under-recompensed, as I shall endeavor 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 quantity 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.[1] A poacher is everywhere a very poor man in Great Britain. In countries where the rigor 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 labor, in proportion to its quantity, comes always too cheap to market to afford anything but the most scanty subsistence to the laborers.

Disagreeableness and disgrace affect the profits of stock in the same manner as the wages of labor. 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 labor vary with the easiness and cheapness or the difficulty and expense of learning the business.

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 upon it, with at least the ordinary profits. A man educated at the expense of much labor 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 labor, 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

[1] See Idyllium xxi.

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 labor and those of common labor, is founded upon this principle.

The policy of Europe considers the labor of all mechanics, artificers, and manufacturers, as skilled labor; and that of all country laborers as common labor. 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 endeavor to show by and by. The laws and customs of Europe, therefore, in order to qualify any person for exercising the one species of labor, impose the necessity of an apprenticeship, though with different degrees of rigor in different places. They leave the other free and open to everybody. During the continuance of the apprenticeship, the whole labor of the apprentice belongs to his master. In the meantime 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 labor, on the contrary, the laborer, while he is employed about the easier, learns the more difficult parts of his business, and his own labor 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 laborers. 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 laborers. 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 recompense, 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 labor 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 de-

pends 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 common laborers, those of masons and bricklayers are generally from one half more to double those wages. Where common laborers 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 labor, 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 recompense of their skill, as the compensation for the inconstancy of their employment.

A house carpenter seems to exercise rather a nicer and a 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 a good deal above their

ordinary proportion to those of common labor. In London almost 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 laborers in other places. The lowest order of artificers, journeymen tailors, accordingly, earn there half-a-crown a day, though eighteenpence may be reckoned the wages of common labor. In small towns and country villages, the wages of journeymen tailors frequently scarce equal those of common labor; 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 labor 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 labor. 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 coalheavers in London exercise a trade which in hardship, dirtiness, and disagreeableness, almost equals that of colliers; and from the unavoidable irregularity in the arrival of coalships, the employment of the greater part of them is necessarily very inconstant. If colliers, therefore, commonly earn double and triple the wages of common labor, it ought not to seem unreasonable that coalheavers 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 labor 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 labor 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 labor.

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 labor 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 anything 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 honorable professions, is, 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 recompense, therefore, of those who exercise them in this manner must be sufficient, not only to pay for the time, labor, and expense of acquir-

ing 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, etc., 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 recompense would quickly diminish. More people would apply to them, and the competition would quickly reduce the price of their labor. 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 anything could be made honorably 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 overvalued, and the chance of loss is by most men undervalued, 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 overvalued, 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, is in no period of life more active 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 honor and distinction which never occur. These romantic hopes make the whole price of their blood. Their pay is less than that of common laborers, 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 laborer 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 anything 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 precedence 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 recompense but the pleasure of exercising the one and of surmounting the other. Their wages are not greater than those of common laborers 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 difference 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 laborer 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 laborer; 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 seaport 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 labor 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 labor are always remarkably high. Unwholesomeness is a species of disagreeableness, and its effects upon the wages of labor 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 returns 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 labor, 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 labor; 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 neighborhood, 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 labor. They are so accordingly. The difference between the earnings of a common laborer 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 byword, denoting something uncommonly extravagant. This great apparent profit, however, is frequently no more than the reasonable wages of labor. 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 labor 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 seaport 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 convenience 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 recompense for the labor of a person so accomplished. Deduct this from the seemingly great profits of his capital, and little more will remain, per-

haps, 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 labor must be 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 counterbalance 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 labor 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 quality 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 neighborhood; 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 quality can take place only in those employments which are well known, and have been long established in the neighborhood.

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 labor, 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 labor 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 neighborhood. 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 labor 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 labor 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 labor 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 merchant 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 variation 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, etc. 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 endeavors 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 labor 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 labor, he gives them, besides, two pecks of oatmeal a week, worth about sixteenpence sterling. During a great part of the year he has little or no occasion for their labor, 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 recompense to anybody, and to have wrought for less wages than other laborers. 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 labor requires at certain seasons. The daily or weekly recompense which such laborers occasionally received from their masters was evidently not the whole price of their labor. Their small tenement made a considerable part of it. This daily or weekly recompense, however, seems to have been considered as the whole of it by many writers who have collected the prices of labor and provisions in ancient times, and who have taken pleasure in representing both as wonderfully low.

The produce of such labor 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 laborers, 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 fivepence to sevenpence a pair. At Lerwick, the small capital of the Shetland Islands, tenpence a day, I have been assured, is a common price of common labor. In the same islands they knit worsted stockings to the value of a guinea a pair and upward.

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 endeavor 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 labor 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 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 labor, 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 everything 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 endeavors 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[1]

Such are the inequalities in the whole of the advantages and disadvantages of the different employments of labor and stock, which the defect of any of the three requisites above

[1] We need scarcely remind the reader that this chapter treats almost wholly of a state of things no longer existing.—Ed.

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 labor 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 labor 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 bylaws 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.

In Sheffield, no master cutler can have more than one apprentice at a time by a bylaw 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 bylaw of Sheffield. The silk weavers in London had scarce been incorporated a year when they enacted a bylaw restraining any master from having more than two apprentices at a time. It required a particular act of Parliament to rescind this bylaw.

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, etc., 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 apprenticeship 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 bylaw of many particular corporations became in England the general and public law of all 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 convenience of the inhabitants, and the number of people frequently not being sufficient to supply each with a particular set of hands.

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 wheelwright; this latter trade having been exercised in England before the 5th of Elizabeth. But a wheelwright, 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 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, etc., 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 labor, 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 neighbor, 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 labor consist altogether in the recompense of labor. 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 labor, 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 practice 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 learned 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 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 occasion 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.[1] The immediate inspection of all corporations, and of the bylaws 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 overstocked, as they commonly express it, with their own particular species of industry; which is in reality to keep it always understocked. 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

[1] See Madox Firma Burgl. p. 26, etc.

the goods they had occasion for from every other within the town, somewhat dearer than they otherwise might have done. But in recompense, 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 labor, the produce of a greater quantity of the labor of the coun-

try. They give the traders and artificers in the town an advantage over the landlords, farmers, and laborers 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 labor 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 town is, everywhere in Europe, more advantageous than that which is carried on in the country, without entering 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 labor and the profits of stock must evidently be greater in the one situation than in the other. But stock and labor 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 significant 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 bylaws. The trades which employ but a small number of hands, run most easily into such combinations. Half-a-dozen wool-combers, 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 labor 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 labor, 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 plows 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 plowman, 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 and Hindustan accordingly both the rank and the wages of country laborers 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 undersold by the competition of their own countrymen. Those other regulations secure them equally against that of foreigners. Then enhancement of price occasioned by both is everywhere finally paid by the landlords, farmers, and laborers of the country, who have seldom opposed the establishment of such monopolies. They have commonly neither inclination nor fitness to enter into combinations; and the clamor 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 labor approach nearer to those of manufacturing labor, 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 labor, 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 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 endeavor 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 endeavor 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 impossible 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 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 incorporated 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 competitions 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 labor 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 labor 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, etc., 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 recompense 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 marks, 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 fourpence 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 threepence a day, equal to ninepence of our present money, that of a journeyman mason.[1] The wages of both these laborers, 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 them. By the 12th of Queen Anne, c. 12, it is declared, "That whereas for want of sufficient main-

[1] See the Statute of Laborers, 25 Ed. III.

tenance 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 shoemakers 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 laborers 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 seems to have been equally ineffectual, and has never either been able to raise the wages of curates, or to sink those of laborers 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 honor 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 recompense. 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, 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 recompense 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 labor to a very paltry recompense.

Before the invention of the art of printing, the only employment by which a man of letters could make anything 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 honorable, 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 encumbered with very few who have not been educated at their own. The usual recompense, 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 licenses 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 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 eightpence; five minæ to sixteen pounds thirteen shillings and fourpence. 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 eightpence, from each scholar. When he taught at Athens, he is said to have had a 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 £3,333 6*s.* 8*d.* 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 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 emi-

nent 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 afterward, when the competition had probably somewhat reduced both the price of their labor 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,[1] 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 inconvenience. The public, too, might derive still greater benefit from it, if the constitution of these schools and colleges, in which edu-

[1] This is incorrect. Karneades was a native of the Greek city of Kyrene.—Ed.

cation 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 labor 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 labor 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 neighborhood, 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 few days. If any of those three capital manufactures, therefore, were decaying, the work-

men 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 everybody; 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 laborers, 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 labor 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 labor 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 labor. 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 labor 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 labor of artificers and manufacturers only of which the free circula-

tion is obstructed by corporation laws. The difficulty of obtaining settlements obstructs even that of common labor. 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 first two 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 labor 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 last two 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 laborer 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 labor 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 labor can give; and much greater security is frequently demanded.

In order to restore in some measure that free circulation of labor 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 most 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 labor 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 meantime; 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 purposes 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 behavior, 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 labor 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 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 afterward 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 settle-

ment. In such countries, though wages may sometimes rise a little in the neighborhood of a great town, or whereever else there is an extraordinary demand for labor, 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 neighboring 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 misdemeanor 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 clamor, 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 afterward 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 endeavors 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, 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 favor of the workmen, it is always just and equitable; but it is sometimes otherwise when in favor 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 favor of the workmen; but the 8th of George III. is in favor 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 inconvenience, 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 exclusive privileges, though they are not very strictly guarded.

The proportion between the different rates both of wages and profit in the different employments of labor 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.

CHAPTER 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 afford to pay in the actual circumstances of the land. In adjusting the terms of the lease, the landlord endeavors 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 labor, and purchases and maintains the cattle, and other instruments of husbandry, together with the ordinary profits of farming stock in the neighborhood. 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 endeavors to reserve to himself as the rent of his 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 neighborhood. 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 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 seaweed, which, when burned, 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 cornfields.

The sea in the neighborhood 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 neighboring 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 improvement 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 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 labor, and somebody can always be found who is willing to do something in order to obtain it. The quantity of labor, 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 labor. But it can always purchase such a quantity of labor as it can maintain, according to the rate at which that sort of labor is commonly maintained in the neighborhood.

But land, in almost any situation, produces a greater quantity of food than what is sufficient to maintain all the labor necessary for bringing it to market, in the most liberal way in which that labor is ever maintained. The surplus, too, is always more than sufficient to replace the stock which employed that labor, 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 labor 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 labor 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 labor 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, whatever be its fertility. Land in the neighborhood of a town gives a greater rent than land equally fertile in a distant part of the country. Though it may cost no more labor 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 labor, 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 neigh-

borhood 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 neighborhood 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 neighborhood. 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 everybody 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 neighborhood 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 labor, 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 cornfield 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 labor, yet the surplus which remains after replacing the seed and maintaining all that labor 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 halfpenny 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 labor of catching him. But corn can nowhere be raised without a great deal of labor, 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 labor 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 labor 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 century ago that in many parts of the Highlands of Scotland, butcher's meat was as cheap or cheaper than even bread made of oatmeal. 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 neighborhood 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 neighborhood 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 plow, he ranked only in the fourth place of profit and

advantage. Tillage, indeed, in that part of ancient Italy which lay in the neighborhood 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 cornfield in its neighborhood. 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 neighboring 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 labor 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 thereabout; that is, thirty-one shillings and eightpence 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 eightpence 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 3⅓*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 4½*d.* or 5*d.* 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 4*d.* and 4½*d.* the pound; and the coarse pieces in general to be from seven farthings to 2½*d.* and 2¾*d.*; and this they said was in general one halfpenny 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 first twelve years of the last century, the average price of the best wheat at the Windsor market was £1 18*s.* 3½*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 £2 1*s.* 9½*d.*

In the first twelve 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 practiced by so many rich people for amusement that little advantage is to be made by those who practice 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 hus-

bandry 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 inclosed 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 inclosing 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 inclosure 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 inclosure 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 in 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 favor of the vineyard, and endeavors 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 fallacious; 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 favor of the vineyard. In France the anxiety of the proprietors of the old vineyards to prevent the planting of any new ones, seems to favor 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 uncompromising 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 anywhere, 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 flavor which no culture or management can equal, it is supposed, upon any other. This flavor, 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 labor bestowed upon their cultivation, and the profits of the extraordinary stock which puts that labor into motion.

The sugar colonies possessed by the European nations in the West Indies may be compared to those precious vineyards. Their 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 generally sells for three piasters the quintal, about thirteen shillings and sixpence of our money, as we are told by Mr. Poivre,[1] a very careful observer of the agriculture of that country. What is there called the quintal weighs from a hundred and fifty to two

[1] Voyages d'un Philosophe.

hundred Paris pounds, or a hundred and seventy-five Paris pounds at a medium, which reduces the price of the hundredweight 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 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 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 most 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, accord-

ingly, 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 [1] (I suspect he has been ill-informed), burned 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

[1] Douglas's Summary, vol. ii., pp. 372, 373.

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 favorite 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 labor and replacing the stock of the farmer together with its ordinary profits, would necessarily be much greater. Whatever was the rate at which labor 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 conveniences of life with which the labor 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 cornfield. 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 labor, a much greater surplus remains after maintaining all that labor. In those rice countries, therefore, where rice is the common and favorite 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 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 favorite 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 favorite 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 laborers being generally fed with potatoes, a greater surplus would remain after replacing all the stock and maintaining all the labor 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 laboring 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 neighbors of the same rank in England.[1] 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

[1] The above would seem to be contrary to the experience of the present day.—Ed.

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.

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 labor 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, firearms, 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 neighbors 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 neighbors. 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 exchanged 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 neighborhood 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 anybody 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 labor 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 be often difficult to find food. In some parts of the British dominions what is called A House may be built by one day's labor of one man. The simplest species of clothing, the skins of animals, require somewhat more labor to dress and prepare them for use. They do not, however, require a great deal. Among savage or barbarous nations a hundredth or little more than the hundredth part of the labor 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 labor of one family can provide food for two, the labor 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 neighbor. In quality it may be very different, and to select and prepare it may require more labor 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 conveniences 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 labor, 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 afterward affords rent derives that part of its value from the improvement of the powers of labor in producing food by means of the improvement and cultivation of land.

Those other parts of the produce of land, however, which afterward 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 labor, 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 labor 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 labor, 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 labor: 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 encumbrance of no value to the landlord, who would gladly give it to anybody 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 neighborhood. 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 neighbors. Their neighbors 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 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 neighborhood 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 Chile 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 Lionnois 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 labor 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 San 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. Labor 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 Rev. 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 everybody. 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 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 duchy. 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 bounder 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 discov-

ery 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 afterward 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 of Chile 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 peculiar 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 anybody 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 anything 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 color 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 labor which it requires to collect any considerable quantity of it, a labor 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 afterward 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 labor or of 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 labor, 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 labor of those people, and of the commodities with which that labor can supply him. The value of the most barren lands is not diminished by the neighborhood 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 convenience and ornament of dress, lodging, household furniture, and equipage. Food not only constitutes the 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 San 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

anybody 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 bawbles 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 produce. 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 freestone 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 neighborhood. 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 freestone 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 neighborhood 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 labor, or exchange for a smaller

and a smaller quantity of corn, the principal part of the subsistence of the laborer.

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 last Four 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 Laborers. In the preamble it complains much of the insolence of servants, who endeavored to raise their wages upon their masters. It therefore ordains, that all servants and laborers 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 price 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 aver-

age 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 ex-

ported without a license 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 inconvenience 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 pennyworth 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 centu-

ries 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 meantime 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 toward 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, etc. 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 judg-

ment 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 ackowledgment 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 copyers; and sometimes, perhaps, actually composed by the legislature.

The ancient statutes of assize seem to have begun 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 labor, 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—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 copyers 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 copyers 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. Ruddiman seems[1] 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 respectum 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 anything 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 shil-

[1] See his preface to Anderson's Diplomata Scotiæ.

lings 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 toward the end of the fifteenth century, one district might be in 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 neighboring 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 toward 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 anything at all, they confirm the account which I have been endeavoring 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 endeavoring 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.

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, etc. That in those times of poverty and barbarism these were proportionably much cheaper than corn is undoubtedly 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 labor, 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 Chile. In a country naturally fertile, but of which the far greater part is altogether uncultivated, cattle, poultry, game of all kinds, etc., as they can be acquired with a very small quantity of labor, 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.

Labor, 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, etc., 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 labor.

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 labor; or, what comes to the same thing, the price of nearly equal quantities; the continual increase of the productive powers of labor in an improved state of cultivation, being more or less counterbalanced by the continual 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 labor, 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 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 favorite vegetable food of the people, constitutes, in every civilized country, the principal part of the subsistence of the laborer. 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 laborer everywhere lives chiefly upon the wholesome food that is cheapest and most abundant. Butcher's meat, except in the most thriving countries, or where labor 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 labor is somewhat better rewarded than in France, the laboring poor seldom eat butcher's meat, except upon holidays, and other extraordinary occasions. The money price of labor, therefore, depends much more upon the average money price of corn, the subsistence of the laborer, 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 labor 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 labor. 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 conveniences 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 labor 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 pros-

perity, 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 everything in the country which can best afford it. Labor, it must be remembered, is the ultimate price which is paid for everything, and in countries where labor is equally well rewarded, the money price of labor will be in proportion to that of the subsistence of the laborer. 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 of 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 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 labor in China and in Europe is still greater than that between the money price of subsistence; because the real recompense of labor 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 labor is lower in Scotland than in England, because the real recompense of labor is much lower; Scotland, though advancing to greater wealth, advances much more slowly than England. The frequency of emigration from Scotland, and the rarity of it from England, sufficiently prove that the demand for labor is very different in the two countries. The proportion between the real recompense of labor 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 the real dearness of corn. It does not cost less labor 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 labor; 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 labor to bring silver to Amsterdam than to Dantzic; 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 labor

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 the 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 proportion 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 labor 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 everybody; 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 £2 1*s.* 6*d.* $\frac{8}{19}$. From this sum, neglecting the fraction, and deducting a ninth, or 4*s.* 7*d.* $\frac{1}{9}$, the price of the quarter of eight bushels comes out to have been £1 16*s.* 10*d.* $\frac{8}{9}$. And from this sum, neglecting likewise the fraction, and deducting a ninth, or 4*s.* 1*d.* $\frac{1}{9}$, 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 £1 12*s.* 8*d.* $\frac{8}{9}$, 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 £2 10*s.*; 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 £1 19*s.* 6*d.*, 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 last sixty-four years of the last century, the average price of the quarter of nine bushels of the best wheat at Windsor market, appears, from the same accounts, to have been £2 11*s.* 0*d.* ⅓; which is only 1*s.* 0*d.* ⅓ 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 neighborhood

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 £4 5*s.* and in 1649 to have been £4 the quarter of nine bushels. The excess of those two years above £2 10*s.* (the average price of the sixteen years preceding 1637) is £3 5*s.*; which, divided among the last sixty-four 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 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 clipped 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 bul-

lion was six shillings and fivepence an ounce,[1] which is fifteenpence 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 years of the present century, accordingly, the average price of the quarter of nine bushels of the best wheat at Windsor market appears, by the accounts of Eton College, to have been £2 0*s.* 6*d.*$\frac{1}{12}$, which is about ten shillings and sixpence, or more than

[1] Lowndes' Essay on the Silver Coin, p. 68.

five-and-twenty per cent cheaper than it had been during the last sixty-four 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 first sixty-four 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 £1 5*s.* 2*d.*, the lowest price at which it had ever been from 1595.

In 1688, Mr. Gregory King, a man famous for his knowledge in matters of this kind, estimated the average price of wheat in years of moderate plenty to be to the grower 3*s.* 6*d.* 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 five-sevenths 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 anything 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 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 first sixty-four years of the present century, therefore, the average price has been lower than during the last sixty-four 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 endeavor 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 coun-

try, 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 first sixty-four 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 unfavorableness 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 unfavorable 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, 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 £1 13*s.* 9*d.* ¼, which is nearly 6*s.* 3*d.* below the average price of the first sixty-four 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 £1 6*s.* 8*d.*

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 £1,514,962 17*s.* 4½*d.* 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 £324,176 10*s.* 6*d.*[1] It is unnecessary to observe how much

[1] See Tracts on the Corn Trade; Tract 3d.

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 chapter 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 first sixty-four 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 labor 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 labor 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 labor 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 labor 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 recompense of labor, it has already been shown, the real quantities of the necessaries and conveniences of life which are given to the laborer, 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 labor 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 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 labor, 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 after-

ward 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 of the registered silver in 1504,[1] 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 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

[1] Solorzano, vol. ii.

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 backward. 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 backward. 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 everything abounded in France, but that everything 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 agri-

culture, 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 ancient 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 labor 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 favorable 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 Chile 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 prod-

uce 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 regular 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 overland 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 wellnigh 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 Gottenburg 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 and Hindustan, 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 labor of other people. The retinue of a grandee in China or Hindustan 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 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 labor, the real quantity of the necessaries of life which is given to the laborer, it has already been observed, is lower both in China and Hindustan, the two great markets of India, than it is through the greater part of Europe. The wages of the laborer 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 labor 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 labor; and in manufacturing art and industry, China and Hindustan, though inferior, seem not to be much inferior to any part of Europe. The money price of the greater part of manufac-

tures, 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 labor, and therefore more money, to bring first the materials, and afterward the complete manufacture to market. In China and Hindustan the extent and variety of inland navigations save the greater part of this labor, 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 labor and commodities which it costs in Europe, will purchase or command a greater quantity of labor 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 Manila. The silver of the new continent seems in this manner to be one of the principal commodities by which the commerce between the two extremi-

ties 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 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 afterward 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, etc. 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 treas-

ures 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[1] the annual importation of the precious metals into Spain, at an average of six years, viz. from 1748 to 1753, both inclusive; 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 £3,413,431 10*s.* sterling. The gold, at forty-four guineas and a half the pound Troy, amounts to £2,333,446 14*s.* sterling. Both together amount to £5,746,878 4*s.* 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

[1] Postscript to the Universal Merchant, pp. 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.

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,-185⅞ 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 4*s.* 6*d.* the piaster is equal to £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 £250,000 sterling, so that the whole will amount to £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 £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 Manila; 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 imported 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 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 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 durableness 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 cornfields, 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 labor 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' 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 threescore times the price of a lamb, reckoned at 3*s.* 6*d.* It would be absurd, however, to infer from thence, 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 watchcases, snuffboxes, 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,[1] 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 preponderance of the gold coin above the silver, which takes place only in some countries.

Though, in one sense of the word, silver always has

[1] See Ruddiman's Preface to Anderson's Diplomata, etc., Scotiæ.

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. A commodity may be said to be dear or cheap, not only according to the absolute greatness and 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 everybody who has inquired into the state of those mines.

These causes, which are equivalent to a growing 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 labor 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 importation 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 endeavored 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, etc., naturally grow dearer as the society advances in wealth and improvement, I have endeavored 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 labor than before, but that such commodities have become really dearer,

or will purchase more labor 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 apiece, 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 occa-

sion 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 labor and commodities which four ounces will do at present. When we read in Pliny, therefore, that Seius[1] 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[2] 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 labor 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 labor and subsistence equal to what £66 13*s.* 4*d.* would purchase in the present times; and Asinius Celer gave for a surmullet

[1] Lib. x. c. 29.

[2] Lib. ix. c. 17.

the command of a quantity equal to what £88 17*s.* 9⅓*d.* would purchase. What occasioned the extravagance of those high prices was, not so much the abundance of silver, as the abundance of labor 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 labor 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 labor, which they will purchase or command, gradually rises, till at last it gets so high as to render them as profitable a produce as anything 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 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 labor 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 neighborhood of London, to have got to this height about the beginning of the last century; but it was much later probably before it got 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 labor and be too expensive. If the price of the cattle, therefore, 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 labor, 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 culti-

vating. 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 neighborhood of the farmyard. 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 anything 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 plowed 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 plowed up to be in the same manner exhausted and rested again in its turn.

Such, accordingly, 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 flock 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 improvement 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 everything 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 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 cornfields, 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.[1] The annual grasses were, it seems, the best natural grasses in that part of North America; and when the Europeans first settled there, 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 suffi-

[1] Kalm's Travels, vol. i., pp. 343, 344.

cient to compensate the expense of a deer park, as is well known to all those 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 anything, 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 buckwheat 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, etc., 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, 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 neighboring fields without doing any sensible damage to anybody. 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 been. Sooner or later, however, in the progress of improvement, it must at any rate have risen to the utmost height of which it is capable of rising; or to the price which pays the labor 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 amid 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 labor, 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 neighborhood 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 labor 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 labor 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 des-

tined 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 labor and subsistence than before. As it costs a greater quantity of labor 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 as 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.

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 Chile, 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 (toward 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,[1] containing, at the rate of twenty-

[1] See Smith's "Memoirs of Wool," vol. i. c. 5, 6 and 7; also vol. ii. c. 176.

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 labor, if the real recompense of labor had been the same in both periods.

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.

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 calf 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 4*s.* ⅘ths 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 51*s.* 4*d.* 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 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 of avoirdupois, 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 favored. 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 counties 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 labor 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 labor 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 labor 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 extensive 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 situa-

tion 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 very different periods of improvement, and very different in the same period; its connection 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 particularly, 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 anything 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 labor, in consequence of which it can afford to employ a greater or a smaller quantity of labor 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 Hindustan 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 all other luxuries and superfluities, is likely to rise with the wealth and improvement of the country, and to fall with its poverty and depression. Countries which have a great quantity of labor and subsistence to spare, can afford to purchase any particular quantity of those metals at the expense of a greater quantity of labor 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 labor 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 connection with the state of industry in a particular country. It seems even to have no very necessary connection 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 doubtful, and the actual discovery and successful working 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 labor 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 labor which it could purchase or command, would be precisely the same. A shilling might in the one case represent no more labor 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 superfluities the only inconvenience 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 endeavor 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 labor, but to the ac-

cidental 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 connection 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 labor. 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, and 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 labor. This increase of the quantity of those metals, 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 sub-

jected to a duty. In proportion to the annual produce of the land and labor, 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, etc., 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 some 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 first sixty-four years of the present century, and before the late extraordinary course of bad seasons, been somewhat lower than it was during the last sixty-four years of the preced-

ing 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. Duprè de St. Maur. 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 labor 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 recompense 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 as 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 labor 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 plow; such as turnips, carrots, cabbages, etc. 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 afterward 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, etc.

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 labor becomes requisite for executing any particular piece of work; and though, in consequence of the flourishing circumstances of the society, the real price of labor should rise very considerably, yet the great diminution of the quantity 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 the workmen of every other part of Europe, 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 labor 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 labor 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, toward the end of the fifteenth century, when the labor 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 afterward, 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 labor 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 laborer, 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 extravagance 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 threepence. 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 labor, 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 labor 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 occa-

sionally 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 conveniences 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.

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 labor, or the produce of the labor 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 afterward the cause of their being still futher 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 labor 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 labor 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 labor. A greater proportion of it must, consequently, belong to the landlord.

All those improvements in the productive powers of labor, 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 conveniences, ornaments, or luxuries which he has occasion for.

Every increase in the real wealth of the society, every increase in the quantity of useful labor employed within it, tends indirectly to raise the real rent of land. A certain proportion of this labor 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 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 labor, or the produce of the labor of other people.

The whole annual produce of the land and labor 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 labor, 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 deliber-

ates 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, indeed, too often defective in this tolerable knowledge. They are the only one of the three orders whose revenue costs them neither labor 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 laborer, it has already been shown, are never so high as when the demand for labor 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 laborers. 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 laborers: but there is no order that suffers so cruelly from its decline. But though the interest of the laborer is strictly connected with that of the society, he is incapable either of comprehending that interest, or of understanding its connection 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 clamor 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 labor of every society. The plans and projects of the employers of stock regulate and direct all the most important operations of labor, 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. The interest of this third order, therefore, has not the same connection with the general interest of the 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 candor (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.[1]

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[1] *Autres temps, autres mœurs.* It is quite evident Adam Smith knows not the "great middle-class" and its Manchester school, as the power before which all things bow, hence the straightforward *naïveté* of his utterances.—ED.

Years XII.	Price of the Quarter of Wheat each Year			Average of the different Prices of the same Year			The average Price of each Year in Money of the present Times		
	£	s.	d.	£	s.	d.	£	s.	d.
1202		12	0	. . . . .			1	16	0
1205		12	0		13	5	2	0	3
		13	4						
		15	0						
1223		12	0	. . . . .			1	16	0
1237		3	4	. . . . .				10	0
1243		2	0	. . . . .				6	0
1244		2	0	. . . . .				6	0
1246		16	0	. . . . .			2	8	0
1247		13	4	. . . . .			2	0	0
1257	1	4	0	. . . . .			3	12	0
1258	1	0	0		17	0	2	11	0
		15	0						
		16	0						
1270	4	16	0	5	12	0	16	16	0
	6	8	0						
1286		2	8		9	4	1	8	0
		16	0						
				Total			35	9	3
				Average Price . .			2	19	$1\frac{1}{4}$
1287		3	4	. . . . .				10	0
1288			8		3	$0\frac{1}{4}$		9	$0\frac{3}{4}$
		1	0						
		1	4						
		1	6						
		1	8						
		2	0						
		3	4						
		9	4						
1289		12	0		10	$1\frac{3}{4}$	1	10	$4\frac{3}{4}$
		6	0						
		2	0						
		10	8						
	1	0	0						
1290		16	0	. . . . .			2	8	0
1294		16	0	. . . . .			2	8	0
				Carry over . . .			7	5	$5\frac{1}{4}$

Years XII.	Price of the Quarter of Wheat each Year £	s.	d.	Average of the different Prices of the same Year £	s.	d.	The average Price of each Year in Money of the present Times £	s.	d.
				Brought over .			7	5	5¼
1302		4	0	. . . . .				12	0
1309		7	2	. . . . .			1	1	6
1315	1	0	0	. . . . .			3	0	0
1316	1	0	0	1	10	6	4	11	6
	1	10	0						
	1	12	0						
	2	0	0						
1317	2	4	0	1	19	6	5	18	6
		14	0						
	2	13	0						
	4	0	0						
		6	8						
1336		2	0	. . . . .				6	0
1338		3	4	. . . . .				10	0
				Total			23	4	11¼
				Average Price . .			1	18	8

	£	s.	d.	£	s.	d.	£	s.	d.
1339		9	8	. . . . .			1	7	0
1349		2	0	. . . . .				5	2
1359	1	6	8	. . . . .			3	2	2
1361		2	0	. . . . .				4	8
1363		15	0	. . . . .			1	15	0
1369	1	0	0	1	2	0	2	9	4
	1	4	0						
1379		4	0	. . . . .				9	4
1387		2	0	. . . . .				4	8
1390		13	4		14	5	1	13	7
		14	0						
		16	0						
1401		16	0	. . . . .			1	17	4
1407		4	$4\frac{3}{4}$		3	10		8	11
		3	4						
1416		16	0	. . . . .			1	12	0
				Total			15	9	4
				Average Price . .			1	5	9⅓

Years XII.	Price of the Quarter of Wheat each Year			Average of the different Prices of the same Year			The average Price of each Year in Money of the present Times		
	£	s.	d.	£	s.	d.	£	s.	d.
1423		8	0	. . . . .				16	0
1425		4	0	. . . . .				8	0
1434	1	6	8	. . . . .			2	13	4
1435		5	4	. . . . .				10	8
1439	1	0	0	1	3	4	2	6	8
	1	6	8						
1440	1	4	0	. . . . .			2	8	0
1444		4	4		4	2		8	4
		4	0						
1445		4	6	. . . . .				9	0
1447		8	0	. . . . .				16	0
1448		6	8	. . . . .				13	4
1449		5	0	. . . . .				10	0
1451		8	0	. . . . .				16	0
				Total			12	15	4
				Average Price . .			1	1	3¼

	£	s.	d.	£	s.	d.	£	s.	d.
1453		5	4	. . . . .				10	8
1455		1	2	. . . . .				2	4
1457		7	8	. . . . .				15	4
1459		5	0	. . . . .				10	0
1460		8	0	. . . . .				16	0
1463		2	0		1	10		3	8
		1	8						
1464		6	8	. . . . .				10	0
1486	1	4	0	. . . . .			1	17	0
1491		14	8	. . . . .			1	2	0
1494		4	0	. . . . .				6	0
1495		3	4	. . . . .				5	0
1497	1	0	0	. . . . .			1	11	0
				Total			8	9	0
				Average Price . .			0	14	1

Years XII.	Price of the Quarter of Wheat each Year			Average of the different Prices of the same Year			The average Price of each Year in Money of the present Times		
	£	s.	d.	£	s.	d.	£	s.	d.
1499		4	0	. . . . .				6	0
1504		5	8	. . . . .				8	6
1521	1	0	0	. . . . .			1	10	0
1551		8	0	. . . . .				2	0
1553		8	0	. . . . .				8	0
1554		8	0	. . . . .				8	0
1555		8	0	. . . . .				8	0
1556		8	0	. . . . .				8	0
1557		4	0						
		5	0						
		8	0		17	8½		17	8½
	2	13	4						
1558		8	0	. . . . .				8	0
1559		8	0	. . . . .				8	0
1560		8	0	. . . . .				8	0
Total							6	0	2½
Average Price . .							0	10	5/12

	£	s.	d.	£	s.	d.	£	s.	d.
1561		8	0	. . . . .				8	0
1562		8	0	. . . . .				8	0
1574	2	16	0	2	0	0	2	0	0
	1	4	0						
1587	3	4	0	. . . . .			3	4	0
1594	2	16	0	. . . . .			2	16	0
1595	2	13	0	. . . . .			2	13	0
1596	4	0	0	. . . . .			4	0	0
1597	5	0	0	4	12	0	4	12	0
	4	0	0						
1598	2	16	8	. . . . .			2	16	8
1599	1	19	2	. . . . .			1	19	2
1600	1	17	8	. . . . .			1	17	8
1601	1	14	10	. . . . .			1	14	10
Total							28	9	4
Average Price . .							2	7	5⅓

Prices of the Quarter of nine Bushels of the best or highest priced Wheat at Windsor Market, on Lady-Day and Michaelmas, from 1595 to 1764, both inclusive; the Price of each Year being the Medium between the highest Prices of those two Market days.

Years	£	s.	d.
1595,	2	0	0
1596,	2	8	0
1597,	3	9	6
1598,	2	16	8
1599,	1	19	2
1600,	1	17	8
1601,	1	14	10
1602,	1	9	4
1603,	1	15	4
1604,	1	10	8
1605,	1	15	10
1606,	1	13	0
1607,	1	16	8
1608,	2	16	8
1609,	2	10	0
1610,	1	15	10
1611,	1	18	8
1612,	2	2	4
1613,	2	8	8
1614,	2	1	8½
1615,	1	18	8
1616,	2	0	4
1617,	2	8	8
1618,	2	6	8
1619,	1	15	4
1620,	1	10	4
26)	54	0	6½
	2	1	6 1/13

Years	£	s.	d.
1621,	1	10	4
1622,	2	18	8
1623,	2	12	0
1624,	2	8	0
1625,	2	12	0
1626,	2	9	4
1627,	1	16	0
1628,	1	8	0
1629,	2	2	0
1630,	2	15	8
1631,	3	8	0
1632,	2	13	4
1633,	2	18	0
1634,	2	16	0
1635,	2	16	0
1636,	2	16	8
16)	40	0	0
	2	10	0

Years	Wheat per Quarter £	s.	d.
1637,	2	13	0
1638,	2	17	4
1639,	2	4	10
1640,	2	4	8
1641,	2	8	0
1642, (Wanting in the account. The year 1646 supplied by Bishop Fleetwood.)	0	0	0
1643,	0	0	0
1644,	0	0	0
1645,	0	0	0
1646,	2	8	0
1647,	3	13	8
1648,	4	5	0
1649,	4	0	0
1650,	3	16	8
1651,	3	13	4
1652,	2	9	6
1653,	1	15	6
1654,	1	6	0
1655,	1	13	4
1656,	2	3	0
1657,	2	6	8
1658,	3	5	0
1659,	3	6	0
1660,	2	16	6
1661,	3	10	0
1662,	3	14	0
1663,	2	17	0
1664,	2	0	6
1665,	2	9	4
1666,	1	16	0
1667,	1	16	0
1668,	2	0	0
1669,	2	4	4
1670,	2	1	8
1671,	2	2	0
1672,	2	1	0
1673,	2	6	8
Carry over	86	4	6

Years	Wheat per Quarter £	s.	d.
Brought over	86	4	6
1674,	3	8	8
1675,	3	4	8
1676,	1	18	0
1677,	2	2	0
1678,	2	19	0
1679,	3	0	0
1680,	2	5	0
1681,	2	6	8
1682,	2	4	0
1683,	2	0	0
1684,	2	4	0
1685,	2	6	8
1686,	1	14	0
1687,	1	5	2
1688,	2	6	0
1689,	1	10	0
1690,	1	14	8
1691,	1	14	0
1692,	2	6	8
1693,	3	7	8
1694,	3	4	0
1695,	2	13	0
1696,	3	11	0
1697,	3	0	0
1698,	3	8	4
1699,	3	4	0
1700,	2	0	0
	60)153	1	8
	2	11	$0\frac{1}{3}$

Years	Wheat per Quarter £	s.	d.
1701,	1	17	8
1702,	1	9	6
1703,	1	16	0
1704,	2	6	6
1705,	1	10	0
1706,	1	6	0
1707,	1	8	6
1708,	2	1	6
1709,	3	18	6
1710,	3	18	0
1711,	2	14	0
1712,	2	6	4
1713,	2	11	0
1714,	2	10	4
1715,	2	3	0
1716,	2	8	0
1717,	2	5	8
1718,	1	18	10
1719,	1	15	0
1720,	1	17	0
1721,	1	17	6
1722,	1	16	0
1723,	1	14	8
1724,	1	17	0
1725,	2	8	6
1726,	2	6	0
1727,	2	2	0
1728,	2	14	6
1729,	2	6	10
1730,	1	16	6
1731,	1	12	10
1732,	1	6	8
1733,	1	8	4
1734,	1	18	10
1735,	2	3	0
1736,	2	0	4
1737,	1	18	0
Carry over	77	8	10

Years	Wheat per Quarter £	s.	d.
Brought over	77	8	10
1738,	1	15	6
1739,	1	18	6
1740,	2	10	8
1741,	2	6	8
1742,	1	14	0
1743,	1	4	10
1744,	1	4	10
1745,	1	7	6
1746,	1	19	0
1747,	1	14	10
1748,	1	17	0
1749,	1	17	0
1750,	1	12	6
1751,	1	18	6
1752,	2	1	10
1753,	2	4	8
1754,	1	14	8
1755,	1	13	10
1756,	2	5	3
1757,	3	0	0
1758,	2	10	0
1759,	1	19	10
1760,	1	16	6
1761,	1	10	3
1762,	1	19	0
1763,	2	0	9
1764,	2	6	9
64)	129	13	6
	2	0	6¼

Years	Wheat per Quarter £	s.	d.	Years	Wheat per Quarter £	s.	d.
1731, ...	1	12	10	1741, ...	2	6	8
1732, ...	1	6	8	1742, ...	1	14	0
1733, ...	1	8	4	1743, ...	1	4	10
1734, ...	1	18	10	1744, ...	1	4	10
1735, ...	2	3	0	1745, ...	1	7	6
1736, ...	2	0	4	1746, ...	1	19	0
1737, ...	1	18	0	1747, ...	1	14	10
1738, ...	1	15	6	1748, ...	1	17	0
1739, ...	1	18	6	1749, ...	1	17	0
1740, ...	2	10	8	1750, ...	1	12	6
	10)18	12	8		10)16	18	2
	1	17	3⅕		1	13	9⅕

BOOK II

Of the Nature, Accumulation, and Employment of Stock

INTRODUCTION

IN THAT rude state of society in which there is no division of labor, in which exchanges are seldom made, and in which every man provides everything for himself, it is not necessary that any stock should be accumulated or stored up beforehand, in order to carry on the business of the society. Every man endeavors to supply by his own industry his own occasional wants as they occur. When he is hungry, he goes to the forest to hunt; when his coat is worn out, he clothes himself with the skin of the first large animal he kills; and when his hut begins to go to ruin, he repairs it, as well as he can, with the trees and the turf that are nearest it.

But when the division of labor has once been thoroughly introduced, the produce of a man's own labor can supply but a very small part of his occasional wants. The far greater part of them are supplied by the produce of other men's labor, which he purchases with the produce, or, what is the same thing, with the price of the produce of his own. But this purchase cannot be made till such time as the produce of his own labor has not only been completed, but sold. A stock of goods of different kinds, therefore, must be stored up somewhere sufficient to maintain him, and to supply him with the materials and tools of his work, till such time, at least, as both these events can be brought about. A weaver

cannot apply himself entirely to his peculiar business, unless there is beforehand stored up somewhere, either in his own possession or in that of some other person, stock sufficient to maintain him, and to supply him with the materials and tools of his work, till he has not only completed, but sold his web. This accumulation must, evidently, be previous to his applying his industry for so long a time to such a peculiar business.[1]

As the accumulation of stock must, in the nature of things, be previous to the division of labor, so labor can be more and more subdivided in proportion only as stock is previously more and more accumulated. The quantity of materials which the same number of people can work up, increases in a great proportion as labor comes to be more and more subdivided; and as the operations of each workman are gradually reduced to a greater degree of simplicity, a variety of new machines come to be invented for facilitating and abridging those operations. As the division of labor advances, therefore, in order to give constant employment to an equal number of workmen, an equal stock of provisions, and a greater stock of materials and tools than what would have been necessary in a ruder state of things, must be accumulated beforehand. But the number of workmen in every branch of business generally increases with the division of labor in that branch, or rather it is the increase of their number which enables them to class and subdivide themselves in this manner.

As the accumulation of stock is previously necessary for carrying on this great improvement in the productive pow-

[1] Adam Smith was unaware of the fact which modern research has brought to light that in early society it was the community in its corporate capacity which held the land and accumulated stock, and not any one individual.—Ed.

ers of labor, so that accumulation naturally leads to this improvement. The person who employs his stock in maintaining labor, necessarily wishes to employ it in such a manner as to produce as great a quantity of work as possible. He endeavors, therefore, both to make among his workmen the most proper distribution of employment, and to furnish them with the best machines which he can either invent or afford to purchase. His abilities in both these respects are generally in proportion to the extent of his stock, or to the number of people whom it can employ. The quantity of industry, therefore, not only increases in every country with the increase of the stock which employs it, but, in consequence of that increase, the same quantity of industry produces a much greater quantity of work.

Such are in general the effects of the increase of stock upon industry and its productive powers.

In the following book I have endeavored to explain the nature of stock, the effects of its accumulation into capitals of different kinds, and the effects of the different employments of those capitals. This book is divided into five chapters. In the first chapter, I have endeavored to show what are the different parts or branches into which the stock, either of an individual, or of a great society, naturally divides itself. In the second, I have endeavored to explain the nature and operation of money considered as a particular branch of the general stock of the society. The stock which is accumulated into a capital, may either be employed by the person to whom it belongs, or it may be lent to some other person. In the third and fourth chapters, I have endeavored to examine the manner in which it operates in both these situations. The fifth and last chapter

treats of the different effects which the different employments of capital immediately produce upon the quantity both of national industry, and of the annual produce of land and labor.

CHAPTER I

OF THE DIVISION OF STOCK

WHEN the stock which a man possesses is no more than sufficient to maintain him for a few days or a few weeks, he seldom thinks of deriving any revenue from it. He consumes it as sparingly as he can, and endeavors by his labor to acquire something which may supply its place before it be consumed altogether. His revenue is, in this case, derived from his labor only. This is the state of the greater part of the laboring poor in all countries.

But when he possesses stock sufficient to maintain him for months or years, he naturally endeavors to derive a revenue from the greater part of it; reserving only so much for his immediate consumption as may maintain him till this revenue begins to come in. His whole stock, therefore, is distinguished into two parts. That part which, he expects, is to afford him this revenue, is called his capital.[1] The other is that which supplies his immediate consumption;

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[1] Not having the fear of ulterior consequences before his mind, and hence not feeling it incumbent upon him to guard against Socialistic deductions by carefully framing a definition which should define nothing, Adam Smith states the meaning of capital in the above lucid terms. To him the capitalist as such implies the laborer as such, and the advanced civilization this separation of classes involves—as will appear from what follows. What would the old Scotch economist have thought of the nonsense to which modern orthodox economists are driven in their efforts to evade the consequences of a plain definition—to their talk about Robinson's wheelbarrow constituting him a capitalist, and the like?—Ed.

and which consists either, first, in that portion of his whole stock which was originally reserved for this purpose; or, secondly, in his revenue, from whatever source derived, as it gradually comes in; or, thirdly, in such things as had been purchased by either of these in former years, and which are not yet entirely consumed; such as a stock of clothes, household furniture, and the like. In one or other or all of these three articles consists the stock which men commonly reserve for their own immediate consumption.

There are two different ways in which a capital may be employed so as to yield a revenue or profit to its employer.

First, it may be employed in raising, manufacturing, or purchasing goods, and selling them again with a profit. The capital employed in this manner yields no revenue or profit to its employer, while it either remains in his possession, or continues in the same shape. The goods of the merchant yield him no revenue or profit till he sells them for money, and the money yields him as little till it is again exchanged for goods. His capital is continually going from him in one shape, and returning to him in another, and it is only by means of such circulation, or successive exchanges, that it can yield him any profit. Such capitals, therefore, may very properly be called circulating capitals.

Secondly, it may be employed in the improvement of land, in the purchase of useful machines and instruments of trade, or in such-like things as yield a revenue or profit without changing masters, or circulating any further. Such capitals, therefore, may very properly be called fixed capitals.

Different occupations require very different proportions between the fixed and circulating capitals employed in them.

The capital of a merchant, for example, is altogether a

circulating capital. He has occasion for no machines or instruments of trade, unless his shop or warehouse be considered as such.

Some part of the capital of every master artificer or manufacturer must be fixed in the instruments of his trade. This part, however, is very small in some, and very great in others. A master tailor requires no other instruments of trade but a parcel of needles. Those of the master shoemaker are a little, though but a very little, more expensive. Those of the weaver rise a good deal above those of the shoemaker. The far greater part of the capital of all such master artificers, however, is circulated, either in the wages of their workmen, or in the price of their materials, and repaid with a profit by the price of the work.

In other works a much greater fixed capital is required. In a great iron works, for example, the furnace for melting the ore, the forge, the slit-mill, are instruments of trade which cannot be erected without a very great expense. In coal works, and mines of every kind, the machinery necessary both for drawing out the water and for other purposes, is frequently still more expensive.

That part of the capital of the farmer which is employed in the instruments of agriculture is a fixed, that which is employed in the wages and maintenance of his laboring servants, is a circulating capital. He makes a profit of the one by keeping it in his own possession, and of the other by parting with it. The price or value of his laboring cattle is a fixed capital in the same manner as that of the instruments of husbandry; their maintenance is a circulating capital in the same manner as that of the laboring servants. The farmer makes his profit by keeping the laboring cattle, and by parting with their maintenance. Both the price and the

maintenance of the cattle which are bought in and fattened, not for labor, but for sale, are a circulating capital. The farmer makes his profit by parting with them. A flock of sheep or a herd of cattle that, in a breeding country, is bought in, neither for labor, nor for sale, but in order to make a profit by their wool, by their milk, and by their increase, is a fixed capital. The profit is made by keeping them. Their maintenance is a circulating capital. The profit is made by parting with it; and it comes back with both its own profit, and the profit upon the whole price of the cattle, in the price of the wool, the milk, and the increase. The whole value of the feed, too, is properly a fixed capital. Though it goes backward and forward between the ground and the granary, it never changes masters, and therefore does not properly circulate. The farmer makes his profit, not by its sale, but by its increase.

The general stock of any country or society is the same with that of all its inhabitants or members, and therefore naturally divides itself into the same three portions, each of which has a distinct function or office.

The first is that portion which is reserved for immediate consumption, and of which the characteristic is, that it affords no revenue or profit. It consists in the stock of food, clothes, household furniture, etc., which have been purchased by their proper consumers, but which are not yet entirely consumed. The whole stock of mere dwelling-houses, too, subsisting at any one time in the country, make a part of this first portion. The stock that is laid out in a house, if it is to be the dwelling-house of the proprietor, ceases from that moment to serve in the function of a capital, or to afford any revenue to its owner. A dwelling-house, as such, contributes nothing to the revenue of its

inhabitant; and though it is, no doubt, extremely useful to him, it is as his clothes and household furniture are useful to him, which, however, make a part of his expense, and not of his revenue. If it is to be let to a tenant for rent, as the house itself can produce nothing, the tenant must always pay the rent out of some other revenue which he derives either from labor, or stock, or land. Though a house, therefore, may yield a revenue to its proprietor, and thereby serve in the function of a capital to him, it cannot yield any to the public, nor serve in the function of a capital to it, and the revenue of the whole body of the people can never be in the smallest degree increased by it. Clothes, and household furniture, in the same manner, sometimes yield a revenue, and thereby serve in the function of a capital to particular persons. In countries where masquerades are common, it is a trade to let out masquerade dresses for a night. Upholsterers frequently let furniture by the month or by the year. Undertakers let the furniture of funerals by the day and by the week. Many people let furnished houses, and get a rent, not only for the use of the house, but for that of the furniture. The revenue, however, which is derived from such things, must always be ultimately drawn from some other source of revenue. Of all parts of the stock, either of an individual, or of a society, reserved for immediate consumption, what is laid out in houses is most slowly consumed. A stock of clothes may last several years: a stock of furniture half a century or a century: but a stock of houses, well built and properly taken care of, may last many centuries. Though the period of their total consumption, however, is more distant, they are still as really a stock reserved for immediate consumption as either clothes or household furniture.

The second of the three portions into which the general stock of the society divides itself, is the fixed capital; of which the characteristic is, that it affords a revenue or profit without circulating or changing masters. It consists chiefly of the four following articles:

First, of all useful machines and instruments of trade which facilitate and abridge labor:

Secondly, of all those profitable buildings which are the means of procuring a revenue, not only to their proprietor who lets them for a rent, but to the person who possesses them and pays that rent for them; such as shops, warehouses, workhouses, farmhouses, with all their necessary buildings; stables, granaries, etc. These are very different from mere dwelling-houses. They are a sort of instruments of trade, and may be considersd in the same light:

Thirdly, of the improvements of land, of what has been profitably laid out in clearing, draining, inclosing, manuring, and reducing it into the condition most proper for tillage and culture. An improved farm may very justly be regarded in the same light as those useful machines which facilitate and abridge labor, and by means of which an equal circulating capital can afford a much greater revenue to its employer. An improved farm is equally advantageous and more durable than any of those machines, frequently requiring no other repairs than the most profitable application of the farmer's capital employed in cultivating it:

Fourthly, of the acquired and useful abilities of all the inhabitants or members of the society. The acquisition of such talents, by the maintenance of the acquirer during his education, study, or apprenticeship, always costs a real expense, which is a capital fixed and realized, as it were, in

his person. Those talents, as they make a part of his fortune, so do they likewise of that of the society to which he belongs. The improved dexterity of a workman may be considered in the same light as a machine or instrument of trade which facilitates and abridges labor, and which, though it costs a certain expense, repays that expense with a profit.

The third and last of the three portions into which the general stock of the society naturally divides itself, is the circulating capital; of which the characteristic is, that it affords a revenue only by circulating or changing masters. It is composed likewise of four parts:

First, of the money by means of which all the other three are circulated and distributed to their proper consumers:

Secondly, of the stock of provisions which are in the possession of the butcher, the grazier, the farmer, the corn merchant, the brewer, etc., and from the sale of which they expect to derive a profit.

Thirdly, of the materials, whether altogether rude, or more or less manufactured, of clothes, furniture and building, which are not yet made up into any of those three shapes, but which remain in the hands of the growers, the manufacturers, the mercers, and drapers, the timber merchants, the carpenters and joiners, the brickmakers, etc.

Fourthly, and lastly, of the work which is made up and completed, but which is still in the hands of the merchant and manufacturer, and not yet disposed of or distributed to the proper consumers; such as the finished work which we frequently find ready made in the shops of the smith, the cabinetmaker, the goldsmith, the jeweller, the china merchant, etc. The circulating capital consists in this manner, of the provisions, materials, and finished work of all kinds

that are in the hands of their respective dealers, and of the money that is necessary for circulating and distributing them to those who are finally to use or to consume them.

Of these four parts, three, provisions, materials, and finished work, are, either annually, or in a longer or shorter period, regularly withdrawn from it, and placed either in the fixed capital, or in the stock reserved for immediate consumption.

Every fixed capital is both originally derived from, and requires to be continually supported by a circulating capital. All useful machines and instruments of trade are originally derived from a circulating capital, which furnishes the materials of which they are made, and the maintenance of the workmen who make them. They require, too, a capital of the same kind to keep them in constant repair.

No fixed capital can yield any revenue but by means of a circulating capital. The most useful machines and instruments of trade will produce nothing without the circulating capital which affords the materials they are employed upon, and the maintenance of the workmen who employ them. Land, however improved, will yield no revenue without a circulating capital, which maintains the laborers who cultivate and collect its produce.

To maintain and augment the stock which may be reserved for immediate consumption is the sole end and purpose both of the fixed and circulating capitals. It is this stock which feeds, clothes and lodges the people. Their riches or poverty depend upon the abundant or sparing supplies which those two capitals can afford to the stock reserved for immediate consumption.

So great a part of the circulating capital being continually withdrawn from it, in order to be placed in the other

two branches of the general stock of the society; it must in its turn require continual supplies, without which it would soon cease to exist. These supplies are principally drawn from three sources, the produce of land, of mines and of fisheries. These afford continued supplies of provisions and materials, of which part is afterward wrought up into finished work, and by which are replaced the provisions, materials, and finished work continually withdrawn from the circulating capital. From mines, too, is drawn what is necessary for maintaining and augmenting that part of it which consists in money. For though, in the ordinary course of business, this part is not, like the other three, necessarily withdrawn from it, in order to be placed in the other two branches of the general stock of the society, it must, however, like all other things, be wasted and worn out at last, and sometimes, too, be either lost or sent abroad, and must, therefore, require continual, though, no doubt, much smaller supplies.

Land, mines, and fisheries require all both a fixed and a circulating capital to cultivate them; and their produce replaces with a profit, not only those capitals, but all the others in the society. Thus the farmer annually replaces to the manufacturer the provisions which he had consumed and the materials which he had wrought up the year before; and the manufacturer replaces to the farmer the finished work which he had wasted and worn out in the same time. This is the real exchange that is annually made between those two orders of people, though it seldom happens that the rude produce of the one and the manufactured produce of the other are directly bartered for one another; because it seldom happens that the farmer sells his corn and his cattle, his flax and his wool, to the very same person of whom he

chooses to purchase the clothes, furniture, and instruments of trade which he wants. He sells, therefore, his rude produce for money, with which he can purchase, wherever it is to be had, the manufactured produce he has occasion for. Land even replaces, in part at least, the capitals with which fisheries and mines are cultivated. It is the produce of land which draws the fish from the waters; and it is the produce of the surface of the earth which extracts the minerals from its bowels.

The produce of land, mines, and fisheries, when their natural fertility is equal, is in proportion to the extent and proper application of the capitals employed about them. When the capitals are equal, and equally well applied, it is in proportion to their natural fertility.

In all countries where there is tolerable security, every man of common understanding will endeavor to employ whatever stock he can command, in procuring either present enjoyment or future profit. If it is employed in procuring present enjoyment, it is a stock reserved for immediate consumption. If it is employed in procuring future profit, it must procure this profit either by staying with him, or by going from him. In the one case it is a fixed, in the other it is a circulating capital. A man must be perfectly crazy who, where there is tolerable security, does not employ all the stock which he commands, whether it be his own, or borrowed of other people, in some one or other of those three ways.

In those unfortunate countries, indeed, where men are continually afraid of the violence of their superiors, they frequently bury and conceal a great part of their stock, in order to have it always at hand to carry with them to some place of safety, in case of their being threatened with any of

those disasters to which they consider themselves as at all times exposed. This is said to be a common practice in Turkey, in Hindustan, and, I believe, in most other governments of Asia. It seems to have been a common practice among our ancestors during the violence of the feudal government. Treasure-trove was in those times considered as no contemptible part of the revenue of the greatest sovereigns in Europe. It consisted in such treasure as was found concealed in the earth, and to which no particular person could prove any right. This was regarded in those times as so important an object that it was always considered as belonging to the sovereign, and neither to the finder nor to the proprietor of the land, unless the right to it had been conveyed to the latter by an express clause in his charter. It was put upon the same footing with gold and silver mines, which, without a special clause in the charter, were never supposed to be comprehended in the general grant of the lands, though mines of lead, copper, tin, and coal were, as things of smaller consequence.

CHAPTER II

OF MONEY CONSIDERED AS A PARTICULAR BRANCH OF THE GENERAL STOCK OF THE SOCIETY, OR OF THE EXPENSE OF MAINTAINING THE NATIONAL CAPITAL

IT HAS been shown in the first Book, that the price of the greater part of commodities resolves itself into three parts, of which one pays the wages of the labor, another the profits of the stock, and a third the rent of the land which had been employed in producing and bringing them to market; that there are, indeed, some commodities of which

the price is made up of two of those parts only, the wages of labor, and the profits of stock; and a very few in which it consists altogether in one, the wages of labor; but that the price of every commodity necessarily resolves itself into some one, or other, or all of these three parts; every part of it which goes neither to rent nor to wages, being necessarily profit to somebody.

Since this is the case, it has been observed, with regard to every particular commodity, taken separately; it must be so with regard to all the commodities which compose the whole annual produce of the land and labor of every country, taken complexly. The whole price or exchangeable value of that annual produce, must resolve itself into the same three parts, and be parcelled out among the different inhabitants of the country, either as the wages of their labor, the profits of their stock, or the rent of their land.

But though the whole value of the annual produce of the land and labor of every country is thus divided among and constitutes a revenue to its different inhabitants; yet as in the rent of a private estate we distinguish between the gross rent and the net rent, so may we likewise in the revenue of all the inhabitants of a great country.

The gross rent of a private estate comprehends whatever is paid by the farmer; the net rent, what remains free to the landlord, after deducting the expense of management, of repairs, and all other necessary charges; or what, without hurting his estate, he can afford to place in his stock reserved for immediate consumption, or to spend upon his table, equipage, the ornaments of his house and furniture, his private enjoyments and amusements. His real wealth is in proportion, not to his gross, but to his net rent.

The gross revenue of all the inhabitants of a great coun-

try comprehends the whole annual produce of their land and labor; the net revenue, what remains free to them after deducting the expense of maintaining; first, their fixed; and, secondly, their circulating capital; or what, without encroaching upon their capital, they can place in their stock reserved for immediate consumption, or spend upon their subsistence, conveniences, and amusements. Their real wealth, too, is in proportion, not to their gross, but to their net revenue.

The whole expense of maintaining the fixed capital, must evidently be excluded from the net revenue of the society. Neither the materials necessary for supporting their useful machines and instruments of trade, their profitable buildings, etc., nor the produce of the labor necessary for fashioning those materials into the proper form, can ever make any part of it. The price of that labor may, indeed, make a part of it; as the workmen so employed may place the whole value of their wages in their stock reserved for immediate consumption. But in other sorts of labor, both the price and the produce go to this stock, the price to that of the workmen, the produce to that of other people, whose subsistence, conveniences, and amusements, are augmented by the labor of those workmen.

The intention of the fixed capital is to increase the productive powers of labor, or to enable the same number of laborers to perform a much greater quantity of work. In a farm where all the necessary buildings, fences, drains, communications, etc., are in the most perfect good order, the same number of laborers and laboring cattle will raise a much greater produce, than in one of equal extent and equally good ground, but not furnished with equal conveniences. In manufactures the same number of hands,

assisted with the best machinery, will work up a much greater quantity of goods than with more imperfect instruments of trade. The expense which is properly laid out upon a fixed capital of any kind, is always repaid with great profit, and increases the annual produce by a much greater value than that of the support which such improvements require. This support, however, still requires a certain portion of that produce. A certain quantity of materials, and the labor of a certain number of workmen, both of which might have been immediately employed to augment the food, clothing, and lodging, the subsistence and conveniences of the society, are thus diverted to another employment, highly advantageous, indeed, but still different from this one. It is upon this account that all such improvements in mechanics, as enable the same number of workmen to perform an equal quantity of work with cheaper and simpler machinery than had been usual before, are always regarded as advantageous to every society. A certain quantity of materials, and the labor of a certain number of workmen, which had before been employed in supporting a more complex and expensive machinery, can afterward be applied to augment the quantity of work which that or any other machinery is useful only for performing. The undertaker of some great manufactory who employs a thousand a year in the maintenance of his machinery, if he can reduce this expense to five hundred, will naturally employ the other five hundred in purchasing an additional quantity of materials to be wrought up by an additional number of workmen. The quantity of that work, therefore, which his machinery was useful only for performing, will naturally be augmented, and with it all the advantage and convenience which the society can derive from that work.

The expense of maintaining the fixed capital in a great country, may very properly be compared to that of repairs in a private estate. The expense of repairs may frequently be necessary for supporting the produce of the estate, and consequently both the gross and the net rent of the landlord. When by a more proper direction, however, it can be diminished without occasioning any diminution of produce, the gross rent remains at least the same as before, and the net rent is necessarily augmented.

But though the whole expense of maintaining the fixed capital is thus necessarily excluded from the net revenue of the society, it is not the same case with that of maintaining the circulating capital. Of the four parts of which this latter capital is composed, money, provisions, materials, and finished work, the last three, it has already been observed, are regularly withdrawn from it, and placed either in the fixed capital of the society, or in their stock reserved for immediate consumption. Whatever portion of those consumable goods is not employed in maintaining the former, goes all to the latter, and makes a part of the net revenue of the society. The maintenance of those three parts of the circulating capital, therefore, withdraws no portion of the annual produce from the net revenue of the society, besides what is necessary for maintaining the fixed capital.

The circulating capital of a society is in this respect different from that of an individual. That of an individual is totally excluded from making any part of his net revenue, which must consist altogether in his profits. But though the circulating capital of every individual makes a part of that of the society to which he belongs, it is not upon that account totally excluded

from making a part likewise of their net revenue. Though the whole goods in a merchant's shop must by no means be placed in his own stock reserved for immediate consumption, they may in that of other people, who, from a revenue derived from other funds, may regularly replace their value to him, together with its profits, without occasioning any diminution either of his capital or of theirs.

Money, therefore, is the only part of the circulating capital of a society, of which the maintenance can occasion any diminution in their net revenue.

The fixed capital, and that part of the circulating capital which consists in money, so far as they affect the revenue of the society, bear a very great resemblance to one another.

First, as those machines and instruments of trade, etc., require a certain expense, first to erect them, and afterward to support them, both which expenses, though they make a part of the gross, are deductions from the net revenue of the society; so the stock of money which circulates in any country must require a certain expense, first to collect it, and afterward to support it, both which expenses, though they make a part of the gross, are, in the same manner, deductions from the net revenue of the society. A certain quantity of very valuable materials, gold and silver, and of very curious labor, instead of augmenting the stock reserved for immediate consumption, the subsistence, conveniences, and amusements of individuals, is employed in supporting that great but expensive instrument of commerce, by means of which every individual in the society has his subsistence, conveniences, and amusements regularly distributed to him in their proper proportion.

Secondly, as the machines and instruments of trade, etc.,

which compose the fixed capital either of an individual or of a society, make no part either of the gross or of the net revenue of either; so money, by means of which the whole revenue of the society is regularly distributed among all its different members, makes itself no part of that revenue. The great wheel of circulation is altogether different from the goods which are circulated by means of it. The revenue of the society consists altogether in those goods, and not in the wheel which circulates them. In computing either the gross or the net revenue of any society, we must always, from their whole annual circulation of money and goods, deduct the whole value of the money, of which not a single farthing can ever make any part of either.

It is the ambiguity of language only which can make this proposition appear either doubtful or paradoxical. When properly explained and understood, it is almost self-evident.

When we talk of any particular sum of money, we sometimes mean nothing but the metal pieces of which it is composed; and sometimes we include in our meaning some obscure reference to the goods which can be had in exchange for it, or to the power of purchasing which the possession of it conveys. Thus when we say, that the circulating money of England has been computed at eighteen millions, we mean only to express the amount of the metal pieces, which some writers have computed, or rather have supposed to circulate in that country. But when we say, that a man is worth fifty or a hundred pounds a year, we mean commonly to express not only the amount of the metal pieces which are annually paid to him, but the value of the goods which he can annually purchase or consume. We mean commonly to ascertain what is or ought to be his

way of living, or the quantity and quality of the necessaries and conveniences of life in which he can with propriety indulge himself.

When, by any particular sum of money, we mean not only to express the amount of the metal pieces of which it is composed, but to include in its signification some obscure reference to the goods which can be had in exchange for them, the wealth or revenue which it in this case denotes, is equal only to one of the two values which are thus intimated somewhat ambiguously by the same word, and to the latter more properly than to the former, to the money's worth more properly than to the money.

Thus if a guinea be the weekly pension of a particular person, he can, in the course of the week, purchase with it a certain quantity of subsistence, conveniences, and amusements. In proportion as this quantity is great or small, so are his real riches, his real weekly revenue. His weekly revenue is certainly not equal both to the guinea, and to what can be purchased with it, but only to one or other of those two equal values; and to the latter more properly, than to the former; to the guinea's worth rather than to the guinea.

If the pension of such a person was paid to him, not in gold, but in a weekly bill for a guinea, his revenue surely would not so properly consist in the piece of paper, as in what he could get for it. A guinea may be considered as a bill for a certain quantity of necessaries and conveniences upon all the tradesmen in the neighborhood. The revenue of the person to whom it is paid, does not so properly consist in the piece of gold, as in what he can get for it, or in what he can exchange it for. If it could be exchanged for nothing, it would, like a bill upon a bankrupt, be of no more value than the most useless piece of paper.

Though the weekly or yearly revenue of all the different inhabitants of any country, in the same manner, may be, and in reality frequently is paid to them in money, their real riches, however, the real weekly or yearly revenue of all of them taken together, must always be great or small in proportion to the quantity of consumable goods which they can all of them purchase with this money. The whole revenue of all of them taken together is evidently not equal to both the money and the consumable goods; but only to one or other of those two values, and to the latter more properly than to the former.

Though we frequently, therefore, express a person's revenue by the metal pieces which are annually paid to him, it is because the amount of those pieces regulates the extent of his power of purchasing, or the value of the goods which he can annually afford to consume. We still consider his revenue as consisting in this power of purchasing or consuming, and not in the pieces which convey it.

But if this is sufficiently evident even with regard to an individual, it is still more so with regard to a society. The amount of the metal pieces which are annually paid to an individual, is often precisely equal to his revenue, and is upon that account the shortest and best expression of its value. But the amount of the metal pieces which circulate in a society, can never be equal to the revenue of all its members. As the same guinea which pays the weekly pension of one man to-day, may pay that of another to-morrow, and that of a third the day thereafter, the amount of the metal pieces which annually circulate in any country, must always be of much less value than the whole money pensions annually paid with them. But the power of purchasing, or the goods which can successively be bought with

the whole of those money pensions as they are successively paid, must always be precisely of the same value with those pensions; as must likewise be the revenue of the different persons to whom they are paid. That revenue, therefore, cannot consist in those metal pieces, of which the amount is so much inferior to its value, but in the power of purchasing, in the goods which can successively be bought with them as they circulate from hand to hand.

Money, therefore, the great wheel of circulation, the great instrument of commerce, like all other instruments of trade, though it makes a part and a very valuable part of the capital, makes no part of the revenue of the society to which it belongs; and though the metal pieces of which it is composed, in the course of their annual circulation, distribute to every man the revenue which properly belongs to him, they make themselves no part of that revenue.

Thirdly, and lastly, the machines and instruments of trade, etc., which compose the fixed capital, bear this further resemblance to that part of the circulating capital which consists in money; that as every saving in the expense of erecting and supporting those machines, which does not diminish the productive powers of labor, is an improvement of the net revenue of the society; so every saving in the expense of collecting and supporting that part of the circulating capital which consists in money, is an improvement of exactly the same kind.

It is sufficiently obvious, and it has partly, too, been explained already, in what manner every saving in the expense of supporting the fixed capital is an improvement of the net revenue of the society. The whole capital of the undertaker of every work is necessarily divided between his fixed and his circulating capital. While his whole

capital remains the same, the smaller the one part, the greater must necessarily be the other. It is the circulating capital which furnishes the materials and wages of labor, and puts industry into motion. Every saving, therefore, in the expense of maintaining the fixed capital, which does not diminish the productive powers of labor, must increase the fund which puts industry into motion, and consequently the annual produce of land and labor, the real revenue of every society.

The substitution of paper in the room of gold and silver money, replaces a very expensive instrument of commerce with one much less costly, and sometimes equally convenient. Circulation comes to be carried on by a new wheel, which it costs less both to erect and to maintain than the old one. But in what manner this operation is performed, and in what manner it tends to increase either the gross or the net revenue of the society, is not altogether so obvious, and may therefore require some further explication.

There are several different sorts of paper money; but the circulating notes of banks and bankers are the species which is best known, and which seems best adapted for this purpose.

When the people of any particular country have such confidence in the fortune, probity, and prudence of a particular banker, as to believe that he is always ready to pay upon demand such of his promissory notes as are likely to be at any time presented to him; those notes come to have the same currency as gold and silver money, from the confidence that such money can at any time be had for them.

A particular banker lends among his customers his own promissory notes, to the extent, we shall suppose, of a hundred thousand pounds. As those notes serve all the pur-

poses of money, his debtors pay him the same interest as if he had lent them so much money. This interest is the source of his gain. Though some of those notes are continually coming back upon him for payment, part of them continue to circulate for months and years together. Though he has generally in circulation, therefore, notes to the extent of a hundred thousand pounds, twenty thousand pounds in gold and silver may, frequently, be a sufficient provision for answering occasional demands. By this operation, therefore, twenty thousand pounds in gold and silver perform all the functions which a hundred thousand could otherwise have performed. The same exchanges may be made, the same quantity of consumable goods may be circulated and distributed to their proper consumers, by means of his promissory notes, to the value of a hundred thousand pounds, as by an equal value of gold and silver money. Eighty thousand pounds of gold and silver, therefore, can, in this manner, be spared from the circulation of the country; and if different operations of the same kind should, at the same time, be carried on by many different banks and bankers, the whole circulation may thus be conducted with a fifth part only of the gold and silver which would otherwise have been requisite.

Let us suppose, for example, that the whole circulating money of some particular country amounted, at a particular time, to one million sterling, that sum being then sufficient for circulating the whole annual produce of their land and labor. Let us suppose, too, that some time thereafter, different banks and bankers issued promissory notes, payable to the bearer, to the extent of one million, reserving in their different coffers two hundred thousand pounds for answering occasional demands. There would remain, therefore,

in circulation, eight hundred thousand pounds in gold and silver, and a million of banknotes, or eighteen hundred thousand pounds of paper and money together. But the annual produce of the land and labor of the country had before required only one million to circulate and distribute it to its proper consumers, and that annual produce cannot be immediately augmented by those operations of banking. One million, therefore, will be sufficient to circulate it after them. The goods to be bought and sold being precisely the same as before, the same quantity of money will be sufficient for buying and selling them. The channel of circulation, if I may be allowed such an expression, will remain precisely the same as before. One million we have supposed sufficient to fill that channel. Whatever, therefore, is poured into it beyond this sum, cannot run in it, but must overflow. One million eight hundred thousand pounds are poured into it. Eight hundred thousand pounds, therefore, must overflow, that sum being over and above what can be employed in the circulation of the country. But though this sum cannot be employed at home, it is too valuable to be allowed to lie idle. It will, therefore, be sent abroad, in order to seek that profitable employment which it cannot find at home. But the paper cannot go abroad; because at a distance from the banks which issue it, and from the country in which payment of it can be exacted by law, it will not be received in common payments. Gold and silver, therefore, to the amount of eight hundred thousand pounds, will be sent abroad, and the channel of home circulation will remain filled with a million of paper, instead of a million of those metals which filled it before.

But though so great a quantity of gold and silver is thus

sent abroad, we must not imagine that it is sent abroad for nothing, or that its proprietors make a present of it to foreign nations. They will exchange it for foreign goods of some kind or another, in order to supply the consumption either of some other foreign country, or of their own.

If they employ it in purchasing goods in one foreign country in order to supply the consumption of another, or in what is called the carrying trade, whatever profit they make will be an addition to the net revenue of their own country. It is like a new fund, created for carrying on a new trade; domestic business being now transacted by paper, and the gold and silver being converted into a fund for this new trade.

If they employ it in purchasing foreign goods for home consumption, they may either, first, purchase such goods as are likely to be consumed by idle people who produce nothing, such as foreign wines, foreign silks, etc.; or, secondly, they may purchase an additional stock of materials, tools, and provisions, in order to maintain and employ an additional number of industrious people, who reproduce, with a profit, the value of their annual consumption.

So far as it is employed in the first way, it promotes prodigality, increases expense and consumption without increasing production, or establishing any permanent fund for supporting that expense, and is in every respect hurtful to the society.

So far as it is employed in the second way, it promotes industry; and though it increases the consumption of the society, it provides a permanent fund for supporting that consumption, the people who consume reproducing, with a profit, the whole value of their annual consumption. The gross revenue of the society, the annual produce of their

land and labor, is increased by the whole value which the labor of those workmen adds to the materials upon which they are employed; and their net revenue by what remains of this value, after deducting what is necessary for supporting the tools and instruments of their trade.

That the greater part of the gold and silver which, being forced abroad by those operations of banking, is employed in purchasing foreign goods for home consumption, is and must be employed in purchasing those of this second kind, seems not only probable but almost unavoidable. Though some particular men may sometimes increase their expense very considerably, though their revenue does not increase at all, we may be assured that no class or order of men ever does so; because, though the principles of common prudence do not always govern the conduct of every individual, they always influence that of the majority of every class or order. But the revenue of idle people, considered as a class or order, cannot, in the smallest degree, be increased by those operations of banking. Their expense in general, therefore, cannot be much increased by them, though that of a few individuals among them may, and in reality sometimes is. The demand of idle people, therefore, for foreign goods, being the same, or very nearly the same, as before, a very small part of the money, which being forced abroad by those operations of banking, is employed in purchasing foreign goods for home consumption, is likely to be employed in purchasing those for their use. The greater part of it will naturally be destined for the employment of industry, and not for the maintenance of idleness.

When we compute the quantity of industry which the circulating capital of any society can employ, we must

always have regard to those parts of it only which consist in provisions, materials, and finished work: the other, which consists in money, and which serves only to circulate those three, must always be deducted. In order to put industry into motion, three things are requisite; materials to work upon, tools to work with, and the wages or recompense for the sake of which the work is done. Money is neither a material to work upon, nor a tool to work with; and though the wages of the workman are commonly paid to him in money, his real revenue, like that of all other men, consists, not in the money, but in the money's worth; not in the metal pieces, but in what can be got for them.

The quantity of industry which any capital can employ, must evidently be equal to the number of workmen whom it can supply with materials, tools, and a maintenance suitable to the nature of the work. Money may be requisite for purchasing the materials and tools of the work, as well as the maintenance of the workmen. But the quantity of industry which the whole capital can employ is certainly not equal both to the money which purchases, and to the materials, tools and maintenance, which are purchased with it; but only to one or other of those two values, and to the latter more properly than to the former.

When paper is substituted in the room of gold and silver money, the quantity of the materials, tools, and maintenance, which the whole circulating capital can supply, may be increased by the whole value of gold and silver which used to be employed in purchasing them. The whole value of the great wheel of circulation and distribution is added to the goods which are circulated and distributed by means of it. The operation, in some measure, resembles that of the undertaker of some great work, who, in consequence

of some improvement in mechanics, takes down his old machinery, and adds the difference between its price and that of the new to his circulating capital, to the fund from which he furnishes materials and wages to his workmen.

What is the proportion which the circulating money of any country bears to the whole value of the annual produce circulated by means of it, it is, perhaps, impossible to determine. It has been computed by different authors at a fifth, a tenth, at a twentieth, and at a thirtieth part of that value. But how small soever the proportion which the circulating money may bear to the whole value of the annual produce, as but a part, and frequently but a small part, of that produce, is ever destined for the maintenance of industry, it must always bear a very considerable proportion to that part. When, therefore, by the substitution of paper, the gold and silver necessary for circulation is reduced to, perhaps, a fifth part of the former quantity, if the value of only the greater part of the other four fifths be added to the funds which are destined for the maintenance of industry, it must make a very considerable addition to the quantity of that industry, and, consequently, to the value of the annual produce of land and labor.

An operation of this kind has, within these five-and-twenty or thirty years, been performed in Scotland, by the erection of new banking companies in almost every considerable town, and even in some country villages. The effects of it have been precisely those above described. The business of the country is almost entirely carried on by means of the paper of those different banking companies, with which purchases and payments of all kinds are commonly made. Silver very seldom appears except in the change of a twenty shillings banknote, and

gold still seldomer. But though the conduct of all those different companies has not been unexceptionable, and has accordingly required an act of Parliament to regulate it; the country, notwithstanding, has evidently derived great benefit from their trade. I have heard it asserted that the trade of the city of Glasgow doubled in about fifteen years after the first erection of the banks there; and that the trade of Scotland has more than quadrupled since the first erection of the two public banks at Edinburgh, of which the one, called the Bank of Scotland, was established by act of Parliament in 1695; the other, called the Royal Bank, by royal charter in 1727. Whether the trade, either of Scotland in general, or of the city of Glasgow in particular, has really increased in so great a proportion, during so short a period, I do not pretend to know. If either of them has increased in this proportion, it seems to be an effect too great to be accounted for by the sole operation of this cause. That the trade and industry of Scotland, however, have increased very considerably during this period, and that the banks have contributed a good deal to this increase, cannot be doubted.

The value of the silver money which circulated in Scotland before the Union, in 1707, and which, immediately after it, was brought into the Bank of Scotland, in order to be recoined, amounted to £411,117 10*s.* 9*d.* sterling. No account has been got of the gold coin; but it appears from the ancient accounts of the mint of Scotland, that the value of the gold annually coined somewhat exceeded that of the silver.[1] There were a good many people, too, upon this occasion, who, from a diffidence of repayment, did not bring their silver into the Bank of Scotland: and there was, be-

[1] See Ruddiman's Preface to Anderson's Diplomata, etc., Scotiæ.

sides, some English coin, which was not called in. The whole value of the gold and silver, therefore, which circulated in Scotland before the Union, cannot be estimated at less than a million sterling. It seems to have constituted almost the whole circulation of that country; for though the circulation of the Bank of Scotland, which had then no rival, was considerable, it seems to have made but a very small part of the whole. In the present times the whole circulation of Scotland cannot be estimated at less than two millions, of which that part which consists in gold and silver, most probably, does not amount to half a million. But though the circulating gold and silver of Scotland have suffered so great a diminution during this period, its real riches and prosperity do not appear to have suffered any. Its agriculture, manufactures, and trade, on the contrary, the annual produce of its land and labor, have evidently been augmented.

It is chiefly by discounting bills of exchange, that is, by advancing money upon them before they are due, that the greater part of banks and bankers issue their promissory notes. They deduct always, upon whatever sum they advance, the legal interest till the bill shall become due. The payment of the bill, when it becomes due, replaces to the bank the value of what had been advanced, together with a clear profit of the interest. The banker who advances to the merchant whose bill he discounts, not gold and silver, but his own promissory notes, has the advantage of being able to discount to a greater amount by the whole value of his promissory notes, which he finds, by experience, are commonly in circulation. He is thereby enabled to make his clear gain of interest on so much a larger sum.

The commerce of Scotland, which at present is not very great, was still more inconsiderable when the first two banking companies were established; and those companies would have had but little trade, had they confined their business to the discounting of bills of exchange. They invented, therefore, another method of issuing their promissory notes; by granting, what they called cash accounts, that is, by giving credit to the extent of a certain sum (two or three thousand pounds, for example), to any individual who could procure two persons of undoubted credit and good landed estate to become surety for him, that whatever money should be advanced to him, within the sum for which the credit had been given, should be repaid upon demand, together with the legal interest. Credits of this kind are, I believe, commonly granted by banks and bankers in all different parts of the world. But the easy terms upon which the Scotch banking companies accept of repayment are, so far as I know, peculiar to them, and have, perhaps, been the principal cause, both of the great trade of those companies, and of the benefit which the country has received from it.

Whoever has a credit of this kind with one of those companies, and borrows a thousand pounds upon it, for example, may repay this sum piecemeal, by twenty and thirty pounds at a time, the company discounting a proportionable part of the interest of the great sum from the day on which each of those small sums is paid in, till the whole be in this manner repaid. All merchants, therefore, and almost all men of business, find it convenient to keep such cash accounts with them, and are thereby interested to promote the trade of those companies, by readily receiving their notes in all payments, and by encouraging

all those with whom they have any influence to do the same. The banks, when their customers apply to them for money, generally advance it to them in their own promissory notes. These the merchants pay away to the manufacturers for goods, the manufacturers to the farmers for materials and provisions, the farmers to their landlords for rent, the landlords repay them to the merchants for the conveniences and luxuries with which they supply them, and the merchants again return them to the banks in order to balance their cash accounts, or to replace what they may have borrowed of them; and thus almost the whole money business of the country is transacted by means of them. Hence the great trade of those companies.

By means of those cash accounts every merchant can, without imprudence, carry on a greater trade than he otherwise could do. If there are two merchants, one in London, and the other in Edinburgh, who employ equal stocks in the same branch of trade, the Edinburgh merchant can, without imprudence, carry on a greater trade, and give employment to a greater number of people than the London merchant. The London merchant must always keep by him a considerable sum of money, either in his own coffers, or in those of his banker, who gives him no interest for it, in order to answer the demands continually coming upon him for payment of the goods which he purchases upon credit. Let the ordinary amount of this sum be supposed five hundred pounds. The value of the goods in his warehouse must always be less by five hundred pounds than it would have been, had he not been obliged to keep such a sum unemployed. Let us suppose that he generally disposes of his whole stock upon hand, or of goods to the value of his whole stock upon hand, once in the year. By

being obliged to keep so great a sum unemployed, he must sell in a year five hundred pounds' worth less goods than he might otherwise have done. His annual profits must be less by all that he could have made by the sale of five hundred pounds' worth more goods; and the number of people employed in preparing his goods for market must be less by all those that five hundred pounds more stock could have employed. The merchant in Edinburgh, on the other hand, keeps no money unemployed for answering such occasional demands. When they actually come upon him, he satisfies them from his cash account with the bank, and gradually replaces the sum borrowed with the money or paper which comes in from the occasional sales of his goods. With the same stock, therefore, he can, without imprudence, have at all times in his warehouse a larger quantity of goods than the London merchant; and can thereby both make a greater profit himself, and give constant employment to a greater number of industrious people who prepare those goods for the market. Hence the great benefit which the country has derived from this trade.

The facility of discounting bills of exchange, it may be thought, indeed, gives the English merchants a convenience equivalent to the cash accounts of the Scotch merchants. But the Scotch merchants, it must be remembered, can discount their bills of exchange as easily as the English merchants; and have, besides, the additional convenience of their cash accounts.

The whole paper money of every kind which can easily circulate in any country never can exceed the value of the gold and silver, of which it supplies the place, or which (the commerce being supposed the same) would circulate there, if there was no paper money. If twenty-shilling notes, for

example, are the lowest paper money current in Scotland, the whole of that currency which can easily circulate there cannot exceed the sum of gold and silver which would be necessary for transacting the annual exchanges of twenty shillings' value and upward usually transacted within that country. Should the circulating paper at any time exceed that sum, as the excess could neither be sent abroad nor be employed in the circulation of the country, it must immediately return upon the banks to be exchanged for gold and silver. Many people would immediately perceive that they had more of this paper than was necessary for transacting their business at home, and as they could not send it abroad they would immediately demand payment of it, from the banks. When this superfluous paper was converted into gold and silver, they could easily find a use for it by sending it abroad; but they could find none while it remained in the shape of paper. There would immediately, therefore, be a run upon the banks to the whole extent of this superfluous paper, and, if they showed any difficulty or backwardness in payment, to a much greater extent; the alarm, which this would occasion, necessarily increasing the run.

Over and above the expenses which are common to every branch of trade; such as the expense of house-rent, the wages of servants, clerks, accountants, etc.; the expenses peculiar to a bank consist chiefly in two articles: First, in the expense of keeping at all times in its coffers, for answering the occasional demands of the holders of its notes, a large sum of money, of which it loses the interest; and, secondly, in the expense of replenishing those coffers as fast as they are emptied by answering such occasional demands.

A banking company, which issues more paper than can be employed in the circulation of the country, and of which the excess is continually returning upon them for payment, ought to increase the quantity of gold and silver, which they keep at all times in their coffers, not only in proportion to this excessive increase of their circulation, but in a much greater proportion; their notes returning upon them much faster than in proportion to the excess of their quantity. Such a company, therefore, ought to increase the first article of their expense, not only in proportion to this forced increase of their business, but in a much greater proportion.

The coffers of such a company, too, though they ought to be filled much fuller, yet must empty themselves much faster than if their business was confined within more reasonable bounds, and must require, not only a more violent, but a more constant and uninterrupted exertion of expense in order to replenish them. The coin, too, which is thus continually drawn in such large quantities from their coffers, cannot be employed in the circulation of the country. It comes in place of a paper which is over and above what can be employed in that circulation, and is, therefore, over and above what can be employed in it too. But as that coin will not be allowed to lie idle, it must, in one shape or another, be sent abroad, in order to find that profitable employment which it cannot find at home; and this continual exportation of gold and silver, by enhancing the difficulty, must necessarily enhance still further the expense of the bank, in finding new gold and silver in order to replenish those coffers, which empty themselves so very rapidly. Such a company, therefore, must, in proportion to this forced increase of their business, increase the second article of their expense still more than the first.

Let us suppose that all the paper of a particular bank, which the circulation of the country can easily absorb and employ, amounts exactly to forty thousand pounds; and that for answering occasional demands, this bank is obliged to keep at all times in its coffers ten thousand pounds in gold and silver. Should this bank attempt to circulate forty-four thousand pounds, the four thousand pounds which are over and above what the circulation can easily absorb and employ, will return upon it almost as fast as they are issued. For answering occasional demands, therefore, this bank ought to keep at all times in its coffers, not eleven thousand pounds only, but fourteen thousand pounds. It will thus gain nothing by the interest of the four thousand pounds excessive circulation; and it will lose the whole expense of continually collecting four thousand pounds in gold and silver, which will be continually going out of its coffers as fast as they are brought into them.

Had every particular banking company always understood and attended to its own particular interest, the circulation never could have been overstocked with paper money. But every particular banking company has not always understood or attended to its own particular interest, and the circulation has frequently been overstocked with paper money.

By issuing too great a quantity of paper, of which the excess was continually returning, in order to be exchanged for gold and silver, the Bank of England was for many years together obliged to coin gold to the extent of between eight hundred thousand pounds and a million a year; or, at an average, about eight hundred and fifty thousand pounds. For this great coinage the bank (in consequence of the worn and degraded state into which

the gold coin had fallen a few years ago) was frequently obliged to purchase gold bullion at the high price of four pounds an ounce, which it soon after issued in coin at £3 17*s.* 10½*d.* an ounce, losing in this manner between two and a half and three per cent upon the coinage of so very large a sum. Though the bank, therefore, paid no seigniorage, though the government was properly at the expense of the coinage, this liberality of government did not prevent altogether the expense of the bank.

The Scotch banks, in consequence of an excess of the same kind, were all obliged to employ constantly agents at London to collect money for them, at an expense which was seldom below one and a half or two per cent. This money was sent down by the wagon, and insured by the carriers at an additional expense of three-quarters per cent, or fifteen shillings on the hundred pounds. Those agents were not always able to replenish the coffers of their employers so fast as they were emptied. In this case the resource of the banks was, to draw upon their correspondents in London bills of exchange to the extent of the sum which they wanted. When those correspondents afterward drew upon them for the payment of this sum, together with the interest and a commission, some of those banks, from the distress into which their excessive circulation had thrown them, had sometimes no other means of satisfying this draft but by drawing a second set of bills either upon the same, or upon some other correspondents in London; and the same sum, or rather bills for the same sum, would in this manner make sometimes more than two or three journeys; the debtor bank paying always the interest and commission upon the whole accumulated sum. Even those Scotch banks which never distinguished themselves by their ex-

treme imprudence were sometimes obliged to employ this ruinous resource.

The gold coin which was paid out either by the Bank of England, or by the Scotch banks, in exchange for that part of their paper which was over and above what could be employed in the circulation of the country, being likewise over and above what could be employed in that circulation, was sometimes sent abroad in the shape of coin, sometimes melted down and sent abroad in the shape of bullion, and sometimes melted down and sold to the Bank of England at the high price of four pounds an ounce. It was the newest, the heaviest, and the best pieces only which were carefully picked out of the whole coin, and either sent abroad or melted down. At home, and while they remained in the shape of coin, those heavy pieces were of no more value than the light; but they were of more value abroad, or, when melted down into bullion, at home. The Bank of England, notwithstanding their great annual coinage, found, to their astonishment, that there was every year the same scarcity of coin as there had been the year before; and that notwithstanding the great quantity of good and new coin which was every year issued from the bank, the state of the coin, instead of growing better and better, became every year worse and worse. Every year they found themselves under the necessity of coining nearly the same quantity of gold as they had coined the year before, and from the continual rise in the price of gold bullion, in consequence of the continual wearing and clipping of the coin, the expense of this great annual coinage became every year greater and greater. The Bank of England, it is to be observed, by supplying its own coffers with coin, is indirectly obliged to supply the whole kingdom, into which

coin is continually flowing from those coffers in a great variety of ways. Whatever coin, therefore, was wanted to support this excessive circulation both of Scotch and English paper money, whatever vacuities this excessive circulation occasioned in the necessary coin of the kingdom, the Bank of England was obliged to supply them. The Scotch banks, no doubt, paid all of them very dearly for their own imprudence and inattention. But the Bank of England paid very dearly, not only for its own imprudence, but for the much greater imprudence of almost all the Scotch banks.

The overtrading of some bold projectors in both parts of the United Kingdom was the original cause of this excessive circulation of paper money.

What a bank can with propriety advance to a merchant or undertaker of any kind is not either the whole capital with which he trades, or even any considerable part of that capital; but that part of it only which he would otherwise be obliged to keep by him unemployed, and in ready money for answering occasional demands. If the paper money which the bank advances never exceeds this value, it can never exceed the value of the gold and silver, which would necessarily circulate in the country if there was no paper money; it can never exceed the quantity which the circulation of the country can easily absorb and employ.

When a bank discounts to a merchant a real bill of exchange drawn by a real creditor upon a real debtor, and which, as soon as it becomes due, is really paid by that debtor; it only advances to him a part of the value which he would otherwise be obliged to keep by him unemployed and in ready money for answering occasional demands. The payment of the bill, when it becomes due, replaces to the bank the value of what it had advanced, together with

the interest. The coffers of the bank, so far as its dealings are confined to such customers, resemble a water pond, from which, though a stream is continually running out, yet another is continually running in, fully equal to that which runs out; so that, without any further care or attention, the pond keeps always equally, or very near equally full. Little or no expense can ever be necessary for replenishing the coffers of such a bank.

A merchant, without overtrading, may frequently have occasion for a sum of ready money, even when he has no bills to discount. When a bank, besides discounting his bills, advances him likewise upon such occasions, such sums upon his cash account, and accepts of a piecemeal repayment as the money comes in from the occasional sale of his goods, upon the easy terms of the banking companies of Scotland; it dispenses him entirely from the necessity of keeping any part of his stock by him unemployed and in ready money for answering occasional demands. When such demands actually come upon him, he can answer them sufficiently from his cash account. The bank, however, in dealing with such customers, ought to observe with great attention, whether in the course of some short period (of four, five, six, or eight months, for example) the sum of the repayments which it commonly receives from them, is, or is not, fully equal to that of the advances which it commonly makes to them. If, within the course of such short periods, the sum of the repayments from certain customers is, upon most occasions, fully equal to that of the advances, it may safely continue to deal with such customers. Though the stream which is in this case continually running out from its coffers may be very large, that which is continually running into them must be at

least equally large; so that without any further care or attention those coffers are likely to be always equally or very near equally full; and scarce ever to require any extraordinary expense to replenish them. If, on the contrary, the sum of the repayments from certain other customers falls commonly very much short of the advances which it makes to them, it cannot with any safety continue to deal with such customers, at least if they continue to deal with it in this manner. The stream which is in this case continually running out from its coffers is necessarily much larger than that which is continually running in; so, that unless they are replenished by some great and continual effort of expense, those coffers must soon be exhausted altogether.

The banking companies of Scotland, accordingly, were for a long time very careful to require frequent and regular repayments from all their customers, and did not care to deal with any person, whatever might be his fortune or credit, who did not make, what they called, frequent and regular operations with them. By this attention, besides saving almost entirely the extraordinary expense of replenishing their coffers, they gained two other very considerable advantages.

First, by this attention they were enabled to make some tolerable judgment concerning the thriving or declining circumstances of their debtors, without being obliged to look out for any other evidence besides what their own books afforded them; men being for the most part either regular or irregular in their repayments, according as their circumstances are either thriving or declining. A private man who lends out his money to perhaps half a dozen or a dozen of debtors, may, either by himself or his agents,

observe and inquire both constantly and carefully into the conduct and situation of each of them. But a banking company, which lends money to perhaps five hundred different people, and of which the attention is continually occupied by objects of a very different kind, can have no regular information concerning the conduct and circumstances of the greater part of its debtors beyond what its own books afford it. In requiring frequent and regular repayments from all their customers, the banking companies of Scotland had probably this advantage in view.

Secondly, by this attention they secured themselves from the possibility of issuing more paper money than what the circulation of the country could easily absorb and employ. When they observed, that within moderate periods of time the repayments of a particular customer were upon most occasions fully equal to the advances which they had made to him, they might be assured that the paper money which they had advanced to him, had not at any time exceeded the quantity of gold and silver which he would otherwise have been obliged to keep by him for answering occasional demands; and that, consequently, the paper money, which they had circulated by his means, had not at any time exceeded the quantity of gold and silver which would have circulated in the country, had there been no paper money. The frequency, regularity, and amount of his repayments would sufficiently demonstrate that the amount of their advances had at no time exceeded that part of his capital which he would otherwise have been obliged to keep by him unemployed and in ready money for answering occasional demands; that is, for the purpose of keeping the rest of his capital in constant employment. It is this part of his capital only which, within moderate

periods of time, is continually returning to every dealer in the shape of money, whether paper or coin, and continually going from him in the same shape. If the advances of the bank had commonly exceeded this part of his capital, the ordinary amount of his repayments could not, within moderate periods of time, have equalled the ordinary amount of its advances. The stream which, by means of his dealings, was continually running into the coffers of the bank, could not have been equal to the stream which, by means of the same dealings, was continually running out. The advances of the bank paper, by exceeding the quantity of gold and silver which, had there been no such advances, he would have been obliged to keep by him for answering occasional demands, might soon come to exceed the whole quantity of gold and silver which (the commerce being supposed the same) would have circulated in the country, had there been no paper money; and consequently to exceed the quantity which the circulation of the country could easily absorb and employ; and the excess of this paper money would immediately have returned upon the bank in order to be exchanged for gold and silver. This second advantage, though equally real, was not perhaps so well understood by all the different banking companies of Scotland as the first.

When, partly by the convenience of discounting bills, and partly by that of cash accounts, the creditable traders of any country can be dispensed from the necessity of keeping any part of their stock by them unemployed and in ready money for answering occasional demands, they can reasonably expect no further assistance from banks and bankers, who, when they have gone thus far, cannot, consistently with their own interest and safety, go further.

A bank cannot, consistently with its own interest, advance to a trader the whole or even the greater part of the circulating capital with which he trades; because, though that capital is continually returning to him in the shape of money, and going from him in the same shape, yet the whole of the returns is too distant from the whole of the outgoings, and the sum of his repayments could not equal the sum of its advances within such moderate periods of time as suit the convenience of a bank. Still less could a bank afford to advance him any considerable part of his fixed capital; of the capital which the undertaker of an iron forge, for example, employs in erecting his forge and smelting-house, his workhouses, and warehouses, the dwelling-houses of his workmen, etc.; of the capital which the undertaker of a mine employs in sinking his shafts, in erecting engines for drawing out the water, in making roads and wagon-ways, etc.; of the capital which the person who undertakes to improve land employs in clearing, draining, inclosing, manuring and plowing waste and uncultivated fields, in building farmhouses, with all their necessary appendages of stables, granaries, etc. The returns of the fixed capital are in almost all cases much slower than those of the circulating capital; and such expenses, even when laid out with the greatest prudence and judgment, very seldom return to the undertaker till after a period of many years, a period by far too distant to suit the convenience of a bank. Traders and other undertakers may, no doubt, with great propriety, carry on a very considerable part of their projects with borrowed money. In justice to their creditors, however, their own capital ought, in this case, to be sufficient to insure, if I may say so, the capital of those creditors; or to render it extremely improbable that those

creditors should incur any loss, even though the success of the project should fall very much short of the expectation of the projectors. Even with this precaution, too, the money which is borrowed, and which it is meant should not be repaid till after a period of several years, ought not to be borrowed of a bank, but ought to be borrowed upon bond or mortgage, of such private people as propose to live upon the interest of their money, without taking the trouble themselves to employ the capital; and who are upon that account willing to lend that capital to such people of good credit as are likely to keep it for several years. A bank, indeed, which lends its money without the expense of stamped paper, or of attorneys' fees for drawing bonds and mortgages, and which accepts of repayment upon the easy terms of the banking companies of Scotland; would, no doubt, be a very convenient creditor to such traders and undertakers. But such traders and undertakers would, surely, be most inconvenient debtors to such a bank.

It is now more than five-and-twenty years since the paper money issued by the different banking companies of Scotland was fully equal, or rather was somewhat more than fully equal, to what the circulation of the country could easily absorb and employ. Those companies, therefore, had so long ago given all the assistance to the traders and other undertakers of Scotland which it is possible for banks and bankers, consistently with their own interest, to give. They had even done somewhat more. They had overtraded a little, and had brought upon themselves that loss, or at least that diminution of profit, which in this particular business never fails to attend the smallest degree of overtrading. Those traders and other undertakers, having got so much assistance from banks and bankers, wished

to get still more. The banks, they seem to have thought, could extend their credits to whatever sum might be wanted, without incurring any other expense besides that of a few reams of paper. They complained of the contracted views and dastardly spirit of the directors of those banks, which did not, they said, extend their credits in proportion to the extension of the trade of the country; meaning, no doubt, by the extension of that trade the extension of their own projects beyond what they could carry on, either with their own capital, or with what they had credit to borrow of private people in the usual way of bond or mortgage. The banks, they seem to have thought, were in honor bound to supply the deficiency, and to provide them with all the capital which they wanted to trade with. The banks, however, were of a different opinion, and upon their refusing to extend their credits, some of those traders had recourse to an expedient which for a time served their purpose, though at a much greater expense, yet as effectually as the utmost extension of bank credits could have done. This expedient was no other than the well-known shift of drawing and redrawing; the shift to which unfortunate traders have sometimes recourse when they are upon the brink of bankruptcy. The practice of raising money in this manner had been long known in England, and during the course of the late war, when the high profits of trade afforded a great temptation to overtrading, is said to have been carried on to a very great extent. From England it was brought into Scotland, where, in proportion to the very limited commerce, and to the very moderate capital of the country, it was soon carried on to a much greater extent than it had ever been in England.

The practice of drawing and redrawing is so well known

to all men of business, that it may perhaps be thought unnecessary to give an account of it. But as this book may come into the hands of many people who are not men of business, and as the effects of this practice upon the banking trade are not perhaps generally understood even by men of business themselves, I shall endeavor to explain it as distinctly as I can.

The customs of merchants, which were established when the barbarous laws of Europe did not enforce the performance of their contracts, and which, during the course of the last two centuries, have been adopted into the laws of all European nations, have given such extraordinary privileges to bills of exchange, that money is more readily advanced upon them, than upon any other species of obligation; especially when they are made payable within so short a period as two or three months after their date. If, when the bill becomes due, the acceptor does not pay it as soon as it is presented, he becomes from that moment a bankrupt. The bill is protested, and returns upon the drawer, who, if he does not immediately pay it, becomes likewise a bankrupt. If, before it came to the person who presents it to the acceptor for payment, it had passed through the hands of several other persons, who had successively advanced to one another the contents of it either in money or goods, and who to express that each of them had in his turn received those contents, had all of them in their order indorsed, that is, written their names upon the back of the bill; each indorser becomes in his turn liable to the owner of the bill for those contents, and, if he fails to pay, he becomes, too, from that moment a bankrupt. Though the drawer, acceptor, and indorsers of the bill should, all of them, be persons of doubtful credit; yet still the shortness

of the date gives some security to the owner of the bill. Though all of them may be very likely to become bankrupts, it is a chance if they all become so in so short a time. The house is crazy, says a weary traveller to himself, and will not stand very long; but it is a chance if it falls to-night, and I will venture, therefore, to sleep in it to-night.

The trader A in Edinburgh, we shall suppose, draws a bill upon B in London, payable two months after date. In reality B in London owes nothing to A in Edinburgh; but he agrees to accept of A's bill, upon condition that before the term of payment he shall redraw upon A in Edinburgh for the same sum, together with the interest and a commission, another bill, payable likewise two months after date. B accordingly, before the expiration of the first two months, redraws this bill upon A in Edinburgh; who again, before the expiration of the second two months, draws a second bill upon B in London, payable likewise two months after date; and before the expiration of the third two months, B in London redraws upon A in Edinburgh another bill, payable also two months after date. This practice has sometimes gone on, not only for several months, but for several years together, the bill always returning upon A in Edinburgh, with the accumulated interest and commission of all the former bills. The interest was five per cent in the year, and the commission was never less than one-half per cent on each draft. This commission being repeated more than six times in the year, whatever money A might raise by this expedient must necessarily have cost him something more than eight per cent in the year, and sometimes a great deal more; when either the price of the commission happened to rise, or when he was

obliged to pay compound interest upon the interest and commission of former bills. This practice was called raising money by circulation.

In a country where the ordinary profits of stock in the greater part of mercantile projects are supposed to run between six and ten per cent it must have been a very fortunate speculation of which the returns could not only repay the enormous expense at which the money was thus borrowed for carrying it on; but afford, besides, a good surplus profit to the projector. Many vast and extensive projects, however, were undertaken, and for several years carried on without any other fund to support them besides what was raised at this enormous expense. The projectors, no doubt, had in their golden dreams the most distinct vision of this great profit. Upon their awaking, however, either at the end of their projects, or when they were no longer able to carry them on, they very seldom, I believe, had the good fortune to find it.[1]

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[1] The method described in the text was by no means either the most common or the most expensive one in which those adventurers sometimes raised money by circulation. It frequently happened that A in Edinburgh would enable B in London to pay the first bill of exchange by drawing, a few days before it became due, a second bill at three months' date upon the same B in London. This bill, being payable to his own order, A sold in Edinburgh at par; and with its contents purchased bills upon London payable at sight to the order of B, to whom he sent them by the post. Toward the end of the late war, the exchange between Edinburgh and London was frequently three per cent against Edinburgh, and those bills at sight must frequently have cost A that premium. This transaction therefore being repeated at least four times in the year, and being loaded with a commission of at least one-half per cent upon each repetition, must at that period have cost A at least fourteen per cent in the year. At other times A would enable B to discharge the first bill of exchange by drawing, a few days before it became due, a second bill at two months' date; not upon B, but upon some third person, C, for example, in London. This other bill was made payable to the order of B, who, upon its being accepted by C, discounted it with some banker in London; and A enabled C to discharge it by drawing, a few days before it became due, a third bill, likewise at two months' date, sometimes upon his first correspondent B, and sometimes upon some fourth or fifth person, D or E, for example. This third bill was made payable to the order of C; who, as soon as it was accepted, discounted it in the same manner with some banker in London. Such operations being repeated at least six times in

The bills which A in Edinburgh drew upon B in London, he regularly discounted two months before they were due with some bank or banker in Edinburgh; and the bills which B in London redrew upon A in Edinburgh, he as regularly discounted either with the Bank of England, or with some other bankers in London. Whatever was advanced upon such circulating bills, was, in Edinburgh, advanced in the paper of the Scotch banks, and in London, when they were discounted at the Bank of England, in the paper of that bank. Though the bills upon which this paper had been advanced were all of them repaid in their turn as soon as they became due; yet the value which had been really advanced upon the first bill was never really returned to the banks which advanced it; because, before each bill became due, another bill was always drawn to somewhat a greater amount than the bill which was soon to be paid; and the discounting of this other bill was essentially necessary toward the payment of that which was soon to be due. This payment, therefore, was altogether fictitious. The stream, which, by means of those circulating bills of exchange, had once been made to run out from the coffers of the banks, was never replaced by any stream which really ran into them.

The paper which was issued upon those circulating bills of exchange amounted, upon many occasions, to the whole fund destined for carrying on some vast and extensive proj-

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the year, and being loaded with a commission of at least one-half per cent upon each repetition, together with the legal interest of five per cent, this method of raising money, in the same manner as that described in the text, must have cost A something more than eight per cent. By saving, however, the exchange between Edinburgh and London, it was less expensive than that mentioned in the foregoing part of this note; but then it required an established credit with more houses than one in London, an advantage which many of these adventurers could not always find it easy to procure.

ect of agriculture, commerce, or manufactures; and not merely to that part of it which, had there been no paper money, the projector would have been obliged to keep by him, unemployed and in ready money for answering occasional demands. The greater part of this paper was, consequently, over and above the value of the gold and silver which would have circulated in the country, had there been no paper money. It was over and above, therefore, what the circulation of the country could easily absorb and employ, and upon that account immediately returned upon the banks in order to be exchanged for gold and silver, which they were to find as they could. It was a capital which those projectors had very artfully contrived to draw from those banks, not only without their knowledge or deliberate consent, but for some time, perhaps, without their having the most distant suspicion that they had really advanced it.

When two people, who are continually drawing and redrawing upon one another, discount their bills always with the same banker, he must immediately discover what they are about, and see clearly that they are trading, not with any capital of their own, but with the capital which he advances to them. But this discovery is not altogether so easy when they discount their bills sometimes with one banker, and sometimes with another, and when the same two persons do not constantly draw and redraw upon one another but occasionally run the round of a great circle of projectors, who find it for their interest to assist one another in this method of raising money, and to render it, upon that account, as difficult as possible to distinguish between a real and fictitious bill of exchange; between a bill drawn by a real creditor upon a real debtor, and a bill

for which there was properly no real creditor but the bank which discounted it; nor any real debtor but the projector who made use of the money. When a banker had even made this discovery, he might sometimes make it too late, and might find that he had already discounted the bills of those projectors to so great an extent, that, by refusing to discount any more, he would necessarily make them all bankrupts, and thus, by ruining them, might perhaps ruin himself. For his own interest and safety, therefore, he might find it necessary, in this very perilous situation, to go on for some time, endeavoring, however, to withdraw gradually, and upon that account making every day greater and greater difficulties about discounting, in order to force those projectors by degrees to have recourse, either to other bankers, or to other methods of raising money; so as that he himself might, as soon as possible, get out of the circle. The difficulties, accordingly, which the Bank of England, which the principal bankers in London, and which even the more prudent Scotch banks began, after a certain time, and when all of them had already gone too far, to make about discounting, not only alarmed, but enraged in the highest degree those projectors. Their own distress, of which this prudent and necessary reserve of the banks was, no doubt, the immediate occasion, they called the distress of the country; and this distress of the country, they said, was altogether owing to the ignorance, pusillanimity, and bad conduct of the banks, which did not give a sufficiently liberal aid to the spirited undertakings of those who exerted themselves in order to beautify, improve, and enrich the country. It was the duty of the banks, they seemed to think, to lend for as long a time, and to as great an extent as they might wish to borrow. The banks, how-

ever, by refusing in this manner to give more credit to those to whom they had already given a great deal too much, took the only method by which it was now possible to save either their own credit or the public credit of the country.

In the midst of this clamor and distress, a new bank was established in Scotland for the express purpose of relieving the distress of the country. The design was generous; but the execution was imprudent, and the nature and causes of the distress which it meant to relieve, were not, perhaps, well understood. This bank was more liberal than any other had ever been, both in granting cash accounts, and in discounting bills of exchange. With regard to the latter, it seems to have made scarce any distinction between real and circulating bills, but to have discounted all equally. It was the avowed principle of this bank to advance, upon any reasonable security, the whole capital which was to be employed in those improvements of which the returns are the most slow and distant, such as the improvements of land. To promote such improvements was even said to be the chief of the public-spirited purposes for which it was instituted. By its liberality in granting cash accounts, and in discounting bills of exchange, it, no doubt, issued great quantities of its banknotes. But those banknotes being, the greater part of them, over and above what the circulation of the country could easily absorb and employ, returned upon it, in order to be exchanged for gold and silver, as fast as they were issued. Its coffers were never well filled. The capital which had been subscribed to this bank at two different subscriptions, amounted to one hundred and sixty thousand pounds, of which eighty per cent only was paid up. This sum ought to have been paid in

at several different instalments. A great part of the proprietors, when they paid in their first instalment, opened a cash account with the bank; and the directors, thinking themselves obliged to treat their own proprietors with the same liberality with which they treated all other men, allowed many of them to borrow upon this cash account what they paid in upon all their subsequent instalments. Such payments, therefore, only put into one coffer, what had the moment before been taken out of another. But had the coffers of this bank been filled ever so well, its excessive circulation must have emptied them faster than they could have been replenished by any other expedient but the ruinous one of drawing upon London, and when the bill became due, paying it, together with interest and commission, by another draft upon the same place. Its coffers having been filled so very ill, it is said to have been driven to this resource within a very few months after it began to do business. The estates of the proprietors of this bank were worth several millions, and by their subscription to the original bond or contract of the bank, were really pledged for answering all its engagements. By means of the great credit which so great a pledge necessarily gave it, it was, notwithstanding its too liberal conduct, enabled to carry on business for more than two years. When it was obliged to stop, it had in the circulation about two hundred thousand pounds in banknotes. In order to support the circulation of those notes, which were continually returning upon it as fast as they were issued, it had been constantly in the practice of drawing bills of exchange upon London, of which the number and value were continually increasing, and, when it stopped, amounted to upward of six hundred thousand pounds. This bank, therefore, had, in little more

than the course of two years, advanced to different people upward of eight hundred thousand pounds at five per cent. Upon the two hundred thousand pounds which it circulated in banknotes, this five per cent might, perhaps, be considered as clear gain, without any other deduction besides the expense of management. But upon upward of six hundred thousand pounds, for which it was continually drawing bills of exchange upon London, it was paying, in the way of interest and commission, upward of eight per cent and was consequently losing more than three per cent upon more than three-fourths of all its dealings.

The operations of this bank seem to have produced effects quite opposite to those which were intended by the particular persons who planned and directed it. They seem to have intended to support the spirited undertakings, for as such they considered them, which were at that time carrying on in different parts of the country; and at the same time, by drawing the whole banking business to themselves, to supplant all the other Scotch banks; particularly those established at Edinburgh, whose backwardness in discounting bills of exchange had given some offence. This bank, no doubt, gave some temporary relief to those projectors and enabled them to carry on their projects for about two years longer than they could otherwise have done. But it thereby only enabled them to get so much deeper into debt, so that when ruin came, it fell so much the heavier upon them and upon their creditors. The operations of this bank, therefore, instead of relieving, in reality aggravated in the long run the distress which those projectors had brought upon themselves and upon their country. It would have been much better for themselves, their creditors and their country, had the greater

part of them been obliged to stop two years sooner than they actually did. The temporary relief, however, which this bank afforded to those projectors, proved a real and permanent relief to the other Scotch banks. All the dealers in circulating bills of exchange, which those other banks had become so backward in discounting, had recourse to this new bank, where they were received with open arms. Those other banks, therefore, were enabled to get very easily out of that fatal circle, from which they otherwise could not have disengaged themselves without incurring a considerable loss, and perhaps, too, even some degree of discredit.

In the long run, therefore, the operations of this bank increased the real distress of the country which it meant to relieve; and effectually relieved from a very great distress those rivals whom it meant to supplant.

At the first setting out of this bank, it was the opinion of some people, that how fast soever its coffers might be emptied, it might easily replenish them by raising money upon the securities of those to whom it had advanced its paper. Experience, I believe, soon convinced them that this method of raising money was by much too slow to answer their purpose; and that coffers which originally were so ill filled, and which emptied themselves so very fast, could be replenished by no other expedient but the ruinous one of drawing bills upon London, and when they became due, paying them by other drafts upon the same place with accumulated interest and commission. But though they had been able by this method to raise money as fast as they wanted it; yet, instead of making a profit, they must have suffered a loss by every such operation; so that in the long run they must have ruined them-

selves as a mercantile company, though, perhaps, not so soon as by the more expensive practice of drawing and redrawing. They could still have made nothing by the interest of the paper, which, being over and above what the circulation of the country could absorb and employ, returned upon them, in order to be exchanged for gold and silver, as fast as they issued it; and for the payment of which they were themselves continually obliged to borrow money. On the contrary, the whole expense of this borrowing, of employing agents to look out for people who had money to lend, of negotiating with those people, and of drawing the proper bond or assignment, must have fallen upon them, and have been so much clear loss upon the balance of their accounts. The project of replenishing their coffers in this manner may be compared to that of a man who had a water-pond from which a stream was continually running out, and into which no stream was continually running, but who proposed to keep it always equally full by employing a number of people to go continually with buckets to a well at some miles distance in order to bring water to replenish it.

But though this operation had proved, not only practicable, but profitable to the bank as a mercantile company; yet the country could have derived no benefit from it; but, on the contrary, must have suffered a very considerable loss by it. This operation could not augment in the smallest degree the quantity of money to be lent. It could only have erected this bank into a sort of general loan office for the whole country. Those who wanted to borrow, must have applied to this bank, instead of applying to the private persons who had lent it their money. But a bank which lends money, perhaps, to five hundred different

people, the greater part of whom its directors can know very little about, is not likely to be more judicious in the choice of its debtors, than a private person who lends out his money among a few people whom he knows, and in whose sober and frugal conduct he thinks he has good reason to confide. The debtors of such a bank, as that whose conduct I have been giving some account of, were likely, the greater part of them, to be chimerical projectors, the drawers and redrawers of circulating bills of exchange, who would employ the money in extravagant undertakings, which, with all the assistance that could be given them, they would probably never be able to complete, and which, if they should be completed, would never repay the expense which they had really cost, would never afford a fund capable of maintaining a quantity of labor equal to that which had been employed about them. The sober and frugal debtors of private persons, on the contrary, would be more likely to employ the money borrowed in sober undertakings which were proportioned to their capitals, and which, though they might have less of the grand and the marvellous, would have more of the solid and the profitable, which would repay with a large profit whatever had been laid out upon them, and which would thus afford a fund capable of maintaining a much greater quantity of labor than that which had been employed about them. The success of this operation, therefore, without increasing in the smallest degree the capital of the country, would only have transferred a great part of it from prudent and profitable, to imprudent and unprofitable undertakings.

That the industry of Scotland languished for want of money to employ it was the opinion of the famous Mr. Law. By establishing a bank of a particular kind, which

he seems to have imagined might issue paper to the amount of the whole value of all the lands in the country, he proposed to remedy this want of money. The parliament of Scotland, when he first proposed his project, did not think proper to adopt it. It was afterward adopted, with some variations, by the Duke of Orleans, at that time regent of France. The idea of the possibility of multiplying paper money to almost any extent was the real foundation of what is called the Mississippi Scheme, the most extravagant project both of banking and stock-jobbing that, perhaps, the world ever saw. The different operations of this scheme are explained so fully, so clearly, and with so much order and distinctness, by Mr. Du Verney, in his "Examination of the Political Reflections upon Commerce and Finances of Mr. Du Tot," that I shall not give any account of them. The principles upon which it was founded are explained by Mr. Law himself, in a discourse concerning money and trade, which he published in Scotland when he first proposed his project. The splendid, but visionary ideas which are set forth in that and some other works upon the same principles, still continue to make an impression upon many people, and have, perhaps, in part, contributed to that excess of banking, which has of late been complained of both in Scotland and in other places.

The Bank of England is the greatest bank of circulation in Europe. It was incorporated, in pursuance of an act of Parliament, by a charter under the great seal, dated the 27th of July, 1694. It at that time advanced to government the sum of one million two hundred thousand pounds, for an annuity of one hundred thousand pounds: or for £96,000 a year interest, at the rate of eight per cent, and £4,000 a year for the expense of management. The credit of the

new government, established by the Revolution, we may believe, must have been very low, when it was obliged to borrow at so high an interest.

In 1697, the bank was allowed to enlarge its capital stock by an ingraftment of £1,001,171 10*s*. Its whole capital stock, therefore, amounted at this time to £2,201,171 10*s*. This ingraftment is said to have been for the support of public credit. In 1696, tallies had been at forty, and fifty, and sixty per cent discount, and banknotes at twenty per cent.[1] During the great recoinage of the silver, which was going on at this time, the bank had thought proper to discontinue the payment of its notes, which necessarily occasioned their discredit.

In pursuance of the 7th Anne, c. 7, the bank advanced and paid into the exchequer the sum of £400,000; making in all the sum of £1,600,000 which it had advanced upon its original annuity of £96,000 interest and £4,000 for expense of management. In 1708, therefore, the credit of government was as good as that of private persons, since it could borrow at six per cent interest, the common legal and market rate of those times. In pursuance of the same act, the bank cancelled exchequer bills to the amount of £1,775,027 17*s*. 10½*d*. at six per cent interest, and was at the same time allowed to take in subscriptions for doubling its capital. In 1708, therefore, the capital of the bank amounted to £4,402,343; and it had advanced to government the sum of £3,375,027 17*s*. 10½*d*.

By a call of fifteen per cent in 1709 there was paid in and made stock £656,204 1*s*. 9*d*.; and by another of ten per cent in 1710, £501,448 12*s*. 11*d*. In consequence of

[1] James Postlethwaite's History of the Public Revenue, p. 301.

those two calls, therefore, the bank capital amounted to £5,559,995 14*s.* 8*d.*

In pursuance of the 3d George I. c. 8, the bank delivered up two millions of exchequer bills to be cancelled. It had at this time, therefore, advanced to government £5,375,027 17*s.* 10*d.* In pursuance of the 8th George I. c. 21, the bank purchased of the South Sea Company stock to the amount of £4,000,000; and in 1722, in consequence of the subscriptions which it had taken in for enabling it to make this purchase, its capital stock was increased by £3,400,000. At this time, therefore, the bank had advanced to the public £9,375,027 17*s.* 10½*d.*; and its capital stock amounted only to £8,959,995 14*s.* 8*d.* It was upon this occasion that the sum which the bank had advanced to the public, and for which it received interest, began first to exceed its capital stock, or the sum for which it paid a dividend to the proprietors of bank stock; or, in other words, that the bank began to have an undivided capital over and above its divided one. It has continued to have an undivided capital of the same kind ever since. In 1746, the bank had, upon different occasions, advanced to the public £11,686,800 and its divided capital had been raised by different calls and subscriptions to £10,780,000. The state of those two sums has continued to be the same ever since. In pursuance of the 4th of George III. c. 25, the bank agreed to pay to government for the renewal of its charter £110,000 without interest or repayment. This sum, therefore, did not increase either of those two other sums.

The dividend of the bank has varied according to the variations in the rate of the interest which it has, at different times, received for the money it had advanced to the public, as well as according to other circumstances. This

rate of interest has gradually been reduced from eight to three per cent. For some years past the bank dividend has been at five and a half per cent.

The stability of the Bank of England is equal to that of the British Government. All that it has advanced to the public must be lost before its creditors can sustain any loss. No other banking company in England can be established by act of Parliament, or can consist of more than six members. It acts, not only as an ordinary bank, but as a great engine of state. It receives and pays the greater part of the annuities which are due to the creditors of the public, it circulates exchequer bills, and it advances to government the annual amount of the land and malt taxes, which are frequently not paid up till some years thereafter. In those different operations, its duty to the public may sometimes have obliged it, without any fault of its directors, to overstock the circulation with paper money. It likewise discounts merchants' bills, and has, upon several different occasions, supported the credit of the principal houses, not only of England, but of Hamburg and Holland. Upon one occasion, in 1763, it is said to have advanced for this purpose, in one week, about £1,600,000; a great part of it in bullion. I do not, however, pretend to warrant either the greatness of the sum, or the shortness of the time. Upon other occasions, this great company has been reduced to the necessity of paying in sixpences.

It is not by augmenting the capital of the country, but by rendering a greater part of that capital active and productive than would otherwise be so, that the most judicious operations of banking can increase the industry of the country. That part of his capital which a dealer is obliged to keep by him unemployed, and in ready money for answer-

ing occasional demands, is so much dead stock, which, so long as it remains in this situation, produces nothing either to him or to his country. The judicious operations of banking enable him to convert this dead stock into active and productive stock; into materials to work upon, into tools to work with, and into provisions and subsistence to work for; into stock which produces something both to himself and to his country. The gold and silver money which circulates in any country, and by means of which the produce of its land and labor is annually circulated and distributed to the proper consumers, is, in the same manner as the ready money of the dealer, all dead stock. It is a very valuable part of the capital of the country, which produces nothing to the country. The judicious operations of banking, by substituting paper in the room of a great part of this gold and silver, enable the country to convert a great part of this dead stock into active and productive stock; into stock which produces something to the country. The gold and silver money which circulates in any country may very properly be compared to a highway, which, while it circulates and carries to market all the grass and corn of the country, produces itself not a single pile of either. The judicious operations of banking, by providing, if I may be allowed so violent a metaphor, a sort of wagon-way through the air; enable the country to convert, as it were, a great part of its highways into good pastures and cornfields, and thereby to increase very considerably the annual produce of its land and labor. The commerce and industry of the country, however, it must be acknowledged, though they may be somewhat augmented, cannot be altogether so secure, when they are thus, as it were, suspended upon the Dædalian wings of paper money, as when

they travel about upon the solid ground of gold and silver. Over and above the accidents to which they are exposed from the unskilfulness of the conductors of this paper money, they are liable to several others, from which no prudence or skill of those conductors can guard them.

An unsuccessful war, for example, in which the enemy got possession of the capital, and consequently of that treasure which supported the credit of the paper money, would occasion a much greater confusion in a country where the whole circulation was carried on by paper, than in one where the greater part of it was carried on by gold and silver. The usual instrument of commerce having lost its value, no exchanges could be made but either by barter or upon credit. All taxes having been usually paid in paper money, the prince would not have wherewithal either to pay his troops or to furnish his magazines; and the state of the country would be much more irretrievable than if the greater part of its circulation had consisted in gold and silver. A prince, anxious to maintain his dominions at all times in the state in which he can most easily defend them, ought, upon this account, to guard, not only against that excessive multiplication of paper money which ruins the very banks which issue it; but even against that multiplication of it which enables them to fill the greater part of the circulation of the country with it.

The circulation of every country may be considered as divided into two different branches; the circulation of the dealers with one another, and the circulation between the dealers and the consumers. Though the same pieces of money, whether paper or metal, may be employed sometimes in the one circulation and sometimes in the other; yet as both are constantly going on at the same time, each

requires a certain stock of money of one kind or another, to carry it on. The value of the goods circulated between the different dealers never can exceed the value of those circulated between the dealers and the consumers; whatever is bought by the dealers being ultimately destined to be sold to the consumers. The circulation between the dealers, as it is carried on by wholesale, requires generally a pretty large sum for every particular transaction. That between the dealers and the consumers, on the contrary, as it is generally carried on by retail, frequently requires but very small ones, a shilling, or even a halfpenny, being often sufficient. But small sums circulate much faster than large ones. A shilling changes masters more frequently than a guinea, and a halfpenny more frequently than a shilling. Though the annual purchases of all the consumers, therefore, are at least equal in value to those of all the dealers, they can generally be transacted with a much smaller quantity of money; the same pieces, by a more rapid circulation, serving as the instrument of many more purchases of the one kind than of the other.

Paper money may be so regulated as either to confine itself very much to the circulation between the different dealers, or to extend itself likewise to a great part of that between the dealers and the consumers. Where no banknotes are circulated under ten pounds value, as in London, paper money confines itself very much to the circulation between the dealers. When a ten pound banknote comes into the hands of a consumer, he is generally obliged to change it at the first shop where he has occasion to purchase five shillings' worth of goods; so that it often returns into the hands of a dealer before the consumer has spent the fortieth part of the money. Where banknotes are issued for so small

sums as twenty shillings, as in Scotland, paper money extends itself to a considerable part of the circulation between dealers and consumers. Before the act of Parliament which put a stop to the circulation of ten and five shilling notes, it filled a still greater part of that circulation. In the currencies of North America, paper was commonly issued for so small a sum as a shilling, and filled almost the whole of that circulation. In some paper currencies of Yorkshire, it was issued even for so small a sum as a sixpence.

Where the issuing of banknotes for such very small sums is allowed and commonly practiced, many mean people are both enabled and encouraged to become bankers. A person whose promissory note for five pounds, or even for twenty shillings, would be rejected by everybody, will get it to be received without scruple when it is issued for so small a sum as a sixpence. But the frequent bankruptcies to which such beggarly bankers must be liable, may occasion a very considerable inconvenience, and sometimes even a very great calamity, to many poor people who had received their notes in payment.

It were better, perhaps, that no banknotes were issued in any part of the kingdom for a smaller sum than five pounds. Paper money would then, probably, confine itself, in every part of the kingdom, to the circulation between the different dealers, as much as it does at present in London, where no banknotes are issued under ten pounds value; five pounds being, in most parts of the kingdom, a sum which, though it will purchase, perhaps, little more than half the quantity of goods, is as much considered, and is as seldom spent all at once, as ten pounds are amid the profuse expense of London.

Where paper money, it is to be observed, is pretty much confined to the circulation between dealers and dealers, as at London, there is always plenty of gold and silver. Where it extends itself to a considerable part of the circulation between dealers and consumers, as in Scotland, and still more in North America, it banishes gold and silver almost entirely from the country; almost all the ordinary transactions of its interior commerce being thus carried on by paper. The suppression of ten and five shilling bank-notes, somewhat relieved the scarcity of gold and silver in Scotland; and the suppression of twenty shilling notes, will probably relieve it still more. Those metals are said to have become more abundant in America, since the suppression of some of their paper currencies. They are said, likewise, to have been more abundant before the institution of those currencies.

Though paper money should be pretty much confined to the circulation between dealers and dealers, yet banks and bankers might still be able to give nearly the same assistance to the industry and commerce of the country, as they had done when paper money filled almost the whole circulation. The ready money which a dealer is obliged to keep by him, for answering occasional demands, is destined altogether for the circulation between himself and other dealers, of whom he buys goods. He has no occasion to keep any by him for the circulation between himself and the consumers, who are his customers, and who bring ready money to him, instead of taking any from him. Though no paper money, therefore, was allowed to be issued, but for such sums as would confine it pretty much to the circulation between dealers and dealers; yet, partly by discounting real bills of exchange, and partly by lending upon cash ac-

counts, banks and bankers might still be able to relieve the greater part of those dealers from the necessity of keeping any considerable part of their stock by them, unemployed and in ready money, for answering occasional demands. They might still be able to give the utmost assistance which banks and bankers can, with propriety, give to traders of every kind.

To restrain private people, it may be said, from receiving in payment the promissory notes of a banker, for any sum whether great or small, when they themselves are willing to receive them; or, to restrain a banker from issuing such notes, when all his neighbors are willing to accept of them, is a manifest violation of that natural liberty which it is the proper business of law, not to infringe, but to support. Such regulations may, no doubt, be considered as in some respect a violation of natural liberty. But those exertions of the natural liberty of a few individuals which might endanger the security of the whole society, are, and ought to be, restrained by the laws of all governments; of the most free, as well as of the most despotical. The obligation of building party walls, in order to prevent the communication of fire, is a violation of natural liberty, exactly of the same kind with the regulations of the banking trade which are here proposed.

A paper money consisting in banknotes, issued by people of undoubted credit, payable upon demand without any condition, and in fact always readily paid as soon as presented, is, in every respect, equal in value to gold and silver money; since gold and silver money can at any time be had for it. Whatever is either bought or sold for such paper must necessarily be bought or sold as cheap as it could have been for gold and silver.

The increase of paper money, it has been said, by augmenting the quantity, and consequently diminishing the value of the whole currency, necessarily augments the money price of commodities. But as the quantity of gold and silver, which is taken from the currency, is always

equal to the quantity of paper which is added to it, paper money does not necessarily increase the quantity of the whole currency. From the beginning of the last century to the present time, provisions never were cheaper in Scotland than in 1759, though, from the circulation of ten and five shilling banknotes, there was then more paper money in the country than at present. The proportion between the price of provisions in Scotland and that in England is the same now as before the great multiplication of banking companies in Scotland. Corn is, upon most occasions, fully as cheap in England as in France; though there is a great deal of paper money in England, and scarce any in France. In 1751 and 1752, when Mr. Hume published his "Political Discourses," and soon after the great multiplication of paper money in Scotland, there was a very sensible rise in the price of provisions, owing, probably, to the badness of the seasons, and not to the multiplication of paper money.

It would be otherwise, indeed, with a paper money consisting in promissory notes, of which the immediate payment depended, in any respect, either upon the goodwill of those who issued them; or upon a condition which the holder of the notes might not always have it in his power to fulfil; or of which the payment was not exigible till after a certain number of years, and which in the meantime bore no interest. Such a paper money would, no doubt, fall more or less below the value of gold and silver, according as the difficulty or uncertainty of obtaining immediate payment was supposed to be greater or less; or according to the greater or less distance of time at which payment was exigible.

Some years ago the different banking companies of Scotland were in the practice of inserting into their bank notes what they called an Optional Clause, by which they promised payment to the bearer, either as soon as the note should be presented, or, in the option of the directors, six months after such presentment, together with the legal in-

terest for the said six months. The directors of some of those banks sometimes took advantage of this optional clause, and sometimes threatened those who demanded gold and silver in exchange for a considerable number of their notes, that they would take advantage of it, unless such demanders would content themselves with a part of what they demanded. The promissory notes of those banking companies constituted at that time the far greater part of the currency of Scotland, which this uncertainty of payment necessarily degraded below the value of gold and silver money. During the continuance of this abuse (which prevailed chiefly in 1762, 1763 and 1764), while the exchange between London and Carlisle was at par, that between London and Dumfries would sometimes be four per cent against Dumfries, though this town is not thirty miles distant from Carlisle. But at Carlisle, bills were paid in gold and silver; whereas at Dumfries they were paid in Scotch banknotes, and the uncertainty of getting those banknotes exchanged for gold and silver coin had thus degraded them four per cent below the value of that coin. The same act of Parliament which suppressed ten and five shilling banknotes, suppressed likewise this optional clause, and thereby restored the exchange between England and Scotland to its natural rate, or to what the course of trade and remittances might happen to make it.

In the paper currencies of Yorkshire, the payment of so small a sum as a sixpence sometimes depended upon the condition that the holder of the note should bring the change of a guinea to the person who issued it; a condition which the holders of such notes might frequently find it very difficult to fulfil, and which must have degraded this currency below the value of gold and silver money. An act of Parliament, accordingly, declared all such clauses unlawful, and suppressed, in the same manner as in Scotland, all promissory notes, payable to the bearer, under twenty shillings value.

The paper currencies of North America consisted, not

in banknotes payable to the bearer on demand, but in a government paper, of which the payment was not exigible till several years after it was issued: And though the colony governments paid no interest to the holders of this paper, they declared it to be, and in fact rendered it, a legal tender of payment for the full value for which it was issued. But allowing the colony security to be perfectly good, a hundred pounds payable fifteen years hence, for example, in a country where interest is at six per cent, is worth little more than forty pounds ready money. To oblige a creditor, therefore, to accept of this as full payment for a debt of a hundred pounds actually paid down in ready money, was an act of such violent injustice, as has scarce, perhaps, been attempted by the government of any other country which pretended to be free. It bears the evident marks of having originally been, what the honest and downright Doctor Douglas assures us it was, a scheme of fraudulent debtors to cheat their creditors. The government of Pennsylvania, indeed, pretended, upon their first emission of paper money, in 1722, to render their paper of equal value with gold and silver, by enacting penalties against all those who made any difference in the price of their goods when they sold them for a colony paper and when they sold them for gold and silver; a regulation equally tyrannical, but much less effectual than that which it was meant to support. A positive law may render a shilling a legal tender for a guinea; because it may direct the courts of justice to discharge the debtor who has made that tender. But no positive law can oblige a person who sells goods, and who is at liberty to sell or not to sell, as he pleases, to accept of a shilling as equivalent to a guinea in the price of them. Notwithstanding any regulation of this kind, it appeared by the course of exchange with Great Britain, that a hundred pounds sterling was occasionally considered as equivalent, in some of the colonies, to a hundred and thirty pounds, and in others to so great a sum as eleven hundred pounds currency; this difference in the value

arising from the difference in the quantity of paper emitted in the different colonies, and in the distance and probability of the term of its final discharge and redemption.

No law, therefore, could be more equitable than the act of Parliament, so unjustly complained of in the colonies, which declared that no paper currency to be emitted there in time coming, should be a legal tender of payment.

Pennsylvania was always more moderate in its emissions of paper money than any other of our colonies. Its paper currency accordingly is said never to have sunk below the value of the gold and silver which was current in the colony before the first emission of its paper money. Before that emission, the colony had raised the denomination of its coin, and had, by act of Assembly, ordered five shillings sterling to pass in the colony for six and threepence, and afterward for six and eightpence. A pound, colony currency, therefore, even when that currency was gold and silver, was more than thirty per cent below the value of a pound sterling, and when that currency was turned into paper, it was seldom much more than thirty per cent below that value. The pretence for raising the denomination of the coin was to prevent the exportation of gold and silver, by making equal quantities of those metals pass for greater sums in the colony than they did in the mother country. It was found, however, that the price of all goods from the mother country rose exactly in proportion as they raised the denomination of their coin, so that their gold and silver were exported as fast as ever.

The paper of each colony being received in the payment of the provincial taxes, for the full value for which it had been issued, it necessarily derived from this use some additional value, over and above what it would have had, from the real or supposed distance of the term of its final discharge and redemption. This additional value was greater or less according as the quantity of paper issued was more or less above what could be employed in the payment of the taxes of the particular colony which issued it. It was

in all the colonies very much above what could be employed in this manner.

A prince, who should enact that a certain proportion of his taxes should be paid in a paper money of a certain kind, might thereby give a certain value to this paper money; even though the term of its final discharge and redemption should depend altogether upon the will of the prince. If the bank which issued this paper was careful to keep the quantity of it always somewhat below what could easily be employed in this manner, the demand for it might be such as to make it even bear a premium, or sell for somewhat more in the market than the quantity of gold or silver currency for which it was issued. Some people account in this manner for what is called the agio of the Bank of Amsterdam, or for the superiority of bank money over current money; though this bank money, as they pretend, cannot be taken out of the bank at the will of the owner. The greater part of foreign bills of exchange must be paid in bank money, that is, by a transfer in the books of the bank; and the directors of the bank, they allege, are careful to keep the whole quantity of bank money always below what this use occasions a demand for. It is upon this account, they say, that bank money sells for a premium, or bears an agio of four or five per cent above the same nominal sum of the gold and silver currency of the country. This account of the Bank of Amsterdam, however, it will appear hereafter, is in a great measure chimerical.

A paper currency which falls below the value of gold and silver coin, does not thereby sink the value of those metals, or occasion equal quantities of them to exchange for a smaller quantity of goods of any other kind. The proportion between the value of gold and silver and that of goods of any other kind, depends in all cases, not upon the nature or quantity of any particular paper money, which may be current in any particular country, but upon the richness or poverty of the mines, which happen at any particular time to supply the great market of the commercial world

with those metals. It depends upon the proportion between the quantity of labor which is necessary in order to bring a certain quantity of gold and silver to market, and that which is necessary in order to bring thither a certain quantity of any other sort of goods.

If bankers are restrained from issuing any circulating banknotes, or notes payable to the bearer, for less than a certain sum; and if they are subjected to the obligation of an immediate and unconditional payment of such banknotes as soon as presented, their trade may, with safety to the public, be rendered in all other respects perfectly free. The late multiplication of banking companies in both parts of the United Kingdom, an event by which many people have been much alarmed, instead of diminishing, increases the security of the public. It obliges all of them to be more circumspect in their conduct, and, by not extending their currency beyond its due proportion to their cash, to guard themselves against those malicious runs, which the rivalship of so many competitors is always ready to bring upon them. It restrains the circulation of each particular company within a narrower circle, and reduces their circulating notes to a smaller number. By dividing the whole circulation into a greater number of parts, the failure of any one company, an accident which, in the course of things, must sometimes happen, becomes of less consequence to the public. This free competition, too, obliges all bankers to be more liberal in their dealings with their customers, lest their rivals should carry them away. In general, if any branch of trade or any division of labor, be advantageous to the public, the freer and more general the competition, it will always be the more so.

END OF VOL. I. OF "THE WEALTH OF NATIONS"

SMITH, ADAM

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