

Adam Smith

Wealth of Nations

Intro, Book 1 Chapters 1, 2, 3, 4 and 8
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AN INQUIRY INTO THE NATURE AND CAUSES

OF THE

WEALTH OF NATIONS

INTRODUCTION AND PLAN OF THE WORK

THE annual¹ labour of every nation is the fund which originally supplies it with all the necessaries and conveniencies of life² which it annually consumes, and which consist always either in the immediate produce of that labour, or in what is purchased with that produce from other nations.

The produce of annual labour supplies annual consumption,

According therefore, as this produce, or what is purchased with it, bears a greater or smaller proportion to the number of those who are to consume it, the nation will be better or worse supplied with all the necessaries and conveniencies for which it has occasion.³

better or worse according to the proportion of produce to people,

But this proportion must in every nation be regulated by two different circumstances; first, by the skill, dexterity, and judgment with which its labour is generally applied;⁴ and, secondly, by the proportion between the number of those who are employed in useful labour, and that of those who are not so employed.⁵ Whatever be

which proportion is regulated by the skill, etc., of the labour and the proportion of useful labourers,

¹[This word, with 'annually' just below, at once marks the transition from the older British economists' ordinary practice of regarding the wealth of a nation as an accumulated fund. Following the physiocrats, Smith sees that the important thing is how much can be produced in a given time.]

²[Cp. with this phrase Locke, *Some Considerations of the Consequences of the Lowering of Interest and Raising the Value of Money*, ed. of 1696, p. 66, 'the intrinsic natural worth of anything consists in its fitness to supply the necessities or serve the conveniencies of human life.']

³[The implication that the nation's welfare is to be reckoned by the average welfare of its members, not by the aggregate, is to be noticed.]

⁴[Ed. 1 reads 'with which labour is generally applied in it'.]

⁵[This second circumstance may be stretched so as to include the duration and intensity of the labour of those who are usefully employed, but another important circumstance, the quantity and quality of the accumulated instruments of production, is altogether omitted.]

the soil, climate, or extent of territory of any particular nation, the abundance or scantiness of its annual supply must, in that particular situation, depend upon those two circumstances.

The abundance or scantiness of this supply too seems to depend more upon the former of those two circumstances than upon the latter. Among the savage nations of hunters and fishers, every individual who is able to work, is more or less employed in useful labour, and endeavours to provide, as well as he can, the necessaries and conveniencies of life, for himself, or ¹ such of his family or tribe as are either too old, or too young, or too infirm, to go a hunting and fishing. Such nations, however, are so miserably poor, that from mere want, they are frequently reduced, or, at least, think themselves reduced, to the necessity sometimes of directly destroying, and sometimes of abandoning their infants, their old people, and those afflicted with lingering diseases, to perish with hunger, or to be devoured by wild beasts. Among civilized and thriving nations, on the contrary, though a great number of people do not labour at all, many of whom consume the produce of ten times, frequently of a hundred times more labour than the greater part of those who work; yet the produce of the whole labour of the society is so great, that all are often abundantly supplied, and a workman, even of the lowest and poorest order, if he is frugal and industrious, may enjoy a greater share of the necessaries and conveniencies of life than it is possible for any savage to acquire.

The causes ² of this improvement, in the productive powers of labour, and the order, according to which its produce is naturally distributed ³ among the different ranks and conditions of men in the society, make the subject of the First Book of this Inquiry.

Whatever be the actual state of the skill, dexterity, and judgment with which labour is applied in any nation, the abundance or scantiness of its annual supply must depend, during the continuance of that state, upon the proportion between the number of those who are annually employed in useful labour, and that of those who are not so employed. The number of useful and productive ⁴ labourers, it will hereafter appear, is every where in proportion to the quantity of capital stock which is employed in setting them to work, and to the particular way in which it is so employed. The Second Book, there-

¹ [Ed. 1 reads 'and'.]

² [Only one cause, the division of labour, is actually treated.]

³ [For the physiocratic origin of the technical use of the terms 'distribute' and 'distribution' see the Editor's Introduction.]

⁴ [This word slips in here as an apparently unimportant synonym of 'useful,' but subsequently ousts 'useful' altogether, and is explained in such a way that unproductive labour may be useful; see esp. below p. 314.]

and more by the skill, etc., than by the proportion of useful labourers, as is shown by the greater produce of civilized societies.

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The causes of improvement and natural distribution are the subject of Book I.

Capital stock, which regulates the proportion of useful labourers, is treated of in Book II.

fore, treats of the nature of capital stock, of the manner in which it is gradually accumulated, and of the different quantities of labour which it puts into motion, according to the different ways in which it is employed.

Nations tolerably well advanced as to skill, dexterity, and judgment, in the application of labour, have followed very different plans in the general conduct or direction of it; and those plans have not all been equally favourable to the greatness of its produce. The policy of some nations has given extraordinary encouragement to the industry of the country; that of others to the industry of towns. Scarce any nation has dealt equally and impartially with every sort of industry. Since the downfall of the Roman empire, the policy of Europe has been more favourable to arts, manufactures, and commerce, the industry of towns; than to agriculture, the industry of the country. The circumstances which seem to have introduced and established this policy are explained in the Third Book.

Though those different plans were, perhaps, first introduced by the private interests and prejudices of particular orders of men, without any regard to, or foresight of, their consequences upon the general welfare of the society; yet they have given occasion to very different theories of political œconomy; ¹ of which some magnify the importance of that industry which is carried on in towns, others of that which is carried on in the country. Those theories have had a considerable influence, not only upon the opinions of men of learning, but upon the public conduct of princes and sovereign states. I have endeavoured, in the Fourth Book, to explain, as fully and distinctly as I can, those different theories, and the principal effects which they have produced in different ages and nations.

To explain ² in what has consisted the revenue of the great body of the people, or what has been the nature ³ of those funds, which, in different ages and nations, have supplied their annual consumption, is the object of ⁴ these Four first Books. The Fifth and last Book treats of the revenue of the sovereign, or commonwealth. In this book I have endeavoured to show; first, what are the necessary expences of the sovereign, or commonwealth; which of those expences 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: ⁵ secondly, what are the different methods

The circumstances which led Europe to encourage the industry of the towns and discourage agriculture are dealt with in Book III.

The theories to which different policies have given rise are explained in Book IV.

The expenditure, revenue and debts of the sovereign are treated of in Book V.

¹[See the index for the examples of the use of this term.]

²[Ed. 1 does not contain 'to explain'.]

³[Ed. 1 reads 'what is the nature'.]

⁴[Ed. 1 reads 'is treated of in'.]

⁵[Ed. 1 reads 'of the society'.]

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in which the whole society may be made to contribute towards defraying the expences incumbent on the whole society, and what are the principal advantages and inconveniencies of each of those methods : and, thirdly and lastly, what are the reasons and causes which have induced almost all modern governments to mortgage some part of this revenue, or to contract debts, and what have been the effects of those debts upon the real wealth, the annual produce of the land and labour of the society.¹

¹[Read in conjunction with the first two paragraphs, this sentence makes it clear that the wealth of a nation is to be reckoned by its *per capita* income. But this view is often temporarily departed from in the course of the work ; see the index, *s.v.* Wealth.]

BOOK I

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

CHAPTER I

OF THE DIVISION OF LABOUR¹

THE greatest improvement² in the productive powers of labour, and the greater part of the skill, dexterity, and judgment with which it is any where directed, or applied, seem to have been the effects of the division of labour.

The effects of the division of labour, in the general business of society, will be more easily understood, by considering in what manner it operates in some particular manufactures. (It is commonly supposed to be carried furthest in some very trifling ones; not perhaps that it

Division of labour is the great cause of its increased powers,

as may be better understood from a particular example,

¹[This phrase, if used at all before this time, was not a familiar one. Its presence here is probably due to a passage in Mandeville, *Fable of the Bees*, pt. ii. (1729), dial. vi., p. 335: 'CLEO. . . . When once men come to be governed by written laws, all the rest comes on apace . . . No number of men, when once they enjoy quiet, and no man needs to fear his neighbour, will be long without learning to divide and subdivide their labour. HOR. I don't understand you. CLEO. Man, as I have hinted before, naturally loves to imitate what he sees others do, which is the reason that savage people all do the same thing: this hinders them from meliorating their condition, though they are always wishing for it: but if one will wholly apply himself to the making of bows and arrows, whilst another provides food, a third builds huts, a fourth makes garments, and a fifth utensils, they not only become useful to one another, but the callings and employments themselves will, in the same number of years, receive much greater improvements, than if all had been promiscuously followed by every one of the five. HOR. I believe you are perfectly right there; and the truth of what you say is in nothing so conspicuous as it is in watch-making, which is come to a higher degree of perfection than it would have been arrived at yet, if the whole had always remained the employment of one person; and I am persuaded that even the plenty we have of clocks and watches, as well as the exactness and beauty they may be made of, are chiefly owing to the division that has been made of that art into many branches.' The index contains, 'Labour, The usefulness of dividing and subdividing it'. Joseph Harris, *Essay upon Money and Coins*, 1757, pt. i., § 12, treats of the 'usefulness of distinct trades,' or 'the advantages accruing to mankind from their betaking themselves severally to different occupations,' but does not use the phrase 'division of labour'.]

²[Ed. x reads 'improvements'.]

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,¹ 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.

such as pin-making.

To take an example, therefore,² from a very trifling manufacture ; but one in which the division of labour has been very often taken notice of, the trade of the pin-maker ; a workman not educated to this business (which the division of labour has rendered a distinct trade),³ nor acquainted with the use of the machinery employed in it (to the invention of which the same division of labour has probably given occasion), could scarce, perhaps, with his utmost industry, make one pin in a day, and certainly could not make twenty. But in the way in which this business is now carried on, not only the whole work is a peculiar trade, but it is divided into a number of branches, of which the greater part are likewise peculiar trades. One man draws out the wire, another straightens it, a third cuts it, a fourth points it, a fifth grinds it at the top for receiving the head ; to make the head requires two or three distinct operations ; to put it on, is a peculiar business, to whiten the pins is another ; it is even a trade by itself to put them into the paper ; and the important business of making a pin is, in this manner, divided into about eighteen distinct operations, which, in some manufactories, are all performed by distinct hands, though in others the same man will sometimes perform two or three of them.⁴ I have seen a small manufactory of this kind

¹ [Ed. 1 reads 'Though in them'.]

² [Another and perhaps more important reason for taking an example like that which follows is the possibility of exhibiting the advantages of division of labour in statistical form.]

³ [This parenthesis would alone be sufficient to show that those are wrong who believe Smith did not include the separation of employments in 'division of labour'.]

⁴ [In Adam Smith's *Lectures*, p. 164, the business is, as here, divided into eighteen operations. This number is doubtless taken from the *Encyclopédie*, tom. v. (published in 1755), s. v. Epingle. The article is ascribed to M. Delaire, 'qui décrivait la fabrication de l'épingle

where ten men only were employed, and where some of them consequently performed two or three distinct operations. But though they were very poor, and therefore but indifferently accommodated with the necessary machinery, they could, when they exerted themselves, make among them about twelve pounds of pins in a day. There are in a pound upwards of four thousand pins of a middling size. Those ten persons, therefore, could make among them upwards of forty-eight thousand pins in a day. Each person, therefore, making a tenth part of forty-eight thousand pins, might be considered as making four thousand eight hundred pins in a day. But if they had all wrought separately and independently, and without any of them having been educated to this peculiar business, they certainly could not each of them have made twenty, perhaps not one pin in a day; that is, certainly, not the two hundred and fortieth, perhaps not the four thousand eight hundredth part of what they are at present capable of performing, in consequence of a proper division and combination of their different operations.

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

The effect is similar in all trades and also in the division of employments.

dans les ateliers même des ouvriers,' p. 807. In some factories the division was carried further. E. Chambers, *Cyclopaedia*, vol. ii., 2nd ed., 1738, and 4th ed., 1741, s.v. Pin, makes the number of separate operations twenty-five.]

It is impossible to separate so entirely, the business of the grazier from that of the corn-farmer, as the trade of the carpenter is commonly separated from that of the smith. The spinner is almost always a distinct person from the weaver; but the ploughman, the harrower, the sower of the seed, and the reaper of the corn, are often the same. The occasions for those different sorts of labour returning with the different seasons of the year, it is impossible that one man should be constantly employed in any one of them. This impossibility of making so complete and entire a separation of all the different branches of labour employed in agriculture, is perhaps the reason why the improvement of the productive powers of labour in this art, does not always keep pace with their improvement in manufactures. The most opulent nations, indeed, generally excel all their neighbours in agriculture as well as in manufactures; but they are commonly more distinguished by their superiority in the latter than in the former. Their lands are in general better cultivated, and having more labour and expence bestowed upon them, produce more in proportion to the extent and natural fertility of the ground. But this¹ superiority of produce is seldom much more than in proportion to the superiority of labour and expence. In agriculture, the labour of the rich country is not always much more productive than that of the poor; or, at least, it is never so much more productive, as it commonly is in manufactures. The corn of the rich country, therefore, will not always, in the same degree of goodness, come cheaper to market than that of the poor. The corn of Poland, in the same degree of goodness, is as cheap as that of France, notwithstanding the superior opulence and improvement of the latter country. The corn of France is, in the corn provinces, fully as good, and in most years nearly about the same price with the corn of England, though, in opulence and improvement, France is perhaps inferior to England. The corn-lands of England, however, are better cultivated than those of France, and the corn-lands² 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,

¹ [Ed. 1 reads 'the'.]

² [Ed. 1 reads 'the lands' here and two lines higher up.]

does not so well suit the climate of England as that of France.¹ But the hard-ware 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.² 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 of the quantity of work, which, in consequence of the division of labour, the same number of people are capable of performing,³ is owing to three different circumstances; first, to the increase of dexterity in every particular workman; secondly, to the saving of the time which is commonly lost in passing from one species of work to another; and lastly, to the invention of a great number of machines which facilitate and abridge labour, and enable one man to do the work of many.⁴)

First, the improvement of the dexterity of the workman necessarily increases the quantity of the work he can perform; and the division of labour, by reducing every man's business to some one simple operation, and by making this operation the sole employment of his life, necessarily increases very much the dexterity of the workman. A common smith, who, though accustomed to handle the hammer, has never been used to make nails, if upon some particular occasion he is obliged to attempt it, will scarce, I am assured, be able to make above two or three hundred nails in a day, and those too very bad ones.⁵ 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,

The advantage is due to three circumstances,

(1) improved dexterity,

¹ [Ed. 1 reads 'because the silk manufacture does not suit the climate of England'.]

² [In *Lectures*, p. 164, the comparison is between English and French 'toys,' i.e., small metal articles.]

³ [Ed. 1 places 'in consequence of the division of labour' here instead of in the line above.]

⁴ ['Pour la célérité du travail et la perfection de l'ouvrage, elles dépendent entièrement de la multitude des ouvriers rassemblés. Lorsqu'une manufacture est nombreuse, chaque opération occupe un homme différent. Tel ouvrier ne fait et ne fera de sa vie qu'une seule et unique chose; tel autre une autre chose: d'où il arrive que chacune s'exécute bien et promptement, et que l'ouvrage le mieux fait est encore celui qu'on a à meilleur marché. D'ailleurs le goût et la façon se perfectionnent nécessairement entre un grand nombre d'ouvriers, parce qu'il est difficile qu'il ne s'en rencontre quelques-uns capables de réfléchir, de combiner, et de trouver enfin le seul moyen qui puisse les mettre au-dessus de leurs semblables; le moyen ou d'épargner la matière, ou d'allonger le temps, ou de surfaire l'industrie, soit par une machine nouvelle, soit par une manœuvre plus commode.'—*Encyclopédie*, tom i. (1751), p. 717, s.v. Art. All three advantages mentioned in the text above are included here.]

⁵ [In *Lectures*, p. 166, 'a country smith not accustomed to make nails will work very hard for three or four hundred a day and those too very bad'.]

and who, when they exerted themselves, could make, each of them, upwards of two thousand three hundred nails in a day.¹ 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,² is subdivided, are all of them much more simple, and the dexterity of the person, of whose life it has been the sole business to perform them, is usually much greater. The rapidity with which some of the operations of those manufactures are performed, exceeds what the human hand could, by those who had never seen them, be supposed capable of acquiring.

(2) saving of time,

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,³ 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.

and (3) application of machinery,

Thirdly, and lastly, every body must be sensible how much labour is facilitated and abridged by the application of proper machinery.

¹ [In *Lectures*, p. 166, 'a boy used to it will easily make two thousand and those incomparably better'.]

² [In *Lectures*, p. 255, it is implied that the labour of making a button was divided among eighty persons.]

³ [The same example occurs in *Lectures*, p. 166.]

It is unnecessary to give any example.¹ I shall only observe, therefore,² that the invention of all those machines by which labour is so much facilitated and abridged, seems to have been originally owing to the division of labour. Men are much more likely to discover easier and readier methods of attaining any object, when the whole attention of their minds is directed towards that single object, than when it is dissipated among a great variety of things. But in consequence of the division of labour, the whole of every man's attention comes naturally to be directed towards some one very simple object. It is naturally to be expected, therefore, that some one or other of those who are employed in each particular branch of labour should soon find out easier and readier methods of performing their own particular work, wherever the nature of it admits of such improvement. A great part of the machines made use of³ in those manufactures in which labour is most subdivided, were originally the inventions of common workmen, who, being each of them employed in some very simple operation, naturally turned their thoughts towards finding out easier and readier methods of performing it. Whoever has been much accustomed to visit such manufactures, must frequently have been shewn very pretty machines, which were the inventions of such⁴ workmen, in order to facilitate and quicken their own particular part of the work. In the first fire-engines,⁵ a boy was constantly employed to open and shut alternately the communication between the boiler and the cylinder, according as the piston either ascended or descended. One of those boys, who loved to play with his companions, observed that, by tying a string from the handle of the valve which opened this communication to another part of the machine, the valve would open and shut without his assistance, and leave him at liberty to divert himself with his play-fellows. One of the greatest improvements that has been made upon this machine, since it was first invented, was in this manner the discovery of a boy who wanted to save his own labour.⁶

invented by
workmen,

¹ [Examples are given in *Lectures*, p. 167 : 'Two men and three horses will do more in a day with the plough than twenty men without it. The miller and his servant will do more with the water mill than a dozen with the hand mill, though it too be a machine.']

² [Ed. 1 reads 'I shall, therefore, only observe'.]

³ [Ed. 1 reads 'machines employed'.]

⁴ [Ed. 1 reads 'of common'.]

⁵ [*i.e.*, steam-engines.]

⁶ [This pretty story is largely, at any rate, mythical. It appears to have grown out of a misreading (not necessarily by Smith) of the following passage. 'They used before to work with a buoy in the cylinder enclosed in a pipe, which buoy rose when the steam was strong, and opened the injection, and made a stroke; thereby they were capable of only giving six, eight or ten strokes in a minute, till a boy, Humphry Potter, who attended the engine, added (what he called scoggan) a catch that the beam Q always opened; and then it would go fifteen or sixteen strokes in a minute. But this being perplexed with catches and strings, Mr. Henry

or by
machine-
makers and
philoso-
phers.

All the improvements in machinery, however, have by no means been the inventions of those who had occasion to use the machines. Many improvements have been made by the ingenuity of the makers of the machines, when to make them became the business of a peculiar trade; and some by that of those who are called philosophers or men of speculation, whose trade it is not to do any thing, but to observe every thing; and who, upon that account, are often capable of combining together the powers of the most distant and dissimilar objects.¹ 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.²

Hence the
universal
opulence of
a well-
governed
society,

(It is the great multiplication of the productions of all the different arts, in consequence of the division of labour, which occasions, in a well-governed society, that universal opulence which extends itself to the lowest ranks of the people. : Every workman has a great quantity of his own work to dispose of beyond what he himself has occasion for; and every other workman being exactly in the same situation, he is enabled to exchange a great quantity of his own goods for a great quantity, or, what comes to the same thing, for the price of a

Beighton, in an engine he had built at Newcastle-on-Tyne in 1718, took them all away, the beam itself simply supplying all much better.—J. T. Desaguliers, *Course of Experimental Philosophy*, vol. ii., 1744, p. 533. From pp. 469, 471, it appears that hand labour was originally used before the 'buoy' was devised.]

¹[In *Lectures*, p. 167, the invention of the plough is conjecturally attributed to a farmer and that of the hand-mill to a slave, while the invention of the water-wheel and the steam engine is credited to philosophers. Mandeville is very much less favourable to the claims of the philosophers: 'They are very seldom the same sort of people, those that invent arts and improvements in them and those that inquire into the reason of things: this latter is most commonly practised by such as are idle and indolent, that are fond of retirement, hate business and take delight in speculation; whereas none succeed oftener in the first than active, stirring and laborious men, such as will put their hand to the plough, try experiments and give all their attention to what they are about.—*Fable of the Bees*, pt. ii. (1729), dial. iii., p. 151. He goes on to give as examples the improvements in soap-boiling, grain-dyeing, etc.]

²[The advantage of producing particular commodities wholly or chiefly in the countries most naturally fitted for their production is recognised below, p. 423, but the fact that division of labour is necessary for its attainment is not noticed. The fact that division of labour allows different workers to be put exclusively to the kind of work for which they are best fitted by qualities not acquired by education and practice, such as age, sex, size and strength, is in part ignored and in part denied below, pp. 17, 18. The disadvantage of division of labour or specialisation is dealt with below, vol. ii., pp. 267-269.]

great quantity of theirs. He supplies them abundantly with what they have occasion for, and they accommodate him as amply with what he has occasion for, and a general plenty diffuses itself through all the different ranks of the society.

Observe the accommodation of the most common artificer or day-labourer in a civilized and thriving country, and you will perceive that the number of people of whose industry a part, though but a small part, has been employed in procuring him this accommodation, exceeds all computation. The woollen coat, for example, which covers the day-labourer, as coarse and rough as it may appear, is the produce of the joint labour of a great multitude of workmen. The shepherd, the sorter of the wool, the wool-comber or carder, the dyer, the scribbler, the spinner, the weaver, the fuller, the dresser, with many others, must all join their different arts in order to complete even this homely production. How many merchants and carriers, besides, must have been employed in transporting the materials from some of those workmen to others who often live in a very distant part of the country! how much commerce and navigation in particular, how many ship-builders, sailors, sail-makers, rope-makers, must have been employed in order to bring together the different drugs made use of by the dyer, which often come from the remotest corners of the world! What a variety of labour too is necessary in order to produce the tools of the meanest of those workmen! To say nothing of such complicated machines as the ship of the sailor, the mill of the fuller, or even the loom of the weaver, let us consider only what a variety of labour is requisite in order to form that very simple machine, the shears with which the shepherd clips the wool. The miner, the builder of the furnace for smelting the ore, the feller of the timber, the burner of the charcoal to be made use of in the smelting-house, the brick-maker, the brick-layer, the workmen who attend the furnace, the mill-wright, the forger, the smith, must all of them join their different arts in order to produce them. Were we to examine, in the same manner, all the different parts of his dress and household furniture, the coarse linen shirt which he wears next his skin, the shoes which cover his feet, the bed which he lies on, and all the different parts which compose it, the kitchen-grate at which he prepares his victuals, the coals which he makes use of for that purpose, dug from the bowels of the earth, and brought to him perhaps by a long sea and a long land carriage, all the other utensils of his kitchen, all the furniture of his table, the knives and forks, the earthen or pewter plates upon which he serves up and divides his victuals, the different hands employed in preparing his

even the day-labourer's coat being the produce of a vast number of workmen.

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 conveniencies ; if we examine, I say, all these things, and consider what a variety of labour is employed about each of them, we shall be sensible that without the assistance and co-operation of many thousands, the very meanest person in a civilized country could not be provided, even according to, what we very falsely imagine, the easy and simple manner in which he is commonly accommodated. Compared, indeed, with the more extravagant luxury of the great, his accommodation must no doubt appear extremely simple and easy ; and yet it may be true, perhaps, that the accommodation of an European prince does not always so much exceed that of an industrious and frugal peasant, as the accommodation of the latter exceeds that of many an African king, the absolute master of the lives and liberties of ten thousand naked savages.¹

¹[This paragraph was probably taken bodily from the MS. of the author's lectures. It appears to be founded on Locke, *Civil Government*, § 43 ; Mandeville, *Fable of the Bees*, pt. i., Remark P, 2nd ed., 1723, p. 182, and perhaps Harris, *Essay upon Money and Coins*, pt. i., § 12. See *Lectures*, pp. 161-162 and notes.]

CHAPTER II

OF THE PRINCIPLE WHICH GIVES OCCASION TO THE DIVISION OF LABOUR

THIS division of labour, from which so many advantages are derived, is not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion.¹ 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 enquire. It is common to all men, and to be found in no other race of animals, which seem to know neither this nor any other species of contracts. Two greyhounds, in running down the same hare, have sometimes the appearance of acting in some sort of concert. Each turns her towards his companion, or endeavours to intercept her when his companion turns her towards himself. This, however, is not the effect of any contract, but of the accidental concurrence of their passions in the same object at that particular time. Nobody ever saw a dog make a fair and deliberate exchange of one bone for another with another dog.² Nobody ever saw one animal by its gestures and natural cries signify to another, this is mine, that yours; I am willing to give this for that. When an animal wants to obtain something either of a man or of another animal, it has no other means of persuasion but to gain the favour of those whose service it requires. A puppy fawns upon its

¹[*I.e.*, it is not the effect of any conscious regulation by the state or society, like the 'law of Sesostris,' that every man should follow the employment of his father, referred to in the corresponding passage in *Lectures*, p. 168. The denial that it is the effect of individual wisdom recognising the advantage of exercising special natural talents comes lower down, p. 17.]

²[It is by no means clear what object there could be in exchanging one bone for another.]

The division of labour arises from a propensity in human nature to exchange.

Not.

This propensity is found in man alone.

dam, and a spaniel endeavours by a thousand attractions to engage the attention of its master who is at dinner, when it wants to be fed by him. Man sometimes uses the same arts with his brethren, and when he has no other means of engaging them to act according to his inclinations, endeavours by every servile and fawning attention to obtain their good will. He has not time, however, to do this upon every occasion. In civilized society he stands at all times in need of the 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 entirely¹ independent, and in its natural state has occasion for the assistance of no other living creature. But man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour, and shew them that it is for their own advantage to do for him what he requires of them. Whoever offers to another a bargain of any kind, proposes to do this: Give me that which I want, and you shall have this which you want, is the meaning of every such offer; and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of. It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages. Nobody but a beggar chuses 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 cloaths which another bestows upon him he exchanges for other old cloaths which suit him better, or for lodging, or for food, or for money, with which he can buy either food, cloaths, or lodging, as he has occasion.²

¹[Misprinted 'intirely' in eds. 1-5. 'Entirely' occurs a little lower down in all eds.]

²[The paragraph is repeated from *Lectures*, p. 169. It is founded on Mandeville, *Fable of the Bees*, pt. ii. (1729), dial. vi., pp. 421, 422.]

As it is by treaty, by barter, and by purchase, that we obtain from one another the greater part of those mutual good offices which we stand in need of, so it is this same trucking disposition which originally gives occasion to the division of labour. In a tribe of hunters or shepherds a particular person makes bows and arrows, for example, with more readiness and dexterity than any other. He frequently exchanges them for cattle or for venison with his companions; and he finds at last that he can in this manner get more cattle and venison, than if he himself went to the field to catch them. From a regard to his own interest, therefore, the making of bows and arrows grows to be his chief business, and he becomes a sort of armourer. Another excels in making the frames and covers of their little huts or moveable houses. He is accustomed to be of use in this way to his neighbours, who reward him in the same manner with cattle and with venison, till at last he finds it his interest to dedicate himself entirely to this employment, and to become a sort of house-carpenter. In the same manner a third becomes a smith or a brazier; a fourth a tanner or dresser of hides or skins, the principal part of the clothing of savages. And thus the certainty of being able to exchange all that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men's labour as he may have occasion for, encourages every man to apply himself to a particular occupation, and to cultivate and bring to perfection whatever talent or genius he may possess for that particular species of business.¹

It is encouraged by self-interest and leads to division of labour.

The difference of natural talents in different men is, in reality, much less than we are aware of; and the very different genius which appears to distinguish men of different professions, when grown up to maturity, is not upon many occasions so much the cause, as the effect of the division of labour.² 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,³ 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

thus giving rise to differences of talent more important than the natural differences,

¹ [*Lectures*, pp. 169-170.]

² [This is apparently directed against Harris, *Money and Coins*, pt. i., § 11, and is in accordance with the view of Hume, who asks readers to 'consider how nearly equal all men are in their bodily force, and even in their mental powers and faculties, ere cultivated by education'.

—'Of the Original Contract,' in *Essays, Moral and Political*, 1748, p. 291.]

³ ['Perhaps' is omitted in eds. 2 and 3, and restored in the errata to ed. 4.]

comes then to be taken notice of, and widens by degrees, till at last the vanity of the philosopher is willing to acknowledge scarce any resemblance. But without the disposition to truck, barter, and exchange, every man must have procured to himself every necessary and conveniency of life which he wanted. All must have had the same duties to perform, and the same work to do, and there could have been no such difference of employment as could alone give occasion to any great difference of talents.¹

and rendering
those differ-
ences useful.

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

¹[*Lectures*, pp. 170-171.]

CHAPTER III

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

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

Division of labour is limited by the extent of the power of exchanging.

There are some sorts of industry, even of the lowest kind, which can be carried on no where but in a great town.) A porter, for example, can find employment and subsistence in no other place. A village is by much too narrow a sphere for him; even an ordinary market town is scarce large enough to afford him constant occupation. In the lone houses and very small villages which are scattered about in so desert a country as the Highlands of Scotland, every farmer must be butcher, baker and brewer for his own family. In such situations we can scarce expect to find even a smith, a carpenter, or a mason, within less than twenty miles of another of the same trade. The scattered families that live at eight or ten miles distance from the nearest of them, must learn to perform themselves a great number of little pieces of work, for which, in more populous countries, they would call in the assistance of those workmen. Country workmen are almost every where obliged to apply themselves to all the different branches of industry that have so much affinity to one another as to be employed about the same sort of materials. A country carpenter deals in every sort of work that is made of wood: a country smith in every sort of work that is made of iron. The former is not only a carpenter, but a joiner, a cabinet maker, and even a carver in wood, as well as a wheelwright, a ploughwright, a cart and waggon maker. The employments of the latter are still more various. It is impossible there should be such a trade as

Various trades cannot be carried on except in towns.

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.

Water-carriage widens the market,

{ As by means of water-carriage a more extensive market is opened to every sort of industry than what land-carriage alone can afford it, so it is upon the sea-coast, and along the banks of navigable rivers, that industry of every kind naturally begins to subdivide and improve itself, and it is frequently not till a long time after that those improvements extend themselves to the inland parts of the country.) A broad-wheeled waggon, attended by two men, and drawn by eight horses, in about six weeks time carries and brings back between London and Edinburgh near four ton weight of goods. In about the same time a ship navigated by six or eight men, and sailing between the ports of London and Leith, frequently carries and brings back two hundred ton weight of goods. Six or eight men, therefore, by the help of water-carriage, can carry and bring back in the same time the same quantity of goods between London and Edinburgh, as fifty broad-wheeled waggons, attended by a hundred men, and drawn by four hundred horses.¹ Upon two hundred tons of goods, therefore, carried by the cheapest land-carriage from London to Edinburgh, there must be charged the maintenance of a hundred men for three weeks, and both the maintenance, and, what is nearly equal to the maintenance, the wear and tear of four hundred horses as well as of fifty great waggons. Whereas, upon the same quantity of goods carried by water, there is to be charged only the maintenance of six or eight men, and the wear and tear of a ship of two hundred tons burthen, 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 subsists² between them, and consequently could give but a small part of that encouragement which they at present mutually afford to each other's

¹[The superiority of carriage by sea is here considerably less than in *Lectures*, p. 172, but is still probably exaggerated. W. Playfair, ed. of *Wealth of Nations*, 1805, vol. i., p. 29, says a waggon of the kind described could carry eight tons, but, of course, some allowance must be made for thirty years of road improvement.]

²[Ed. 1 reads 'which is at present carried on'.]

industry. There could be little or no commerce of any kind between the distant parts of the world. What goods could bear the expence of land-carriage between London and Calcutta?¹ Or if there were² any so precious as to be able to support this expence, 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,³ and by mutually affording a market, give a good deal of encouragement to each other's industry.

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

The nations that, according to the best authenticated history, appear to have been first civilized, were those that dwelt round the coast of the Mediterranean sea. That sea, by far the greatest inlet that is known in the world, having no tides, nor consequently any waves except such as are caused by the wind only,⁴ was, by the smoothness of its surface, as well as by the multitude of its islands, and the proximity of its neighbouring shores, extremely favourable to the infant navigation of the world; when, from their ignorance of the compass, men were afraid to quit the view of the coast, and from the imperfection of the art of ship-building, to abandon themselves to the boisterous waves of the ocean. To pass beyond the pillars of Hercules, that is, to sail out of the Streights of Gibraltar, was, in the ancient world, long considered as a most wonderful and dangerous exploit of navigation. It was late before even the Phenicians and Carthaginians, the

and so the first improvements are on the sea-coast or navigable rivers,

for example among the ancient nations on the Mediterranean coast.

¹[Playfair, *op. cit.*, p. 30, says that equalising the out and home voyages goods were carried from London to Calcutta by sea at the same price (12s. per cwt.) as from London to Leeds by land.]

²[Ed. 1 reads 'was'.]

³[Ed. 1 reads 'carry on together a very considerable commerce'.]

⁴[This shows a curious belief in the wave-producing capacity of the tides.]

most skilful navigators and ship-builders of those old times, attempted it, and they were for a long time the only nations that did attempt it.

Improvements first took place in Egypt,

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,¹ which, with the assistance of a little art, seem to have afforded a communication by water-carriage, not only between all the great towns, but between all the considerable villages, and even to many farm-houses in the country; nearly in the same manner as the Rhine and the Maese do in Holland at present. The extent and easiness of this inland navigation was probably one of the principal causes of the early improvement of Egypt.

Bengal and China;

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 canals² 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 antient Egyptians, nor the Indians, nor the Chinese, encouraged foreign commerce, but seem all to have derived their great opulence from this inland navigation.

while Africa, Tartary and Siberia, and also Bavaria, Austria and Hungary are backward.

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 antient 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,³ they are at too great a distance from one another to carry commerce and communication through the greater

¹[It is only in recent times that this word has become applicable especially to artificial channels; see Murray, *Oxford English Dictionary*, s.v.]

²[Ed. 1 reads 'break themselves into many canals'.]

³[The real difficulty is that the mouths of the rivers are in the Arctic Sea, so that they are separated. One of the objects of the Siberian railway is to connect them.]

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 gulphs 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 any¹ of them possessed the whole of its course till it falls into the Black Sea.²

¹[Ed. 1 reads 'any one' here.]

²[The passage corresponding to this chapter is comprised in one paragraph in *Lectures*, p. 172.]

CHAPTER IV

OF THE ORIGIN AND USE OF MONEY

Division of labour being established, every man lives by exchanging.

WHEN the division of labour has been once thoroughly established, it is but a very small part of a man's wants which the produce of his own labour can supply. He supplies the far greater part of them by exchanging that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men's labour as he has occasion for. Every man thus lives by exchanging, or becomes in some measure a merchant, and the society itself grows to be what is properly a commercial society.

Difficulties of barter lead to the selection of one commodity as money.

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

other, such as he imagined few people would be likely to refuse in exchange for the produce of their industry.¹

Many different commodities, it is probable, were successively both thought of and employed for this purpose. In the rude ages of society, cattle are said to have been the common instrument of commerce; and, though they must have been a most inconvenient one, yet in old times we find things were frequently valued according to the number of cattle which had been given in exchange for them. The armour of Diomede, says Homer, cost only nine oxen; but that of Glaucus cost an hundred oxen.² Salt is said to be the common instrument of commerce and exchanges in Abyssinia;³ a species of shells in some parts of the coast of India; dried cod at Newfoundland; tobacco in Virginia;⁴ 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.⁵

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.⁶ Metals can not only be kept with as little loss as any other commodity, scarce any thing being less perishable than they are, but they can likewise, without any loss, be divided into any number of parts, as by fusion those parts can easily be reunited again; a quality which no other equally durable commodities possess, and which more than any other quality renders them fit to be the instruments of commerce and circulation. The man who wanted to buy salt, for example, and had nothing but cattle to give in exchange for it, must have been obliged to buy salt to the

for example, cattle, salt, shells, cod, tobacco, sugar, leather and nails.

Metals were eventually preferred because durable and divisible.

¹ [The paragraph has a close resemblance to Harris, *Money and Coins*, pt. i., §§ 19, 20.]

² [*Iliad*, vi., 236: quoted with the same object in Pliny, *Hist. Nat.*, lib. xxxiii., cap. i.; Pufendorf, *De jure naturæ et gentium*, lib. v., cap. v., § 1; Martin-Leake, *Historical Account of English Money*, 2nd ed., 1745, p. 4 and elsewhere.]

³ [Montesquieu, *Esprit des lois*, liv. xxii., chap. i., note.]

⁴ [W. Douglass, *A Summary Historical and Political of the First Planting, Progressive Improvements and Present State of the British Settlements in North America*, 1760, vol. ii., p. 364. Certain law officers' fees in Washington were still computed in tobacco in 1888.—J. J. Lalor, *Cyclopædia of Political Science*, 1888, s.v. Money, p. 879.]

⁵ [Playfair, ed. *Wealth of Nations*, 1805, vol. i., p. 36, says the explanation of this is that factors furnish the nailers with materials, and during the time they are working give them a credit for bread, cheese and chandlery goods, which they pay for in nails when the iron is worked up. The fact that nails are metal is forgotten at the beginning of the next paragraph in the text above.]

⁶ [For earlier theories as to these reasons see Grotius, *De jure belli et pacis*, lib. ii., cap. xii., § 17; Pufendorf, *De jure naturæ et gentium*, lib. v., cap. i., § 13; Locke, *Some Considerations*, 2nd ed., 1696, p. 31; Law, *Money and Trade*, 1705, ch. i.; Hutcheson, *System of Moral Philosophy*, 1755, vol. ii., pp. 55, 56; Montesquieu, *Esprit des lois*, liv. xxii., ch. ii.; Cantillon, *Essai sur la Nature du Commerce en général*, 1755, pp. 153, 355-357; Harris, *Money and Coins*, pt. i., §§ 22-27, and cp. *Lectures*, pp. 182-185.]

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 antient Spartans; copper among the antient 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, an antient historian, that, till the time of Servius Tullius, the Romans had no coined money, but made use of unstamped bars of copper, to purchase whatever they had occasion for. These rude bars, therefore, performed at this time the function of money.

The use of metals in this rude state was attended with two very considerable inconveniencies; first with the trouble of weighing;² and, secondly, with that³ 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

Iron, copper, gold and silver,

were at first used in unstamped bars,

and after wards stamped to show quantity and fineness;

¹ Plin. Hist. Nat. lib. 33. cap. 3. ['Servius rex primus signavit aes. Antea rudi usus Romæ Timæus tradit.' Ed. 1 reads 'authority of one Remeus, an antient author,' Remeus being the reading in the edition of Pliny in Smith's library, cp. Bonar's *Catalogue of the Library of Adam Smith*, 1894, p. 87. Ed. 1 does not contain the note.]

² [Ed. 1 reads 'weighing them'.]

³ [Ed. 1 reads 'with the trouble'.]

and impositions, and instead of a pound weight of pure silver, or pure copper, might receive in exchange for their goods, an adulterated composition of the coarsest and cheapest materials, which had, however, in their outward appearance, been made to resemble those metals. To prevent such abuses, to facilitate exchanges, and thereby to encourage all sorts of industry and commerce, it has been found necessary, in all countries that have made any considerable advances towards improvement, to affix a public stamp upon certain quantities of such particular metals, as were in those countries commonly made use of to purchase goods. Hence the origin of coined money, and of those public offices called mints;¹ institutions exactly of the same nature with those of the aulnagers and stampmasters of woollen and linen cloth.² 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.³ 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 antient 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.⁴ This

stamps to show fineness being introduced first,

¹[Aristotle, *Politics*, 1257a, 38-41; quoted by Pufendorf, *De jure naturæ et gentium*, lib. v., cap. i., § 12.]

²[The aulnager measured woollen cloth in England under 25 Ed. III., st. 4, c. 1. See John Smith, *Chronicon Rusticum-Commerciale or Memoirs of Wool*, 1747, vol. i., p. 37. The stampmasters of linen cloth in the linen districts of Scotland were appointed under 10 Ann., c. 21, to prevent 'divers abuses and deceits' which 'have of late years been used in the manufactories of linen cloth . . . with respect to the lengths, breadths and unequal sorting of yarn, which leads to the great debasing and undervaluing of the said linen cloth both at home and in foreign parts.'—*Statutes of the Realm*, vol. ix., p. 682.]

³[Genesis xxiii. 16.]

⁴[King William the First, for the better pay of his warriors, caused the *firmes* which till his time had for the most part been answered in victuals, to be converted in *pecuniam numeratam*.—Lowndes, *Report containing an Essay for the Amendment of the Silver Coins*, 1695, p. 4. Hume, whom Adam Smith often follows, makes no such absurd statement, *History*, ed. of 1773, vol. i., pp. 225, 226.]

money, however, was, for a long time, received at the exchequer, by weight and not by tale.¹

and coinage
to show
weight later.

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

The names
of coins
originally
expressed
their weight.

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,² the Roman As or Pondo contained a Roman pound of good copper. It was divided in the same manner as our Troyes pound, into twelve ounces, each of which contained a real ounce of good copper. The English pound sterling in the time of Edward I., contained a pound, Tower weight, of silver of a known fineness. The Tower pound seems to have been something more than the Roman pound, and something less than the Troyes pound. This last was not introduced into the mint of England till the 18th of Henry VIII. The French livre contained in the time of Charlemagne a pound, Troyes weight, of silver of a known fineness. The fair of Troyes in Champaign was at that time frequented by all the nations of Europe, and the weights and measures of so famous a market were generally known and esteemed. The Scots money pound contained, from the time of Alexander the First to that of Robert Bruce, a pound of silver of the same weight and fineness with the English pound sterling. English, French, and Scots pennies too, contained all of them originally a real pennyweight of silver, the twentieth part of an ounce, and the two-hundred-and-fortieth part of a pound. The shilling too seems originally to have been the denomination of a weight. *When wheat is at twelve shillings the quarter, says an antient statute of Henry III. then wastel bread of a farthing shall weigh eleven shillings and four pence.*³ 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

¹[Lowndes, *Essay*, p. 4.]

²[Above, p. 26.]

³[The Assize of Bread and Ale, 51 Hen. III., contains an elaborate scale beginning, 'When a quarter of wheat is sold for xii d. then wastel bread of a farthing shall weigh vi l. and xvi s.' and goes on to the figures quoted in the text above. The statute is quoted at second-hand from Martin Folkes' *Table of English Silver Coins* with the same object by Harris, *Essay upon Money and Coins*, pt. i., § 29, but Harris does not go far enough in the scale to bring in the penny as a weight. As to this scale see below, pp. 179, 183.]

to have contained five, twelve, twenty, and forty pennies.¹ Among the antient Saxons a shilling appears at one time to have contained only five pennies,² and it is not improbable that it may have been as variable among them as among their neighbours, the antient Franks. From the time of Charlemagne among the French,³ and from that of William the Conqueror among the English,⁴ 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.⁵ 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.⁶ By means of those operations the princes and sovereign states which performed them were enabled, in appearance, to pay their debts and to fulfil their engagements with a smaller quantity of silver than would otherwise have been requisite. It was indeed in appearance only; for their creditors were really defrauded of a part of what was due to them. All other debtors in the state were allowed the same privilege, and might pay with the same nominal sum of the new and debased coin whatever they had borrowed in the old. Such operations, therefore, have always proved favourable to the debtor, and ruinous to the creditor, and have sometimes produced a greater and more universal revolution in the fortunes of private persons, than could have been occasioned by a very great public calamity.⁷

It is in this manner that money has become in all civilized nations

¹[Ed. 1 reads 'twenty, forty and forty-eight pennies'. Garnier, *Recherches sur la nature et les causes de la richesse des nations, par Adam Smith*, 1802, tom. v., p. 55, in a note on this passage says that the sou was always twelve deniers.]

²[Hume, *History of England*, ed. of 1773, i., p. 226. Fleetwood, *Chronicon Preciosum*, 1707, p. 30. These authorities say there were 48 shillings in the pound, so that 240 pence would still make £1.]

³[Harris, *Money and Coins*, pt. i., § 29.]

⁴[It is thought that soon after the Conquest a pound sterling was divided into twenty shillings.—Hume, *History of England*, ed. of 1773, vol. i., p. 227.]

⁵[Pliny, *Hist. Nat.*, lib. xxxiii., cap. iii.; see below, vol. II., pp. 416, 417.]

⁶[Harris, *Money and Coins*, p. i., § 30, note, makes the French livre about one seventieth part of its original value.]

⁷[The subject of debased and depreciated coinage occurs again below, pp. 36, 37, 194; vol. II., pp. 51-57, 415-418. One of the reasons why gold and silver became the most usual forms of money is dealt with below, pp. 172, 173. See Coin and Money in the index.]

the universal instrument of commerce, by the intervention of which goods of all kinds are bought and sold, or exchanged for one another.¹

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 any thing; scarce any thing can be had in exchange for it. A diamond, on the contrary, has scarce any value in use; but a very great quantity of other goods may frequently be had in exchange for it.²

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

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

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

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

I shall endeavour to explain, as fully and distinctly as I can, those three subjects in the three following chapters, for which I must very earnestly entreat both the patience and attention of the reader: his

The next inquiry is what rules determine exchangeable value.

Value may mean either value in use or value in exchange.

Three questions,

(1) wherein consists the real price of commodities,
(2) what are the different parts of this price,
(3) why the market price sometimes diverges from this price,

will be answered in the next three chapters.

¹[In *Lectures*, pp. 182-190, where much of this chapter is to be found, money is considered 'first as the measure of value and then as the medium of permutation or exchange'. Money is said to have had its origin in the fact that men naturally fell upon one commodity with which to compare the value of all other commodities. When this commodity was once selected it became the medium of exchange. In this chapter money comes into use from the first as a medium of exchange, and its use as a measure of value is not mentioned. The next chapter explains that it is vulgarly used as a measure of value because it is used as an instrument of commerce or medium of exchange.]

²[*Lectures*, p. 157. Law, *Money and Trade*, 1705, ch. i (followed by Harris, *Money and Coins*, pt. i., § 3), contrasts the value of water with that of diamonds. The cheapness of water is referred to by Plato, *Euthydem.* 304 B., quoted by Pufendorf, *De jure natura et gentium*, lib. v., cap. i., § 6; cp. Barbeyrac's note on § 4.]

patience in order to examine a detail which may perhaps in some places appear unnecessarily tedious ; and his attention in order to understand what may, perhaps, after the fullest explication which I am capable of giving of it, appear still in some degree obscure. I am always willing to run some hazard of being tedious in order to be sure that I am perspicuous ; and after taking the utmost pains that I can to be perspicuous, some obscurity may still appear to remain upon a subject¹ in its own nature extremely abstracted.

¹[Ed. 1 reads 'subject which is'.]

CHAPTER VIII

OF THE WAGES OF LABOUR

Produce is the natural wages of labour. Originally the whole belonged to the labourer.

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

In that original state of things, which precedes both the appropriation of land and the accumulation of stock, the whole produce of labour belongs to the labourer.¹ He has neither landlord nor master to share with him.

If this had continued, all things would have become cheaper,

Had this state continued, the wages of labour would have augmented with all those improvements in its productive powers, to which the division of labour gives occasion. All things would gradually have become cheaper.² They would have been produced by a smaller quantity of labour; and as the commodities produced by equal quantities of labour would naturally in this state of things be exchanged for one another, they would have been purchased likewise with the produce of a smaller quantity.

though in appearance many things might have become dearer.

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.³ Let us suppose, for example, that in the greater part of employments the productive powers of labour had been improved to tenfold, or that a day's labour could produce ten times the quantity of work which it had done originally; but that in a particular employment they had been improved only to double, or that a day's labour could produce only twice the quantity of work which it had done before. In exchanging the produce of a day's labour in the greater part of employments, for that of a day's labour in this particular one, ten times the original quantity of

¹[The same nine words occur above, p. 49, in ed. 2 and later eds.]

²[The word 'cheaper' is defined by the next sentence as 'produced by a smaller quantity of labour'.]

³[It would be less confusing if the sentence ran: 'But though all things would have become cheaper in the sense just attributed to the word, yet in the sense in which the words cheaper and dearer are ordinarily used many things might have become dearer than before.']

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.¹ In reality,² however, it would be twice as cheap. Though it required five times the quantity of other goods to purchase it, it would require only half the quantity of labour either to purchase or to produce it. The acquisition, therefore, would be twice as easy³ as before.

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

As soon as land becomes private property, the landlord demands a share of almost all the produce which⁴ the labourer can either raise, or collect from it. His rent makes the first deduction from the produce of the labour which is employed upon land.

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

The produce of almost all other labour is liable to the like deduction of profit. In all arts and manufactures the greater part of the workmen stand in need of a master to advance them the materials of their work, and their wages and maintenance till it be compleated.⁵ He shares in the produce of their labour, or in the value which it adds to the materials upon which it is bestowed; and in this share consists his profit.⁶

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 compleated. He is both master and work-

This state was ended by the appropriation of land and accumulation of stock,

rent being the first deduction,

and profit the second, both in agriculture,

and other arts and manufactures.

The independent workman gets profits

¹ [*I.e.*, 'would in the ordinary sense of the word be five times dearer than before'.]

² [*I.e.*, 'in the sense attributed to the word above'.]

³ [If the amount of labour necessary for the acquisition of a thing measures its value, 'twice as cheap' means simply, twice as easy to acquire.]

⁴ [Ed. 1 reads 'of whatever produce'.]

⁵ [The provision of tools to work with and buildings to work in is forgotten.]

⁶ [Cp. with this account that given at the beginning of chap. vi., pp. 49, 50 above.]

as well as
wages,

man, and enjoys the whole produce of his own labour, or the whole value which it adds to the materials upon which it is bestowed. It includes what are usually two distinct revenues, belonging to two distinct persons, the profits of stock, and the wages of labour.

but this case
is infre-
quent.

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

Wages de-
pend on
contract be-
tween mas-
ters and
workmen.

What are the common wages of labour, depends every where upon the contract usually made between those two parties, whose interests are by no means the same. The workmen desire to get as much, the masters to give as little as possible. The former are disposed to combine in order to raise, the latter in order to lower the wages of labour.

The masters
have the ad-
vantage.

It is not, however, difficult to foresee which of the two parties must, upon all ordinary occasions, have the advantage in the dispute, and force the other into a compliance with their terms. The masters, being fewer in number, can combine much more easily; and the law, besides, authorises, or at least does not prohibit their combinations,¹ while it prohibits those of the workmen.² 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.

though less
is heard of
masters'
combina-
tions than of
workmen's.

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 every where in a sort of tacit, but constant and uniform combination, not to raise the wages of labour above their actual rate. To violate this combination is every where a most unpopular action, and a sort of reproach to a master among his neighbours and equals. We seldom, indeed, hear of this

¹[Ed. 1 reads, 'The masters being fewer in number can not only combine more easily, but the law authorises their combinations, or at least does not prohibit them'.]

²[*E.g.*, 7 Geo. I., stat. 1, c. 13, as to London tailors; 12 Geo. I., c. 34, as to woolcombers and weavers; 12 Geo. I., c. 35, as to brick and tile makers within fifteen miles of London; 22 Geo. II., c. 27, § 12, as to persons employed in the woollen manufacture and many others.]

combination, because it is the usual, and one may say, the natural state of things which nobody ever hears of. Masters too sometimes enter into particular combinations to sink the wages of labour even below this rate. These are always conducted with the utmost silence and secrecy, till the moment of execution, and when the workmen yield, as they sometimes do, without resistance, though severely felt by them, they are never heard of by other people. Such combinations, however, are frequently resisted by a contrary defensive combination of the workmen; who sometimes too, without any provocation of this kind, combine of their own accord to raise the price of their labour. Their usual pretences¹ are, sometimes the high price of provisions; sometimes the great profit which their masters make by their work. But whether their combinations be offensive or defensive, they are always abundantly heard of. In order to bring the point to a speedy decision, they have always recourse to the loudest clamour, and sometimes to the most shocking violence and outrage. They are desperate, and act with the folly and extravagance of desperate men, who must either² starve, or frighten their masters into an immediate compliance with their demands. The masters upon these occasions are just as clamorous upon the other side, and never cease to call aloud for the assistance of the civil magistrate, and the rigorous execution of those laws which have been enacted with so much severity against the combinations of servants, labourers, and journeymen. The workmen, accordingly, very seldom derive any advantage from the violence of those tumultuous combinations, which, partly from the interposition of the civil magistrate, partly from the superior steadiness of the masters, partly from the necessity which the greater part of the workmen are under of submitting for the sake of present subsistence, generally end in nothing, but the punishment or ruin of the ring-leaders.

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

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

But masters cannot reduce wages below a certain rate,

namely, subsistence for a man and something over for a family

¹ [The word is used as elsewhere in Adam Smith without the implication of falsity now attached to it: a pretence is simply something put forward.]

² [Ed. 1 does not contain 'either'.]

generation. Mr. Cantillon seems, upon this account, to suppose that the lowest species of common labourers must every where earn at least double their own maintenance, in order that one with another they may be enabled to bring up two children; the labour of the wife, on account of her necessary attendance on the children, being supposed no more than sufficient to provide for herself.¹ But one-half the children born, it is computed, die before the age of manhood.² The poorest labourers, therefore, according to this account, must, one with another, attempt to rear at least four children, in order that two may have an equal chance of living to that age. But the necessary maintenance of four children, it is supposed, may be nearly equal to that of one man. The labour of an able-bodied slave, the same author adds, is computed to be worth double his maintenance; and that of the meanest labourer, he thinks, cannot be worth less than that of an able-bodied slave. Thus far at least seems certain, that, in order to bring up a family, the labour of the husband and wife together must, even in the lowest species of common labour, be able to earn something more than what is precisely necessary for their own maintenance; but in what proportion, whether in that above mentioned, or in any other, I shall not take upon me to determine.³

Wages may be considerably above this rate,

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

when there is an increasing demand for labourers,

When in any country the demand for those who live by wages; labourers, journeymen, servants of every kind, is continually increasing; when every year furnishes employment for a greater number than had been employed the year before, the workmen have no occasion to combine in order to raise their wages. The scarcity of hands occasions a competition among masters, who bid against one another, in order to get workmen,⁴ and thus voluntarily break through the natural combination of masters not to raise wages.

which is caused by an increase of the funds

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

¹[*Essai sur la nature du commerce en général*, 1755, pp. 42-47. The 'seems' is not meaningless, as Cantillon is unusually obscure in the passage referred to. It is not clear whether he intends to include the woman's earnings or not.]

²[*I.e.*, before completing their seventeenth year, as stated by Dr. Halley, quoted by Cantillon, *Essai*, pp. 42, 43.]

³[Cantillon himself, p. 44, says: 'C'est une matière qui n'admet pas un calcul exact, et dans laquelle la précision n'est pas même fort nécessaire, il suffit qu'on ne s'y éloigne pas beaucoup de la réalité.']

⁴[Ed. 1 reads 'them'.]

the payment of wages. These funds are of two kinds ; first, the revenue which is over and above what is necessary for the maintenance ;¹ and, secondly, the stock which is over and above what is necessary for the employment of their masters.

destined for the payment of wages. The funds consist of

When the landlord, annuitant, or monied man, has a greater revenue than what he judges sufficient to maintain his own family, he employs either the whole or a part of the surplus in maintaining one or more menial servants.² Increase this surplus, and he will naturally increase the number of those servants.

surplus revenue,

When an independent workman, such as a weaver or shoe-maker, 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.

and surplus stock.

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.³ The demand for those who live by wages, therefore, naturally increases with the increase of national wealth, and cannot possibly increase without it.

The demand for labourers therefore increases with the increase of national wealth.

It is not the actual greatness of national wealth, but its continual increase, which occasions a rise in the wages⁴ of labour. It is not, accordingly, in the richest countries, but in the most thriving, or in those which are growing rich the fastest, that the wages of labour are highest. England is certainly, in the present times, a much richer⁵ country than any part of North America. The wages of labour, however, are much higher in North America than in any part of England. In the province of New York, common labourers earn⁶ three shillings and sixpence currency, equal to two shillings sterling, a day ; ship carpenters, ten shillings and sixpence currency, with a

High wages are occasioned by the increase, not by the actual greatness of national wealth.

¹ [There is no attempt to define ' maintenance,' and consequently the division of a man's revenue into what is necessary for his maintenance and what is over and above is left perfectly vague.]

² [It seems to be implied here that keeping a menial servant, even to perform the most necessary offices (*e.g.*, to nurse the infant child of a widower), is not ' maintaining ' a family.]

³ [Above, p. 1, the wealth of a nation was treated as synonymous with its annual produce, and there has been hitherto no suggestion that its stock must be considered.]

⁴ [Apparently this is a slip for ' occasions high wages'. At any rate the next sentences require this assertion and not that actually made.]

⁵ [The method of calculating wealth by the amount of annual produce per head adopted above, p. 1, is departed from here and below, p. 73, and frequently in later passages, in favour of the calculation by amount of capital wealth.]

⁶ This was written in 1773, before the commencement of the late disturbances. [Ed. 1 does not contain this note ; eds. 2 and 3 read ' present disturbances '.]

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

North
America is
more thriving
than
England.

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.¹ 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. Labour is there so well rewarded that a numerous family of children, instead of being a burthen is a source of opulence and prosperity to the parents. The labour of each child, before it can leave their house, is computed to be worth a hundred pounds clear gain to them. A young widow with four or five young children, who, among the middling or inferior ranks of people in Europe, would have so little chance for a second husband, is there frequently courted as a sort of fortune. The value of children is the greatest of all encouragements to marriage. We cannot, therefore,

¹[Petty, *Political Arithmetic*, 1699, p. 18, made the period for England 360 years. Gregory King, quoted by Davenant, *Works*, ed. Whitworth, 1771, vol. ii., p. 176, makes it 435 years in the past and probably 600 in the future. In 1703 the population of Virginia was 60,000, in 1755 it was 300,000, and in 1765 it was 500,000, 'by which they appear to have doubled their numbers every twenty years as high as may be'.—*The Present State of Great Britain and North America with regard to Agriculture, Population, Trade and Manufactures*, 1767, p. 22, note. 'The original number of persons who in 1643 had settled in New England was 21,200. Ever since, it is reckoned that more have left them than have gone to them. In the year 1760 they were increased to half a million. They have therefore all along doubled their own number in twenty-five years.'—Richard Price, *Observations on Reversionary Payments*, etc., 1771, pp. 204, 205. The statement as to America is repeated below, p. 390.]

wonder that the people in North America should generally marry very young. Notwithstanding the great increase occasioned by such early marriages, there is a continual complaint of the scarcity of hands in North America. The demand for labourers, the funds destined for maintaining them, increase, it seems, still faster than they can find labourers to employ.

Though the wealth of a country should be very great, yet if it has been long stationary, we must not expect to find the wages of labour very high in it. The funds destined for the payment of wages, the revenue and stock of its inhabitants, may be of the greatest extent; but if they have continued for several centuries of the same, or very nearly of the same extent, the number of labourers employed every year could easily supply, and even more than supply, the number wanted the following year. There could seldom be any scarcity of hands, nor could the masters be obliged to bid against one another in order to get them. The hands, on the contrary, would, in this case, naturally multiply beyond their employment. There would be a constant scarcity of employment, and the labourers would be obliged to bid against one another in order to get it. If in such a country the wages of labour had ever been more than sufficient to maintain the labourer, and to enable him to bring up a family, the competition of the labourers and the interest of the masters would soon reduce them to this lowest rate which is consistent with common humanity. China has been long one of the richest, that is, one of the most fertile, best cultivated, most industrious, and most populous countries in the world.¹ It seems, however, to have been long stationary. Marco Polo, who visited it more than five hundred years ago,² describes its cultivation, industry, and populousness, almost in the same terms in which they are described by travellers in the present times. It had perhaps, even long before his time, acquired that full complement of riches which the nature of its laws and institutions permits it to acquire. The accounts of all travellers, inconsistent in many other respects, agree in the low wages of labour, and in the difficulty which a labourer finds in bringing up a family in China. If by digging the ground a whole day he can get what will purchase a small quantity of rice in the evening, he is contented. The condition of artificers is, if possible, still worse. Instead of waiting indolently in their work-houses, for the calls of their customers, as in Europe, they are continually running about the streets

Wages are not high in a stationary country however rich.

¹ [Here we have a third method of calculating the riches or wealth of a country, namely by the amount of produce per acre. For other references to this 'wealth' of China see the index, *s.v.* China.]

² [The date of his arrival was 1275.]

with the tools of their respective trades, offering their service, and as it were begging employment.¹ The poverty of the lower ranks of people in China far surpasses that of the most beggarly nations in Europe. In the neighbourhood of Canton many 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 carcase 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.²

China is not going backwards and labourers there keep up their numbers.

China, however, though it may perhaps stand still, does not seem to go backwards. Its towns are no-where deserted by their inhabitants. The lands which had once been cultivated are no-where neglected. The same or very nearly the same annual labour must therefore continue to be performed, and the funds destined for maintaining it must not, consequently, be sensibly diminished. The lowest class of labourers, therefore, notwithstanding their scanty subsistence, must some way or another make shift to continue their race so far as to keep up their usual numbers.

In a declining

But it would be otherwise in a country where the funds destined for

¹['Les artisans courent les villes du matin au soir pour chercher pratique,' Quesnay, *Éphémérides du citoyen*, Mars, 1767; in *Œuvres*, ed. Oncken, 1888, p. 581.]

²['Cependant quelque sobre et quelque industrieux que soit le peuple de la Chine, le grand nombre de ses habitants y cause beaucoup de misère. On en voit de si pauvres, que ne pouvant fournir à leurs enfants les aliments nécessaires, ils les exposent dans les rues, surtout lorsque les mères tombent malades, ou qu'elles manquent de lait pour les nourrir. Ces petits innocents sont condamnés en quelque manière à la mort presque au même instant qu'ils ont commencé de vivre: cela frappe dans les grandes villes, comme Peking, Canton; car dans les autres villes à peine s'en aperçoit-on.

'C'est ce qui a porté les missionnaires à entretenir dans ces endroits très peuplés, un nombre de catéchistes, qui en partagent entre eux tous les quartiers, et les parcourent tous les matins, pour procurer la grâce du baptême à une multitude d'enfants moribonds.

'Dans la même vue on a quelquefois gagné des sages-femmes infidèles afin qu'elles permettent à des filles chrétiennes de les suivre dans les différentes maisons où elles sont appelées: car il arrive quelquefois que les Chinois se trouvant hors d'état de nourrir une nombreuse famille, engagent ces sages-femmes à étouffer dans un bassin plein d'eau les petites filles aussitôt qu'elles sont nées; ces chrétiennes ont soin de les baptiser, et par ce moyen ces tristes victimes de l'indigence de leurs parents trouvent la vie éternelle dans ces mêmes eaux, qui leur ravissent une vie courte et périssable.'—Du Halde, *Description géographique, historique, chronologique, politique et physique de l'empire de la Chine et de la Tartarie chinoise*, 1735, tom. ii., pp. 73, 74. The statement in the text above that drowning babies is a special business is possibly founded on a mistranslation of 'sages-femmes'.]

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

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

In Great Britain the wages of labour seem, in the present times, to be evidently more than what is precisely necessary to enable the labourer to bring up a family. In order to satisfy ourselves upon this point it will not be necessary to enter into any tedious or doubtful calculation of what may be the lowest sum upon which it is possible to do this. There are many plain symptoms that the wages of labour are no-where in this country regulated by this lowest rate which is consistent with common humanity.

country this would not be the case.

In Great Britain wages are above the lowest rate,

since (1)
there is a
difference
between
winter and
summer
wages,

First, in almost every part of Great Britain there is a distinction, even in the lowest species of labour, between summer and winter wages. Summer wages are always highest. But on account of the extraordinary expence of fuel, the maintenance of a family is most expensive in winter. Wages, therefore, being highest when this expence is lowest, it seems evident that they are not regulated by what is necessary for this expence ; but by the quantity and supposed value of the work. A labourer, it may be said indeed, ought to save part of his summer wages in order to defray his winter expence ; 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.

(2) wages do
not fluctuate
with the
price of pro-
visions,

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

(3) wages
vary more
from place
to place than
the price of
provisions,

Thirdly, as the price of provisions varies more from year to year than the wages of labour, so, on the other hand, the wages of labour vary more from place to place than the price of provisions. The prices of bread and butcher's meat are generally the same or very nearly the same through the greater part of the united kingdom. These and most other things which are sold by retail, the way in which the labouring poor buy all things, are generally fully as cheap or cheaper in great towns than in the remoter parts of the country, for reasons which I shall have occasion to explain hereafter.¹ But the wages of labour in a great town and its neighbourhood are frequently a fourth or a fifth part, twenty or five-and-twenty per cent. higher than at a few miles distance. Eighteen pence a day may be reckoned the common price of labour in London and its neighbourhood. At a few miles distance it falls to fourteen and fifteen pence. Ten pence may be reckoned its price in Edinburgh

¹ [Below, p. 114.]

and its neighbourhood. At a few miles distance it falls to eight pence, the usual price of common labour through the greater part of the low country of Scotland, where it varies a good deal less than in England.¹ 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 labouring poor, therefore, can maintain their families in those parts of the kingdom where the price of labour is lowest, they must be in affluence where it is highest.

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

Grain, the food of the common people, is dearer in Scotland than in England, whence Scotland receives almost every year very large supplies. But English corn must be sold dearer in Scotland, the country to which it is brought, than in England, the country from which it comes; and in proportion to its quality it cannot be sold dearer in Scotland than the Scotch corn that comes to the same market in competition with it. The quality of grain depends chiefly upon the quantity of flour or meal which it yields at the mill, and in this respect English grain is so much superior to the Scotch, that, though often dearer in appearance, or in proportion to the measure of its bulk, it is generally cheaper in reality, or in proportion to its quality, or even to the measure of its weight. The price of labour, on the contrary, is dearer in England than in Scotland. If the labouring poor, therefore, can maintain their families in the one part of the united kingdom, they must be in affluence in the other. Oatmeal indeed supplies the common people in Scotland with the greatest and the best part of their food, which is in general much inferior to that of their neighbours of the same rank in England.² 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

and (4) frequently wages and the price of provisions vary in opposite directions, as grain is cheaper and wages are higher in England than in Scotland;

¹[The difference between England and Scotland in this respect is attributed to the English law of settlement below, p. 142.]

²[The inferiority of oatmeal is again insisted on below, p. 161.]

not because one man keeps a coach while his neighbour walks a-foot, that the one is rich and the other poor; but because the one is rich he keeps a coach, and because the other is poor he walks a-foot.

and in last century grain was dearer and wages were lower than in this;

During the course of the last century, taking one year with another, grain was dearer in both parts of the united kingdom than during that of the present. This is a matter of fact which cannot now admit of any reasonable doubt; and the proof of it is, if possible, still more decisive with regard to Scotland than with regard to England. It is in Scotland supported by the evidence of the public fiars, annual valuations made upon oath, according to the actual state of the markets, of all the different sorts of grain in every different county of Scotland. If such direct proof could require any 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.¹ But though it is certain that in both parts of the united kingdom grain was somewhat dearer in the last century than in the present, it is equally certain that labour was much cheaper. If the labouring poor, therefore, could bring up their families then, they must be much more at their ease now. In the last century, the most usual day-wages of common labour through the greater part of Scotland were sixpence in summer and five-pence in winter. Three shillings a week, the same price very nearly, still continues to be paid in some parts of the Highlands and Western Islands. Through the greater part of the low country the most usual wages of common labour are now eight-pence a day; ten-pence, sometimes a shilling about Edinburgh, in the counties which border upon England, probably on account of that neighbourhood, and in a few other places where there has lately been a considerable rise in the demand for labour, about Glasgow, Carron, Ayr-shire, &c. In England the improvements of agriculture, manufactures and commerce began much earlier than in Scotland. The demand for labour, and consequently its price, must necessarily have increased with those improvements. In the last century, accordingly, as well as in the present, the wages of labour were higher in England than in Scotland. They have risen too considerably since that time, though, on account of the greater variety of wages paid there in different places, it is more difficult to ascertain how much. In 1614, the pay of a foot soldier was the same as in the present times, eight pence a day.² When it

¹ [Authorities are quoted below, pp. 239, 240.]

² [Hume, *History*, ed. of 1773, vol. vi., p. 178, quoting Rymer's *Foedera*, tom. xvi., p. 717. This was for service in Germany.]

was first established it would naturally be regulated by the usual wages of common labourers, the rank of people from which foot soldiers are commonly drawn. Lord Chief Justice Hales,¹ who wrote in the time of Charles II. computes the necessary expence of a labourer's family, consisting of six persons, the father and mother, two children able to do something, and two not able, at ten shillings a week, or twenty-six pounds a year. If they cannot earn this by their labour, they must make it up, he supposes, either by begging or stealing. He appears to have enquired very carefully into this subject.² In 1688, Mr. Gregory King, whose skill in political arithmetic is so much extolled by Doctor Davenant,³ computed the ordinary income of labourers and out-servants to be fifteen pounds a year to a family, which he supposed to consist, one with another, of three and a half persons.⁴ His calculation, therefore, though different in appearance, corresponds very nearly at bottom with that of judge Hales. Both suppose the weekly expence of such families to be about twenty pence a head. Both the pecuniary income and expence 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 any where so much as some exaggerated accounts of the present wages of labour have lately represented them to the public. The price of labour, it must be observed, cannot be ascertained very accurately any where, different prices being often paid at the same place and for the same sort of labour, not only according to the different abilities of the workmen, but according to the easiness or hardness of the masters. Where wages are not regulated by law, all that we can pretend to determine is what are the most usual; and experience seems to show that law can never regulate them properly, though it has often pretended to do so.

The real recompence of labour, the real quantity of the necessaries and conveniencies of life which it can procure to the labourer, has, during the course of the present century, increased perhaps in a still greater proportion than its money price. Not only grain has become somewhat cheaper, but many other things, from which the industrious poor derive an agreeable and wholesome variety of food, have become

while other
necessaries
and con-
veniencies
have also
become
cheaper.

¹[Sir Matthew Hale.]

²See his scheme for the maintenance of the Poor, in Burn's History of the Poor-laws. [This note appears first in ed. 2. Hale's *Discourse Touching Provision for the Poor* was printed in 1683. It contains no internal evidence of the careful inquiry attributed to it above.]

³[Davenant, *Essay upon the probable Methods of Making a People Gainers in the Balance of Trade*, 1699, pp. 15, 16; in *Works*, ed. Whitworth, vol. ii., p. 175.]

⁴[Scheme D in Davenant, *Balance of Trade*, in *Works* Scheme B, vol. ii., p. 184. See below, p. 196, note.]

a great deal cheaper. Potatoes, for example, do not at present, through the greater part of the kingdom, cost half the price which they used to do thirty or forty years ago. The same thing may be said of turnips, carrots, cabbages; things which were formerly never raised but by the spade, but which are now commonly raised by the plough. All sort of garden stuff too has become cheaper. The greater part of the apples and even of the onions consumed in Great Britain were in the last century imported from Flanders. The great improvements in the coarser manufactures of both linen and woollen cloth furnish the labourers with cheaper and better cloathing; and those in the manufactures of the coarser metals, with cheaper and better instruments of trade, as well as with many agreeable and convenient pieces of household furniture. Soap, salt, candles, leather, and fermented liquors, have, indeed, become a good deal dearer; chiefly from the taxes which have been laid upon them. The quantity of these, however, which the labouring poor are under any necessity of consuming, is so very small, that the increase in their price does not compensate the diminution in that of so many other things. The common complaint that luxury extends itself even to the lowest ranks of the people, and that the labouring poor will not now be contented with the same food, cloathing and lodging which satisfied them in former times, may convince us that it is not the money price of labour only, but its real recompence, which has augmented.

High earnings of labour are an advantage to the society.

Is this improvement in the circumstances of the lower ranks of the people to be regarded as an advantage or as an inconveniency to the society? ¹ The answer seems at first sight abundantly plain. Servants, labourers and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, cloathed and lodged.

Poverty does not prevent births

Poverty, though it no doubt discourages, does not always prevent marriage. It seems even to be favourable to generation. A half-

¹[Berkeley, *Querist*, 5th ed., 1752, qu. 2, asks 'whether a people can be called poor where the common sort are well fed, clothed and lodged'. Hume, 'On Commerce,' says: 'The greatness of a state and the happiness of its subjects, however independent they may be supposed in some respects, are commonly allowed to be inseparable with regard to commerce.'—*Political Discourses*, 1752, p. 4.]

starved Highland woman frequently bears more than twenty children, while a pampered fine lady is often incapable of bearing any, and is generally exhausted by two or three. Barrenness, so frequent among women of fashion, is very rare among those of inferior station. Luxury in the fair sex, while it inflames perhaps the passion for enjoyment, seems always to weaken, and frequently to destroy altogether, the powers of generation.

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

but is unfavourable to the rearing of children,

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

and so restrains multiplication,

The liberal reward of labour, by enabling them to provide better for their children, and consequently to bring up a greater number, naturally tends to widen and extend those limits. It deserves to be remarked too, that it necessarily does this as nearly as possible in the proportion which the demand for labour requires.¹ If this demand is

while the liberal reward of labour encourages it,

¹ [Cantillon, *Essai*, pt. 1., ch. ix., title, 'Le nombre de laboureurs, artisans et autres qui travaillent dans un état se proportionne naturellement au besoin qu'on en a.']

continually increasing, the reward of labour must necessarily encourage in such a manner the marriage and multiplication of labourers, as may enable them to supply that continually increasing demand by a continually increasing population. If the reward¹ should at any time be less than what was requisite for this purpose, the deficiency of hands would soon raise it; and if it should at any time be more, their excessive multiplication would soon lower it to this necessary rate. The market would be so much under-stocked with labour in the one case, and so much over-stocked in the other, as would soon force back its price to that proper rate which the circumstances of the society required. It is in this manner that the demand for men, like that for any other commodity, necessarily regulates the production of men; quickens it when it goes on too slowly, and stops it when it advances too fast. It is this demand which regulates and determines the state of propagation in all the different countries of the world, in North America, in Europe, and in China; which renders it rapidly progressive in the first, slow and gradual in the second, and altogether stationary in the last.²

as the wear and tear of the free man must be paid for just like that of the slave, though not so extravagantly.

The wear and tear³ of a slave, it has been said, is at the expence of his master; but that of a free servant is at his own expence. The wear and tear of the latter, however, is, in reality, as much at the expence 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 expence 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 oeconomy 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

¹[Ed. 1 reads 'If it'.]

²[Berkeley, *Querist*, qu. 62, asks 'whether a country inhabited by people well fed, clothed and lodged would not become every day more populous? And whether a numerous stock of people in such circumstances would not constitute a flourishing nation?']

³[Ed. 1 reads 'tear and wear' here and in the three other cases where the phrase is used on this page.]

purpose must require very different degrees of expence to execute it. It appears, accordingly, from the experience of all ages and nations, I believe, that the work done by freemen comes cheaper in the end than that performed by slaves. It is found to do so even at Boston, New York, and Philadelphia, where the wages of common labour are so very high.

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

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

The liberal reward of labour, as it encourages the propagation, so it increases the industry of the common people. The wages of labour are the encouragement of industry, which, like every other human quality, improves in proportion to the encouragement it receives. A plentiful subsistence increases the bodily strength of the labourer, and the comfortable hope of bettering his condition, and of ending his days perhaps in ease and plenty, animates him to exert that strength to the utmost. Where wages are high, accordingly, we shall always find the workmen more active, diligent, and expeditious, than where they are low; in England, for example, than in Scotland; in the neighbourhood of great towns, than in remote country places. Some workmen, indeed, when they can earn in four days what will maintain them through the week, will be idle the other three. This, however, is by no means the case with the greater part.¹ Workmen, on the contrary, when they are liberally paid by the piece, are very apt to over-work themselves, and to ruin their health and constitution in a few years. A carpenter in London, and in some other places, is not supposed to last in his utmost vigour above eight years. Something of the same kind happens in many other trades, in which the workmen are paid by the piece; as they generally are in manufactures, and even in country labour, wherever wages are higher than ordinary. Almost every class of artificers is subject to some peculiar infirmity occasioned

High wages increase population.

The progressive state is the best for the labouring poor

High wages encourage industry.

¹[This is a more favourable view than that taken in *Lectures*, p. 257.]

by excessive application to their peculiar species of work. Ramuzzini, an eminent Italian physician, has written a particular book concerning such diseases.¹ 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 over-work themselves, and to hurt their health by excessive labour. Excessive application during four days of the week, is frequently the real cause of the idleness of the other three, so much and so loudly complained of. Great labour, either of mind or body, continued for several days together, is in most men naturally followed by a great desire of relaxation, which, if not restrained by force or by some 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 frequently 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.

The opinion that cheap years encourage idleness is erroneous.

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.

¹[*De morbis artificum diatriba*, 1700, translated into English (*A Treatise on the Diseases of Tradesmen*) by R. James, 1746.]

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

Wages are high 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.

and low in dear years,

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

so that masters commend dear years.

Messance shows that in some French manufactures more is produced in cheap years.

A French author of great knowledge and ingenuity, Mr. Messance, receiver of the *tailles*¹ in the election of St. Etienne, endeavours to show that the poor do more work in cheap than in dear years, by comparing the quantity and value of the goods made upon those different occasions in three different manufactures; one of coarse woollens carried on at Elbeuf; one of linen, and another of silk, both which extend through the whole generality of Rouen.² It appears from his account, which is copied from the registers of the public offices, that the quantity and value of the goods made in all those three manufactures has generally been greater in cheap than in dear years; and that it has always been greatest in the cheapest, and least in the dearest years. All the three seem to be stationary manufactures, or which, though their produce may vary somewhat from year to year, are upon the whole neither going backwards nor forwards.

No connexion is visible between dearness or cheapness of the years and the variations in Scotch linen and Yorkshire woollen manufactures

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 advance³ ever since.

The produce depends on other circumstances, and more of it escapes being reckoned in cheap years

The produce of all great manufactures for distant sale must necessarily depend, not so much upon the dearness or cheapness of the seasons in the countries where they are carried on, as upon the circumstances which affect the demand in the countries where they are consumed; upon peace or war, upon the prosperity or declension of other rival manufactures, and upon the good or bad humour of their principal customers. A great part of the extraordinary work, besides, which is probably done in cheap years, never enters the public registers of manufactures. The men servants who leave their masters become

¹ [Misprinted 'tailles' in eds. 3-5.]

² [*Recherches sur la population des généralités d'Auvergne, de Lyon, de Rouen, et de quelques provinces et villes du royaume, avec des réflexions sur la valeur du bled tant en France qu'en Angleterre, depuis 1674 jusqu'en 1764*, par M. Messance, receveur des *tailles* de l'élection de Saint-Etienne, 1766, pp. 287-292, 305-308.]

³ [Ed. 1 reads 'continued to do so'.]

independent labourers. The women return to their parents, and commonly spin in order to make cloaths for themselves and their families. Even the independent workmen do not always work for public sale, but are employed by some of their neighbours in manufactures for family use. The produce of their labour, therefore, frequently makes no figure in those public registers of which the records are sometimes published with so much parade, and from which our merchants and manufacturers would often vainly pretend to announce the prosperity or declension of the greatest empires.

Though the variations in the price of labour, not only do not always correspond with those in the price of provisions, but are frequently quite opposite, we must not, upon this account, imagine that the price of provisions has no influence upon that of labour. The money price of labour is necessarily regulated by two circumstances; the demand for labour, and the price of the necessaries and conveniencies of life. The demand for labour, according as it happens to be increasing, stationary, or declining, or to require an increasing, stationary, or declining population, determines the quantity of the necessaries and conveniencies of life which must be given to the labourer; and the money price of labour is determined by what is requisite for purchasing this quantity. Though the money price of labour, therefore, is sometimes high where the price of provisions is low, it would be still higher, the demand continuing the same, if the price of provisions was high.

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

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

The contrary of this happens in a year of sudden and extraordinary scarcity. The funds destined for employing industry are less than they had been the year before. A considerable number of people are thrown out of employment, who bid against one another, in order to get it, which sometimes lowers both the real and the money price of labour. In 1740, a year of extraordinary scarcity, many people were

There is, however, a connexion between the price of labour and that of provisions.

In years of plenty there is a greater demand for labour,

and in years of scarcity a less demand,

willing to work for bare subsistence. In the succeeding years of plenty, it was more difficult to get labourers and servants.

and the effect of variations in the price of provisions, is thus counter-balanced.

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

Increase of wages increases prices, but the cause of increased wages tends to diminish prices.

The increase in the wages of labour necessarily increases the price of many commodities, by increasing that part of it which resolves itself into wages, and so far tends to diminish their consumption both at home and abroad. The same cause, however, which raises the wages of labour, the increase of stock, tends to increase its productive powers, and to make a smaller quantity of labour produce a greater quantity of work. The owner of the stock which employs a great number of labourers, necessarily endeavours, for his own advantage, to make such a proper division and distribution of employment, that they may be enabled to produce the greatest quantity of work possible. For the same reason, he endeavours to supply them with the best machinery which either he or they can think of. What takes place among the labourers in a particular workhouse, takes place, for the same reason, among those of a great society. The greater their number, the more they naturally divide themselves into different classes and subdivisions of employment. More heads are occupied in inventing the most proper machinery for executing the work of each, and it is, therefore, more likely to be invented. There are many commodities, therefore, which, in consequence of these improvements, come to be produced by so much less labour than before, that the increase of its price is more than compensated by the diminution of its quantity.¹

¹[Ed. 1 reads 'that the increase of its price does not compensate the diminution of its quantity'. The meaning is that the increase in the amount paid for a given quantity of labour is more than counterbalanced by the diminution in the quantity required. The statement is repeated below, p. 242.]

London is obliged to hire a whole house in that part of the town where his customers live. His shop is upon the ground-floor, and he and his family sleep in the garret; and he endeavours to pay a part of his house-rent by letting the two middle stories to lodgers. He expects to maintain his family by his trade, and not by his lodgers. Whereas, at Paris and Edinburgh, the people who let lodgings have commonly no other means of subsistence; and the price of the lodging must pay, not only the rent of the house, but the whole expence of the family.

PART II

Inequalities occasioned by the Policy of Europe

SUCH are the inequalities in the whole of the advantages and disadvantages of the different employments of labour and stock, which the defect of any of the three requisites above-mentioned must occasion, even where there is the most perfect liberty. But the policy of Europe, by not leaving things at perfect liberty, occasions other inequalities of much greater importance.

It does this chiefly in the three following ways. First, by restraining the competition in some employments to a smaller number than would otherwise be disposed to enter into them; secondly, by increasing it in others beyond what it naturally would be; and, thirdly, by obstructing the free circulation of labour and stock, both from employment to employment and from place to place.

First, The policy of Europe occasions a very important inequality in the whole of the advantages and disadvantages of the different employments of labour and stock, by restraining the competition in some employments to a smaller number than might otherwise be disposed to enter into them.

The exclusive privileges of corporations are the principal means it makes use of for this purpose.

The exclusive privilege of an incorporated trade necessarily restrains the competition, in the town where it is established, to those who are free of the trade. To have served an apprenticeship in the town, under a master properly qualified, is commonly the necessary requisite for obtaining this freedom. The bye-laws of the corporation regulate sometimes the number of apprentices which any master is allowed to have, and almost always the number of years which each apprentice is obliged to serve. The intention of both regulations is to restrain the

The policy of Europe occasions more important inequalities

in three ways:

(1) It restricts competition in some employments,

principally by giving exclusive privileges to corporations, which require long apprenticeship and limit the number of apprentices.

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 expence of education.

In Sheffield no master cutler can have more than one apprentice at a time, by a bye-law of the corporation. In Norfolk and Norwich no master weaver can have more than two apprentices, under pain of forfeiting five pounds a month to the king.¹ No master hatter can have more than two apprentices any-where 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.² 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 bye-law of Sheffield.³ The silk weavers in London had scarce been incorporated a year when they enacted a bye-law, restraining any master from having more than two apprentices at a time. It required a particular act of parliament to rescind this bye-law.⁴

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 taylors, &c. are expressions which we commonly meet with in the old charters of ancient towns.⁵ 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

Seven years is the usual period of apprenticeship.

¹ [Under 13 and 14 Car. II., c. 5, § 18.]

² [8 Eliz., c. 11, § 8; 1 Jac. I., c. 17, § 3; 5 Geo. II., c. 22.]

³ [But 8 Eliz., c. 11, was enacted 'at the lamentable suit and complaint' not of the hatters but of the cap-makers, who alleged that they were being impoverished by the excessive use of hats, which were made of foreign wool, and the extension to the colonies of the restriction on apprentices by 5 Geo. II., c. 22, was doubtless suggested by the English hatters' jealousy of the American hatters, so that this regulation was not dictated by quite the same spirit as the Sheffield bye-law.]

⁴ [The preamble of 13 and 14 Car. II., c. 15, says that the company of silk throwers in London were incorporated in 1629, and the preamble of 20 Car. II., c. 6, says that the trade had lately been obstructed because the company had endeavoured to put into execution a certain bye-law made by them nearly forty years since, restricting the freemen to 160 spindles and the assistants to 240. The act 20 Car. II., c. 6, accordingly declares this bye-law void. It also enacts that 'no bye-law already made or hereafter to be made by the said company shall limit the number of apprentices to less than three'.]

⁵ [In Italy a mestiere or company of artisans and tradesmen was sometimes styled an *ars* or *universitas*. . . . The company of mercers of Rome are styled *universitas merciariorum*, and the company of bakers there *universitas pistorum*.—Madox, *Firma Burgi*, 1726, p. 32.]

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,¹ 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 bye-law 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 conveniency of the inhabitants, and the number of people frequently not being sufficient to supply each with a particular set of hands.²

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.³ 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 coach-maker can neither himself make nor employ journeymen to make his coach-wheels ; but must buy them of a master wheel-wright ; this latter trade having been exercised in England before the 5th of Elizabeth.⁴ But a wheel-wright, though he has never served an apprenticeship to a coach-maker, may either himself make or employ journeymen to make coaches ; the trade of a coach-maker not being within the statute, because not exercised in England at the time when it was made.⁵ The manufactures of Manchester, Birmingham, and Wolverhampton, are many of them, upon this account, not within

The Statute of Apprenticeship, which required it everywhere in England, has been confined to market towns,

and to trades existing when it was passed.

¹ [C. 4, § 31.]

² [It hath been held that this statute doth not restrain a man from using several trades, so as he had been an apprentice to all ; wherefore it indemnifies all petty chapmen in little towns and villages because their masters kept the same mixed trades before.—Matthew Bacon, *New Abridgement of the Law*, 3rd ed., 1768, vol. iii., p. 553, s.v. Master and servant.]

³ [*Ibid.*, vol. iii., p. 552.]

⁴ [*Ibid.*, vol. i., p. 553.]

⁵ [Bacon (*ibid.*, iii., 553), however, says distinctly : 'A coachmaker is within this statute,' on the authority of Ventris' *Reports*, p. 346.]

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 companion¹ of his master, and the term itself is called his companionship.²

The term varies in France,

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, wheel-makers, reel-makers, &c. may exercise their trades in any town corporate without paying any fine. In all towns corporate all persons are free to sell butcher's meat upon any lawful day of the week. Three years is in Scotland a common term of apprenticeship, even in some very nice trades ; and in general I know of no country in Europe in which corporation laws are so little oppressive.

and Scotland, where the regulations are less oppressive.

The property which every man has in his own labour, as it is the original foundation of all other property,³ so it is the most sacred and inviolable. The patrimony of a poor man lies in the strength and dexterity of his hands ; and to hinder him from employing this strength and dexterity in what manner he thinks proper without injury to his neighbour, is a plain violation of this most sacred property. It is a manifest encroachment upon the just liberty both of the workman, and of those who might be disposed to employ him. As it hinders the one from working at what he thinks proper, so it hinders the others from employing whom they think proper. To judge whether he is fit to be employed, may surely be trusted to the discretion of the employers whose interest it so much concerns. The affected anxiety of the law-giver lest they should employ an improper person, is evidently as impertinent as it is oppressive.

All such regulations are as impertinent as 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

Long apprenticeships are no security against bad work.

¹ [Compagnon.]

² [Compagnonnage.]

³ [Contrast with this the account of the origin of property in the *Lectures*, pp. 107-127.]

fraud. Quite different regulations are necessary to prevent this abuse. The sterling mark upon plate, and the stamps upon linen¹ and woollen cloth,² give the purchaser much greater security than any statute of apprenticeship. He generally looks at these, but never thinks it worth while to enquire whether the workmen had served a seven years apprenticeship.

and do not
form young
people to
industry

The institution of long apprenticeships has no tendency to form young people to industry. A journeyman who works by the piece is likely to be industrious, because he derives a benefit from every exertion of his industry. An apprentice is likely to be idle, and almost always is so, because he has no immediate interest to be otherwise. In the inferior employments, the sweets of labour consist altogether in the recompense of labour. They who are soonest in a condition to enjoy the sweets of it, are likely soonest to conceive a relish for it, and to acquire the early habit of industry. A young man naturally conceives an aversion to labour, when for a long time he receives no benefit from it. The boys who are put out apprentices from public charities are generally bound for more than the usual number of years, and they generally turn out very idle and worthless.

Apprentice-
ships were
unknown to
the ancients

Apprenticeships were altogether unknown to the ancients. The reciprocal duties of master and apprentice make a considerable article in every modern code.³ 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
appren-
ticeships are
altogether
unnecessary

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

¹[Of Scotch manufacture, 10 Ann., c. 21; 13 Geo. I., c. 26.]

²[39 Eliz., c. 20; 43 Eliz., c. 10, § 7.]

³[The article on apprentices occupies twenty-four pages in Richard Burn's *Justice of the Peace*, 1764.]

might be sufficient. In the common mechanic trades, those of a few days might certainly be sufficient. The dexterity of hand, indeed, even in common trades, cannot be acquired without much practice and experience. But a young man would practise with much more diligence and attention, if from the beginning he wrought as a journeyman, being paid in proportion to the little work which he could execute, and paying in his turn for the materials which he might sometimes spoil through awkwardness and inexperience. His education would generally in this way be more effectual, and always less tedious and expensive. The master, indeed, would be a loser. He would lose all the wages of the apprentice, which he now saves, for seven years together. In the end, perhaps, the apprentice himself would be a loser. In a trade so easily learnt he would have more competitors, and his wages, when he came to be a complete workman, would be much less than at present. The same increase of competition would reduce the profits of the masters as well as the wages of the workmen. The trades, the crafts, the mysteries,¹ 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.² The immediate inspection of all corporations, and of the bye-laws which they might think proper to enact for their own government, belonged to the town corporate in which they were established; and whatever discipline was exercised over them, proceeded commonly,

Corporations were established to keep up prices and consequently wages and profit;

¹ [The last two terms seem to be used rather contemptuously. Probably Smith had fresh in his recollection the passage in which Madox ridicules as a 'piece of puerility' the use of the English word 'misterie,' derived from 'the Gallick word *mestera, mistera* and *misteria*,' as if it 'signified something *μυστηριώδες*, mysterious.'—*Firma Burgi*, 1726, pp. 33-35.]

² See Madox *Firma Burgi*, p. 26, &c. [This note appears first in ed. 2.]

not from the king, but from that greater incorporation of which those subordinate ones were only parts or members.¹

by means of
which the
towns
gained at
the expense
of the
country,

The government of towns corporate was altogether in the hands of traders and artificers; and it was the manifest interest of every particular class of them, to prevent the market from being over-stocked, as they commonly express it, with their own particular species of industry; which is in reality to keep it always under-stocked. Each class was eager to establish regulations proper for this purpose, and, provided it was allowed to do so, was willing to consent that every other class should do the same. In consequence of such regulations, indeed, each class was obliged to buy the goods they had occasion for from every other within the town, somewhat dearer than they otherwise might have done. But in recompence, they were enabled to sell their own just as much dearer; so that so far it was as broad as long, as they say; and in the dealings of the different classes within the town with one another, none of them were losers by these regulations. But in their dealings with the country they were all great gainers; and in these latter dealings consists the whole trade which supports and enriches every town.

being en-
abled to get
the produce
of a larger
quantity of
country
labour in
exchange for
the produce
of a smaller
quantity of
their own,

Every town draws its whole subsistence, and all the materials of its industry, from the country. It pays for these chiefly in two ways: first, by sending back to the country a part of those materials wrought up and manufactured; in which case their price is augmented by the wages of the workmen, and the profits of their masters or immediate employers: secondly, by sending to it a part both of the rude and manufactured produce, either of other countries, or of distant parts of the same country, imported into the town; in which case too the original price of those goods is augmented by the wages of the carriers or sailors, and by the profits of the merchants who employ them. In what is gained upon the first of those two branches of commerce, consists the advantage which the town makes by its manufactures; in what is gained upon the second, the advantage of its inland and foreign trade. The wages of the workmen, and the profits of their different employers, make up the whole of what is gained upon both. Whatever regulations, therefore, tend to increase those wages and profits beyond what they otherwise would be, tend to enable the town to purchase, with a smaller quantity of its labour, the produce of a greater quantity of the labour of the country. They give the traders and artificers in the town an advantage over the landlords, farmers,

¹ [Peradventure from these secular gilds or in imitation of them sprang the method or practice of gildating and embodying whole towns.—Madox, *Firma Burgi*, p. 27.]

and labourers in the country, and break down that natural equality which would otherwise take place in the commerce which is carried on between them. The whole annual produce of the labour of the society is annually divided between those two different sets of people. By means of those regulations a greater share of it is given to the inhabitants of the town than would otherwise fall to them ; and a less to those of the country.

The price which the town really pays for the provisions and materials annually imported into it, is the quantity of manufactures and other goods annually exported from it. The dearer the latter are sold, the cheaper the former are bought. The industry of the town becomes more, and that of the country less advantageous.

That the industry which is carried on in towns is, every-where 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 labour and the profits of stock must evidently be greater in the one situation than in the other.¹ But stock and labour naturally seek the most advantageous employment. They naturally, therefore, resort as much as they can to the town, and desert the country.

The inhabitants of a town, being collected into one place, can easily combine together. The most insignificant trades carried on in towns have accordingly, in some place or other, been incorporated ; and even where they have never been incorporated, yet the corporation spirit, the jealousy of strangers, the aversion to take apprentices, or to communicate the secret of their trade, generally prevail in them, and often teach them, by voluntary associations and agreements, to prevent that free competition which they cannot prohibit by bye-laws. 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

as the exports of a town are the real price of its imports.

That town industry is better paid is shown by the large fortunes made in it.

Combination is easy to the inhabitants of a town,

¹[The argument is unsound in the absence of any proof that the more numerous successes are not counterbalanced by equally numerous failures ; cp. above p. 113, note.]

the price of their labour much above what is due to the nature of their work.

and difficult to those of the country, who are dispersed and not governed by the corporation spirit. No apprenticeship is prescribed for farming, though a difficult art,

The inhabitants of the country, dispersed in distant places, cannot easily combine together.¹ 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,² 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.

or for the inferior branches of country labour, which require more skill than most mechanic trades.

Not only the art of the farmer, the general direction of the operations of husbandry, but many inferior branches of country labour, require much more skill and experience than the greater part of mechanic trades. The man who works upon brass and iron, works with instruments and upon materials of which the temper is always the same, or very nearly the same. But the man who ploughs the ground with a team of horses or oxen, works with instruments of which the health, strength, and temper, are very different upon different occasions. The condition of the materials which he works upon too is as variable as that of the instruments which he works with, and both require to be managed with much judgment and discretion. The common ploughman, though generally regarded as the pattern of stupidity and ignorance, is seldom defective in this judgment and discretion. He is less

¹[Below, vol. ii., pp. 153, 154.]

²[*Descriptions des Arts et M^{ét}iers faites ou approuvées par Messieurs de l'Académie Royale des Sciences, 1761-88.*]

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.¹ In China and Indostan accordingly both the rank and the wages of country labourers are said to be superior to those of the greater part of artificers and manufacturers. They would probably be so every-where, if corporation laws and the corporation spirit did not prevent it.

The superiority which the industry of the towns has every-where in Europe over that of the country, is not altogether owing to corporations and corporation laws. It is supported by many other regulations. The high duties upon foreign manufactures and upon all goods imported by alien merchants, all tend to the same purpose. Corporation laws enable the inhabitants of towns to raise their prices, without fearing to be under-sold by the free competition of their own countrymen. Those other regulations secure them equally against that of foreigners. The enhancement of price occasioned by both is every-where finally paid by the landlords, farmers, and labourers 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 clamour and sophistry of merchants and manufacturers easily persuade them that the private interest of a part, and of a subordinate part of the society, is the general interest of the whole.

In Great Britain the superiority of the industry of the towns over that of the country, seems to have been greater formerly than in the present times. The wages of country labour approach nearer to those of manufacturing labour, and the profits of stock employed in agriculture to those of trading and manufacturing stock, than they are said to have done in the last century, or in the beginning of the present. This change may be regarded as the necessary, though very late consequence of the extraordinary encouragement given to the industry of the towns. The stock accumulated in them comes in time to be so great, that it can no longer be employed with the ancient profit in that species of industry which is peculiar to them. That

The superiority of town industry is enhanced by other regulations, such as high duties on foreign manufactures.

The superiority has declined in Great Britain.

¹[*Lectures*, p. 255.]

industry has its limits like every other ; and the increase of stock, by increasing the competition, necessarily reduces the profit. The lowering of profit in the town forces out stock to the country, where, by creating a new demand for country labour, it necessarily raises its wages. It then spreads itself, if I may say so, over the face of the land, and by being employed in agriculture is in part restored to the country, at the expence of which, in a great measure, it had originally been accumulated in the town. That every-where in Europe the greatest improvements of the country have been owing to such overflowings of the stock originally accumulated in the towns, I shall endeavour to show hereafter ;¹ and at the same time to demonstrate, that though some countries have by this course attained to a considerable degree of opulence, it is in itself necessarily slow, uncertain, liable to be disturbed and interrupted by innumerable accidents, and in every respect contrary to the order of nature and of reason. The interests, prejudices, laws and customs which have given occasion to it, I shall endeavour to explain as fully and distinctly as I can in the third and fourth books of this inquiry.

Meetings of people in the same trade ought not to be facilitated,

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.

as by registration of traders,

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.

by the establishment of funds for the sick, widows and orphans,

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.

or by incorporation.

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,² and it cannot last longer than every single trader continues of the same mind. The majority of a corporation can

¹[Below, pp. 382-394.]

²[Ed. 1 reads 'single member of it' here and in the next line.]

enact a bye-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 competition in some employments to a smaller number than would otherwise be disposed to enter into them, occasions a very important inequality in the whole of the advantages and disadvantages of the different employments of labour and stock.

Secondly, The policy of Europe, by increasing the competition in some employments beyond what it naturally would be, occasions another inequality of an opposite kind in the whole of the advantages and disadvantages of the different employments of labour and stock.

It has been considered as of so much importance that a proper number of young people should be educated for certain professions, that, sometimes the public, and sometimes the piety of private founders have established many pensions, scholarships, exhibitions, bursaries, &c. for this purpose, which draw many more people into those trades than could otherwise pretend to follow them. In all christian countries, I believe, the education of the greater part of churchmen is paid for in this manner. Very few of them are educated altogether at their own expence. The long, tedious, and expensive education, therefore, of those who are, will not always procure them a suitable reward, the church being crowded with people who, in order to get employment, are willing to accept of a much smaller recompence than what such an education would otherwise have entitled them to; and in this manner the competition of the poor takes away the reward of the rich. It would be indecent, no doubt, to compare either a curate or a chaplain with a journeyman in any common trade. The pay of a curate or

Corporations are unnecessary, and corrupt the workmen.

(2) The policy of Europe increases competition in some trades.

It cheapens the education of the clergy and thereby reduces their earnings ;

chaplain, however, may very properly be considered as of the same nature with the wages of a journeyman. They are, all three, paid for their work according to the contract which they may happen to make with their respective superiors. Till after the middle of the fourteenth century, five merks, containing about as much silver as ten pounds of our present money, was in England the usual pay of a curate or¹ stipendiary parish priest, as we find it regulated by the decrees of several different national councils.² At the same period four pence a day, containing the same quantity of silver as a shilling of our present money, was declared to be the pay of a master mason, and three pence a day, equal to nine pence of our present money, that of a journeyman mason.³ The wages of both these labourers, therefore, supposing them to have been constantly employed, were much superior to those of the curate. The wages of the master mason, supposing him to have been without employment one third of the year, would have fully equalled them. By the 12th of Queen Anne, c. 12, it is declared, "That where-
 "as for want of sufficient maintenance and encouragement to curates,
 "the cures have in several places been meanly supplied, the bishop is,
 "therefore, empowered to appoint by writing under his hand and seal
 "a sufficient certain stipend or allowance, not exceeding fifty and not
 "less than twenty pounds a year."⁴ 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 labourers in many country parishes. Whenever the law has attempted to regulate the wages of workmen, it has always been rather to lower them than to raise them. But the law has upon many occasions attempted to raise the wages of curates, and for the dignity of the church, to oblige the rectors of parishes to give them more than the wretched maintenance which they themselves might be willing to accept of. And in both cases the law seems to have been equally ineffectual, and has never either been able to raise the wages of curates, or to sink those of labourers to the degree that was intended; because it has never been able to hinder either the one from being willing to accept of less than

¹[Eds. 4 and 5 erroneously insert 'a' here.]

²[According to Richard Burn's *Ecclesiastical Law*, 1763, s.v. Curates, six marks was the pay ordered by a constitution of Archbishop Islip till 1378, when it was raised to eight.]

³See the Statute of labourers, 25 Ed. III. [Below, p. 177. The note is not in ed. I.]

⁴[The quotation is not intended to be *verbatim*, in spite of the inverted commas.]

the legal allowance, on account of the indigence of their situation and the multitude of their competitors; or the other from receiving more, on account of the contrary competition of those who expected to derive either profit or pleasure from employing them.

The great benefices and other ecclesiastical dignities support the honour of the church, notwithstanding the mean circumstances of some of its inferior members. The respect paid to the profession too makes some compensation even to them for the meanness of their pecuniary recompence. In England, and in all Roman Catholic countries, the lottery of the church is in reality much more advantageous than is necessary. The example of the churches of Scotland, of Geneva, and of several other protestant churches, may satisfy us, that in so creditable a profession, in which education is so easily procured, the hopes of much more moderate benefices will draw a sufficient number of learned, decent, and respectable men into holy orders.

In professions in which there are no benefices, such as law and physic, if an equal proportion of people were educated at the public expence, 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 expence. They would be entirely abandoned to such as had been educated by those public charities, whose numbers and necessities would oblige them in general to content themselves with a very miserable recompence, to the entire degradation of the now respectable professions of law and physic.

That unprosperous race of men commonly called men of letters, are pretty much in the situation which lawyers and physicians probably would be in upon the foregoing supposition. In every part of Europe the greater part of them have been educated for the church, but have been hindered by different reasons from entering into holy orders. They have generally, therefore, been educated at the public expence, and their numbers are every-where so great as commonly to reduce the price of their labour to a very paultry recompence.

Before the invention of the art of printing, the only employment by which a man of letters could make any thing by his talents, was that of a public or private¹ teacher, or by communicating to other people the curious and useful knowledge which he had acquired himself: And this is still surely a more honourable, a more useful, and in general even a more profitable employment than that other of writing for a bookseller, to which the art of printing has given occasion. The time and study, the genius, knowledge, and application requisite to qualify

so that it is only the great benefices, etc., which support the honour of the English and Roman Catholic Churches.

The same cause, if present, would lower the reward of lawyers and physicians,

as it has done that of men of letters,

and that of teachers,

¹[Ed. 1 does not contain 'or private'.]

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 expence; whereas those of the other two are incumbered with very few who have not been educated at their own. The usual recompence, however, of public and private teachers, small as it may appear, would undoubtedly be less than it is, if the competition of those yet more indigent men of letters who write for bread was not taken out of the market. Before the invention of the art of printing, a scholar and a beggar seem to have been terms very nearly synonymous. The different governors of the universities before that time appear to have often granted licences to their scholars to beg.¹

who were
much better
paid in
ancient
times.

In ancient times, before any charities of this kind had been established for the education of indigent people to the learned professions, the rewards of eminent teachers appear to have been much more considerable. Isocrates, in what is called his discourse against the sophists, reproaches the teachers of his own times with inconsistency. "They make the most magnificent promises to their scholars, says he, and undertake to teach them to be wise, to be happy, and to be just, and in return for so important a service they stipulate the paultry reward of four or five minæ. They who teach wisdom, continues he, ought certainly to be wise themselves; but if any man were² to sell such a bargain for such a price, he would be convicted of the most evident folly."³ He certainly does not mean here to exaggerate the reward, and we may be assured that it was not less than he represents it. Four minæ were equal to thirteen pounds six shillings and eight pence: five minæ to sixteen pounds thirteen shillings and four pence. Something not less than the largest of those two sums, therefore, must at that time have been usually paid to the most eminent teachers at Athens. Isocrates himself demanded ten minæ,⁴ or thirty-three pounds six shillings and eight pence, from each scholar. When he taught at Athens, he is said to have had an hundred scholars. I understand this to be the number whom he taught at one time, or who attended what we would call one course of lectures, a number which will not appear

¹[Hume, *History*, ed. of 1773, vol. iii., p. 403, quotes 11 Hen. VII., c. 22, which forbids students to beg without permission from the chancellor.] ²[Eds. 1-3 read 'was'.]

³[§§ 3, 4. A very free but not incorrect translation. Arbuthnot, *Tables of Ancient Coins, Weights and Measures*, 2nd ed., 1754, p. 198, refers to but does not quote the passage as his authority for stating the reward of a sophist at four or five minæ. He treats the mina as equal to £3 4s. 7d., which at the rate of 62s. to the pound troy is considerably too low.]

⁴[Plutarch, *Demosthenes*, c. v., § 3; *Isocrates*, § 30.]

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*l.* 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.¹ 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.² We must not, I presume, suppose that it was as large as the life. His way of living, as well as that of Hippias and Protagoras, two other eminent teachers of those times, is represented by Plato as splendid even to ostentation.³ 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,⁴ thought it worth while, notwithstanding, to return to Athens, in order to resume the teaching of his school. Teachers of the sciences were probably in those times less common than they came to be in an age or two afterwards, when the competition had probably somewhat reduced both the price of their labour and the admiration for their persons. The most eminent of them, however, appear always to have enjoyed a degree of consideration much superior to any of the like profession in the present times. The Athenians sent Carneades the academic, and Diogenes the stoic, upon a solemn embassy to Rome; and though their city had then declined from its former grandeur, it was still an independent and considerable republic. Carneades too was a Babylonian by birth,⁵ 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 over-balances this trifling inconveniency. The public too might derive still greater benefit from it, if the con-

Perhaps this cheapness of teaching is no disadvantage to the public.

¹ [Arbutnot, *Tables of Ancient Coins*, p. 198, says, 'Isocrates had from his disciples a didactron or reward of 1,000 minæ, £3,229 3*s.* 4*d.*,' and quotes 'Plut. in Isocrate,' which says nothing about a 'didactron,' but only that Isocrates charged ten minæ and had 100 pupils.—§§ 9, 12, 30.]

² [This story is from Pliny, *H. N.*, xxxiii., cap. iv., who remarks, 'Tantus erat docendae oratoriae quaestus,' but the commentators point out that earlier authorities ascribe the erection of the statue not to Gorgias, but to the whole of Greece.]

³ [It is difficult to discover on what passage this statement is based.]

⁴ [Plutarch, *Alexander*.]

⁵ [This is a slip. Carneades was a native of Cyrene, and it was his colleague Diogenes who was a Babylonian by birth.]

stitution of those schools and colleges, in which education is carried on, was more reasonable than it is at present through the greater part of Europe.¹

(3) The policy of Europe obstructs the free circulation of labour.

Thirdly, The policy of Europe, by obstructing the free circulation of labour and stock both from employment to employment, and from place to place, occasions in some cases a very inconvenient inequality in the whole of the advantages and disadvantages of their different employments.

Apprenticeship and corporation privileges obstruct circulation from employment to employment and from place to place.

The statute of apprenticeship² obstructs the free circulation of labour from one employment to another, even in the same place. The exclusive privileges of corporations obstruct it from one place to another, even in the same employment.

So that the changes of employment necessary to equalise wages are prevented.

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 super-abundance of hands is continually increasing. Those two manufactures may sometimes be in the same town, and sometimes in the same neighbourhood, without being able to lend the least assistance to one another. The statute of apprenticeship may oppose it in the one case, and both that and an exclusive corporation in the other. In many different manufactures, however, the operations are so much alike, that the workmen could easily change trades with one another, if those absurd laws did not hinder them. The arts of weaving plain linen and plain silk, for example, are almost entirely the same. That of weaving plain woollen is somewhat different; but the difference is so insignificant, that either a linen or a silk weaver might become a tolerable workman in a very few days. If any of those three capital manufactures, therefore, were decaying, the workmen might find a resource in one of the other two which was in a more prosperous condition; and their wages would neither rise too high in the thriving, nor sink too low in the decaying manufacture. The linen manufacture indeed is, in England, by a particular statute,³ open to every body; but as it is not much cultivated through the greater part of the country, it can afford no general resource to the workmen of other decaying manufactures, who, wherever the statute of apprenticeship takes place, have no other choice but either to come upon the parish, or to work as common labourers, for which, by their habits, they are much worse qualified than for any sort of manufacture

¹ [Below, vol. II., pp. 249-261.]

² [Above, p. 122.]

³ [15 Car. II., c. 15.]

that bears any resemblance to their own. They generally, therefore, chuse to come upon the parish.

Whatever obstructs the free circulation of labour from one employment to another, obstructs that of stock likewise; the quantity of stock which can be employed in any branch of business depending very much upon that of the¹ labour which can be employed in it. Corporation laws, however, give less obstruction to the free circulation of stock from one place to another than to that of labour. It is everywhere much easier for a wealthy merchant to obtain the privilege of trading in a town corporate, than for a poor artificer to obtain that of working in it.

The obstruction which corporation laws give to the free circulation of labour is common, I believe, to every part of Europe. That which is given to it by the poor laws is, so far as I know,² peculiar to England. It consists in the difficulty which a poor man finds in obtaining a settlement, or even in being allowed to exercise his industry in any parish but that to which he belongs. It is the labour of artificers and manufacturers only of which the free circulation is obstructed by corporation laws. The difficulty of obtaining settlements obstructs even that of common labour. It may be worth while to give some account of the rise, progress, and present state of this disorder, the greatest perhaps of any in the police of England.

When by the destruction of monasteries the poor had been deprived of the charity of those religious houses, after some other ineffectual attempts for their relief, it was enacted by the 43d of Elizabeth, c. 2. that every parish should be bound to provide for its own poor; and that overseers of the poor should be annually appointed, who, with the churchwardens, should raise, by a parish rate, competent sums for this purpose.

By this statute the necessity of providing for their own poor was indispensably imposed upon every parish. Who were to be considered as the poor of each parish, became, therefore, a question of some importance. This question, after some variation, was at last determined by the 13th and 14th of Charles II.³ 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;⁴ unless he either rented a tenement of ten pounds

What obstructs the circulation of labour also obstructs that of stock.

In England the circulation of labour is further obstructed by the poor law.

Each parish was to support its own poor under 43 Eliz., c. 2.

these were determined by 13 and 14 Car. II. to be such as had resided forty days, within which time, however, a new inhabitant might be removed.

¹[Ed. 1 does not contain 'the'.] ²[Ed. 1 places the 'is' here.] ³[C. 12.]

⁴[This account of the provisions of the Acts regarding settlement, though not incorrect, inverts the order of the ideas which prompted them. The preamble complains that owing to defects in the law 'poor people are not restrained from going from one parish to another,

a year, or could give such security for the discharge of the parish where he was then living, as those justices should judge sufficient.

Notice in writing was required from the new inhabitant by 1 James II.

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.¹ 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.

Such notice was to be published in church under 3 W III.

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.² 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 removeable 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.”³

This statute, therefore, rendered it almost impracticable for a poor

and therefore do endeavour to settle themselves in those parishes where there is the best stock; and so forth, and the Act therefore gives the justices power, ‘within forty days after any such person or persons coming so to settle as aforesaid,’ to remove them ‘to such parish where he or they were last legally settled either as a native, householder, sojourner, apprentice or servant for the space of forty days at the least’. The use of the term ‘settlement’ seems to have originated with this Act.]

¹[C. 17, ‘An act for reviving and continuance of several acts’. The reason given is that ‘such poor persons at their first coming to a parish do commonly conceal themselves’. Nothing is said either here or in Burn’s *Poor Law or Justice of the Peace* about parish officers bribing their poor to go to another parish.]

²[3 W. and M., c. 11, § 3.]

³[Richard Burn, *Justice of the Peace*, 1764, vol. ii., p. 253.]

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.¹

There were four other ways of gaining a settlement,

Nobody can gain a settlement by either of the two first ways, but by the public deed of the whole parish, who are too well aware of the consequences to adopt any new-comer who has nothing but his labour to support him, either by taxing him to parish rates, or by electing him into a parish office.

two of which were impossible to all poor men,

No married man can well gain any settlement in either of the two last ways. An apprentice is scarce ever married; and it is expressly enacted, that no married servant shall gain any settlement by being hired for a year.² 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.

and the other two to all married men,

No independent workman, it is evident, whether labourer or artificer, is likely to gain any new settlement either by apprenticeship or by service. When such a person, therefore, carried his industry to a new parish, he was liable to be removed, how healthy and industrious soever, at the caprice of any churchwarden or overseer, unless he either rented a tenement of ten pounds a year, a thing impossible for one who has nothing but his labour to live by; or could give such security for the discharge of the parish as two justices of the peace should judge sufficient. What security they shall require, indeed, is left altogether to their discretion; but they cannot well require less than thirty pounds, it having been enacted, that the purchase even of a freehold estate of

and to all independent workmen

¹ [§§ 6, 8.]

² [§ 7 confines settlement by service to unmarried persons without children.]

less than thirty pounds value, shall not gain any person a settlement, as not being sufficient for the discharge of the parish.¹ But this is a security which scarce any man who lives by labour can give; and much greater security is frequently demanded.

Certificates were invented to enable persons to reside in a parish without being immediately removable and without gaining a settlement.

In order to restore in some measure that free circulation of labour which those different statutes had almost entirely taken away,² the invention of certificates was fallen upon. By the 8th and 9th of William III.³ 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 expence 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,⁴ 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.⁵

¹ [By 9 Geo. I., c. 7.]

² [The Act, 13 & 14 Car. II., c. 12, giving the justices power to remove the immigrant within forty days was certainly obstructive to the free circulation of labour, but the other statutes referred to in the text, by making the attainment of a settlement more difficult, would appear to have made it less necessary for a parish to put in force the power of removal, and therefore to have assisted rather than obstructed the free circulation of labour. The poor law commissioners of 1834, long after the power of removal had been abolished in 1795, found the law of settlement a great obstruction to the free circulation of labour, because men were afraid of gaining a new settlement, not because a new settlement was denied them.]

³ [C. 30, 'An act for supplying some defects in the laws for the relief of the poor of this kingdom'. The preamble recites, 'Forasmuch as many poor persons chargeable to the parish, township or place where they live, merely for want of work, would in any other place when sufficient employment is to be had maintain themselves and families without being burdensome to any parish, township or place'. But certificates were invented long before this. The Act 13 & 14 Car. II., c. 12, provides for their issue to persons going into another parish for harvest or any other kind of work, and the preamble of 8 & 9 W. III., c. 30, shows that they were commonly given. Only temporary employment, however, was contemplated, and, on the expiration of the job, the certificated person became removable.]

⁴ [Rather by the explanatory Act, 9 & 10 W. III., c. 11.]

⁵ [All these statutes are conveniently collected in Richard Burn's *History of the Poor Laws*, 1764, pp. 94-100.]

How far this invention has restored that free circulation of labour which the preceding statutes had almost entirely taken away, we may learn from the following very judicious observation of Doctor Burn. "It is obvious," says he, "that there are divers good reasons for requiring certificates with persons coming to settle in any place; namely, that persons residing under them can gain no settlement, neither by apprenticeship, nor by service, nor by giving notice, nor by paying parish rates; that they can settle neither apprentices nor servants; that if they become chargeable, it is certainly known whither to remove them, and the parish shall be paid for the removal, and for their maintenance in the mean time; and that if they fall sick, and cannot be removed, the parish which gave the certificate must maintain them: none of all which can be without a certificate. Which reasons will hold proportionably for parishes not granting certificates in ordinary cases; for it is far more than an equal chance, but that they will have the certificated persons again, and in a worse condition."¹ The moral of this observation seems to be, that certificates ought always to be required by the parish where any poor man comes to reside, and that they ought very seldom to be granted by that which he proposes to leave. "There is some what 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."²

Certificates were required by the new parish but refused by the old.

Though a certificate carries along with it no testimonial of good behaviour, and certifies nothing but that the person belongs to the parish to which he really does belong, it is altogether discretionary in the parish officers either to grant or to refuse it. A mandamus was once moved for, says Doctor Burn, to compel the churchwardens and overseers to sign a certificate; but the court of King's Bench rejected the motion as a very strange attempt.³

The courts declined to force overseers to give a certificate.

The very unequal price of labour which we frequently find in England in places at no great distance from one another, is probably owing

This law is the cause of the very

¹[Burn, *Justice of the Peace*, 1764, vol. ii., p. 274.]

²[Burn, *History of the Poor Laws*, 1764, pp. 235, 236, where it is observed that 'it was the easy method of obtaining a settlement by a residency of forty days that brought parishes into a state of war against the poor and against one another,' and that if settlement were reduced to the place of birth or of inhabitation for one or more years, certificates would be got rid of.]

³[Burn, *Justice*, vol. ii., p. 209. The date given is 1730.]

unequal
price of
labour in
England,

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 afterwards marry, he would generally be removed likewise.¹ The scarcity of hands in one parish, therefore, cannot always be relieved by their superabundance in another, as it is constantly in Scotland, and, I believe, in all other countries where there is no difficulty of settlement. In such countries, though wages may sometimes rise a little in the neighbourhood of a great town, or wherever else there is an extraordinary demand for labour, and sink gradually as the distance from such places increases, till they fall back to the common rate of the country; yet we never meet with those sudden and unaccountable differences in the wages of neighbouring places which we sometimes find in England, where it is often more difficult for a poor man to pass the artificial boundary of a parish, than an arm of the sea or a ridge of high mountains, natural boundaries which sometimes separate very distinctly different rates of wages in other countries.

and an evident violation of natural liberty, though tamely submitted to

To remove a man who has committed no misdemeanour from the parish where he chuses to reside, is an evident violation of natural liberty and justice. The common people of England, however, so jealous of their liberty, but like the common people of most other countries never rightly understanding wherein it consists, have now for more than a century together suffered themselves to be exposed to this oppression without a remedy. Though men of reflection too have sometimes complained of the law of settlements as a public grievance; yet it has never been the object of any general popular clamour, such as that against general warrants, an abusive practice undoubtedly, but such a one as was not likely to occasion any general oppression. There is scarce a poor man in England of forty years of age, I will venture to say, who has not in some part of his life felt himself most cruelly oppressed² by this ill-contrived law of settlements.

Wages were anciently rated by law

I shall conclude this long chapter with observing, that though anciently it was usual to rate wages, first by general laws extending

¹[Since the fact of the father having no settlement would not free the parish from the danger of having at some future time to support the children.]

²[Some evidence in support of this assertion would have been acceptable. Sir Frederic M. Eden, *State of the Poor, 1797*, vol. i., pp. 296-298, may be consulted on the other side. William Hay's *Remarks on the Laws Relating to the Poor, 1735*, which Eden regards as giving a very exaggerated view of the obstruction caused by the law of settlement, was in the Edinburgh Advocates' Library in 1776, and Adam Smith may have seen it.]

over the whole kingdom, and afterwards by particular orders of the justices of peace in every particular county, both these practices have now gone entirely into disuse. "By the experience of above four hundred years," says Doctor Burn, "it seems time to lay aside all endeavours to bring under strict regulations, what in its own nature seems incapable of minute limitation: for if all persons in the same kind of work were to receive equal wages, there would be no emulation, and no room left for industry or ingenuity."¹

or by justices
of peace.

Particular acts of parliament, however, still attempt sometimes to regulate wages in particular trades and in particular places. Thus the 8th of George III.² prohibits under heavy penalties all master taylor in London, and five miles round it, from giving, and their workmen from accepting, more than two shillings and sevenpence halfpenny a day, except in the case of a general mourning. Whenever the legislature attempts to regulate the differences between masters and their workmen, its counsellors are always the masters. When the regulation, therefore, is in favour of the workmen, it is always just and equitable; but it is sometimes otherwise when in favour of the masters. Thus the law which obliges the masters in several different trades to pay their workmen in money and not in goods, is quite just and equitable.³ It imposes no real hardship upon the masters. It only obliges them to pay that value in money, which they pretended to pay, but did not always really pay, in goods. This law is in favour of the workmen; but the 8th of George III. is in favour of the masters. When masters combine together in order to reduce the wages of their workmen, they commonly enter into a private bond or agreement, not to give more than a certain wage under a certain penalty. Were the workmen to enter into a contrary combination of the same kind, not to accept of a certain wage under a certain penalty, the law would punish them

London
tailors'
wages are
still rated by
law.

¹[*History of the Poor Laws*, p. 130, loosely quoted. After 'limitation' the passage runs, 'as thereby it leaves no room for industry or ingenuity; for if all persons in the same kind of work were to receive equal wages there would be no emulation.']

²[7 Geo. I., stat. 1, c. 13, was passed, according to its preamble, because journeymen tailors had lately departed from their service without just cause, and had entered into combinations to advance their wages to unreasonable prices, and lessen their usual hours of work, which is of evil example, and manifestly tends to the prejudice of trade, to the encouragement of idleness, and to the great increase of the poor'. It prescribed hours, 6 A.M. to 8 P.M., and wages, 2s. a day in the second quarter and 1s. 8d. for the rest of the year. Quarter sessions might alter the rates. This Act was amended by 8 Geo. III., c. 17, under which the hours were to be 6 A.M. to 7 P.M., and wages a maximum of 2s. 7½d. a day. Masters inside the area were forbidden to pay more to workers outside the area than was allowed by the Act within it.]

³[1 Ann., stat. 2, c. 18, applied to workmen in the woollen, linen, fustian, cotton and iron manufacture; 13 Geo. II., c. 8, to manufacturers of gloves, boots, shoes and other leather wares. The second of these Acts only prohibits truck payments when made without the request and consent of the workmen.]

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.

Attempts were also made to regulate profits by fixing prices, and the assize of bread still remains.

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.¹ 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.² The want of an assize occasioned no sensible inconveniency, and the establishment of one in the few places where it has yet taken place, has produced no sensible advantage. In the greater part of the towns of Scotland, however, there is an incorporation of bakers who claim exclusive privileges, though they are not very strictly guarded.

The inequalities of wages and profits are not much affected by the advancing or declining state of the society.

The proportion between the different rates both of wages and profit in the different employments of labour and stock, seems not to be much affected, as has already been observed,³ 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.

¹[C. 29.]

²[C. 6. The preamble relates the defect.]

³[Above, p. 65.]

BOOK IV

Of Systems of political Œconomy

INTRODUCTION

POLITICAL œconomy, considered as a branch of the science of a statesman or legislator, proposes two distinct objects: first, to provide a plentiful revenue or subsistence for the people, or more properly to enable them to provide such a revenue or subsistence for themselves; and secondly, to supply the state or commonwealth with a revenue sufficient for the public services. It proposes to enrich both the people and the sovereign.¹

The first object of political œconomy is to provide subsistence for the people

The different progress of opulence in different ages and nations, has given occasion to two different systems of political œconomy, with regard to enriching the people. The one may be called the system of commerce, the other that of agriculture. I shall endeavour to explain both as fully and distinctly as I can, and shall begin with the system of commerce. It is the modern system, and is best understood in our own country and in our own times.

Two different systems proposed for this end will be explained.

¹[For other definitions of the purpose or nature of political œconomy see the index, *s.v.*]

CHAPTER I

OF THE PRINCIPLE OF THE COMMERCIAL OR MERCANTILE SYSTEM

Wealth and money in common language are considered synonymous.

THAT wealth consists in money, or in gold and silver, is a popular notion which naturally arises from the double function of money, as the instrument of commerce, and as the measure of value. In consequence of its being the instrument of commerce, when we have money we can more readily obtain whatever else we have occasion for, than by means of any other commodity. The great affair, we always find, is to get money. When that is obtained, there is no difficulty in making any subsequent purchase. In consequence of its being the measure of value, we estimate that of all other commodities by the quantity of money which they will exchange for. We say of a rich man that he is worth a great deal, and of a poor man that he is worth very little money. A frugal man, or a man eager to be rich, is said to love money; and a careless, a generous, or a profuse man, is said to be indifferent about it. To grow rich is to get money; and wealth and money, in short, are, in common language, considered as in every respect synonymous.

Similarly the Tartars thought wealth consisted of cattle.

A rich country, in the same manner as a rich man, is supposed to be a country abounding in money; and to heap up gold and silver in any country is supposed to be the readiest way to enrich it. For some time after the discovery of America, the first enquiry of the Spaniards, when they arrived upon any unknown coast, used to be, if there was any gold or silver to be found in the neighbourhood? By the information which they received, they judged whether it was worth while to make a settlement there, or if the country was worth the conquering. Plano Carpino, a monk sent ambassador from the king of France to one of the sons of the famous Gengis Khan, says that the Tartars used frequently to ask him, if there was plenty of sheep and oxen in the kingdom of France?¹ Their enquiry had the same object with that of the

¹[There seems to be a confusion between Plano-Carpini, a Franciscan sent as legate by Pope Innocent IV. in 1246, and Guillaume de Rubruquis, another Franciscan sent as am-

Spaniards. They wanted to know if the country was rich enough to be worth the conquering. Among the Tartars, as among all other nations of shepherds, who are generally ignorant of the use of money, cattle are the instruments of commerce and the measures of value. Wealth, therefore, according to them, consisted in cattle, as according to the Spaniards it consisted in gold and silver. Of the two, the Tartar notion, perhaps, was the nearest to the truth.

Mr. Locke remarks a distinction between money and other moveable goods. All other moveable goods, he says, are of so consumable a nature that the wealth which consists in them cannot be much depended on, and a nation which abounds in them one year may, without any exportation, but merely by their own waste and extravagance, be in great want of them the next. Money, on the contrary, is a steady friend, which, though it may travel about from hand to hand, yet if it can be kept from going out of the country, is not very liable to be wasted and consumed. Gold and silver, therefore, are, according to him, the most solid and substantial part of the moveable wealth of a nation, and to multiply those metals ought, he thinks, upon that account, to be the great object of its political œconomy.¹

Locke thought gold and silver the most substantial part of the wealth of a nation.

Others admit that if a nation could be separated from all the world, it would be of no consequence how much, or how little money circulated in it. The consumable goods which were circulated by means of this money, would only be exchanged for a greater or a smaller number of pieces; but the real wealth or poverty of the country, they allow, would depend altogether upon the abundance or scarcity of those consumable goods. But it is otherwise, they think, with countries which have connections with foreign nations, and which are obliged to carry on foreign wars, and to maintain fleets and armies in distant countries. This, they say, cannot be done, but by sending abroad money to pay them with; and a nation cannot send much money abroad, unless it has a good deal at home. Every such nation, therefore, must endeavour in time of peace to accumulate gold and silver, that, when occasion requires, it may have wherewithal to carry on foreign wars.

Others say that it is necessary to have much money in order to maintain fleets and armies abroad.

bassador by Louis IX. in 1253. As is pointed out by Rogers in a note on this passage, the reference appears to be to Rubruquis, *Voyage en Tartarie et à la Chine*, chap. xxxiii. The great Khan's secretaries, Rubruquis states, on one occasion displayed curiosity about France: 's'enquérant s'il y avait force bœufs, moutons, et chevaux, comme s'ils eussent déjà été tous prêts d'y venir et emmener tout'. Plano-Carpini and Rubruquis are both in Bergeron's *Voyages faits principalement en Asie dans les xii., xiii., xiv. et xv. siècles*, La Haye, 1735.]

¹[There is very little foundation for any part of this paragraph. It perhaps originated in an inaccurate recollection of pp. 17, 18 and 77-79 of *Some Considerations* (1696 ed.), and §§ 46-50 of *Civil Government*. It was probably transferred bodily from the *Lectures* without verification. See *Lectures*, p. 198.]

So all European nations have tried to accumulate gold and silver.

At first by a prohibition of exportation,

but merchants found this inconvenient,

and therefore argued that exportation did not always diminish the stock in the country.

and that the metals could be retained only by attention to

In consequence of these popular notions, all the different nations of Europe have studied, though to little purpose, every possible means of accumulating gold and silver in their respective countries. Spain and Portugal, the proprietors of the principal mines which supply Europe with those metals, have either prohibited their exportation under the severest penalties, or subjected it to a considerable duty.¹ The like prohibition seems anciently to have made a part of the policy of most other European nations. It is even to be found, where we should least of all expect² to find it, in some old Scotch acts of parliament, which forbid under heavy penalties the carrying gold or silver *forth of the kingdom*.³ The like policy anciently took place both in France and England.

When those countries became commercial, the merchants found this prohibition, upon many occasions, extremely inconvenient. They could frequently buy more advantageously with gold and silver than with any other commodity, the foreign goods which they wanted, either to import into their own, or to carry to some other foreign country. They remonstrated, therefore, against this prohibition as hurtful to trade.

They represented, first, that the exportation of gold and silver in order to purchase foreign goods, did not always diminish the quantity of those metals in the kingdom. That, on the contrary, it might frequently increase that quantity;⁴ because, if the consumption of foreign goods was not thereby increased in the country, those goods might be re-exported to foreign countries, and, being there sold for a large profit, might bring back much more treasure than was originally sent out to purchase them. Mr. Mun compares this operation of foreign trade to the seed-time and harvest of agriculture. "If we only behold," says he, "the actions of the husbandman in the seed-time, when he casteth away much good corn into the ground, we shall account him rather a madman than a husbandman. But when we consider his labours in the harvest, which is the end of his endeavours, we shall find the worth and plentiful increase of his actions."⁵

They represented, secondly, that this prohibition could not hinder the exportation of gold and silver, which, on account of the smallness of their bulk in proportion to their value, could easily be smuggled

¹[See below, vol. ii., p. 13, note.]

²[Ed. I reads 'expect least of all'.]

³[The words 'forth of the realm' occur in (January) 1487, c. 11. Other acts are 1436, c. 13; 1451, c. 15; 1482, c. 8.]

⁴[Ed. I reads 'increase it'.]

⁵[*England's Treasure by Forraign Trade, or the Ballance of our Forraign Trade is the Rule of our Treasure*, 1664, chap. iv., *ad fin.*, which reads, however, 'we will rather accompt him a mad man'.]

abroad.¹ That this exportation could only be prevented by a proper attention to, what they called, the balance of trade.² That when the country exported to a greater value than it imported, a balance became due to it from foreign nations, which was necessarily paid to it in gold and silver, and thereby increased the quantity of those metals in the kingdom. But that when it imported to a greater value than it exported, a contrary balance became due to foreign nations, which was necessarily paid to them in the same manner, and thereby diminished that quantity. That in this case to prohibit the exportation of those metals could not prevent it, but only by making it more dangerous, render it more expensive. That the exchange was thereby turned more against the country which owed the balance, than it otherwise might have been; the merchant who purchased a bill upon the foreign country being obliged to pay the banker who sold it, not only for the natural risk, trouble and expence of sending the money thither, but for the extraordinary risk arising from the prohibition. But that the more the exchange was against any country, the more the balance of trade became necessarily against it; the money of that country becoming necessarily of so much less value, in comparison with that of the country to which the balance was due. That if the exchange between England and Holland, for example, was five per cent. against England, it would require a hundred and five ounces of silver in England to purchase a bill for a hundred ounces of silver in Holland: that a hundred and five ounces of silver in England, therefore, would be worth only a hundred ounces of silver in Holland, and would purchase only a proportionable quantity of Dutch goods: but that a hundred ounces of silver in Holland, on the contrary, would be worth a hundred and five ounces in England, and would purchase a proportionable quantity of English goods: that the English goods which were sold to Holland would be sold so much cheaper; and the Dutch goods which were sold to England, so much dearer, by the difference of the exchange; that the one would draw so much less Dutch money to England, and the other so much more English money to Holland, as this difference amounted to: and that the balance of trade, therefore, would necessarily be so much more against England, and would require a greater balance of gold and silver to be exported to Holland.

the balance
of trade.

¹ [Mun, *England's Treasure*, chap. vi.]

² ['Among other things relating to trade there hath been much discourse of the balance of trade; the right understanding whereof may be of singular use.—Josiah Child, *New Discourse of Trade*, 1694, p. 152, chap. ix., introducing an explanation. The term was used before Mun's work was written. See Palgrave's *Dictionary of Political Economy*, s.v. Balance of Trade, History of the theory.]

Their arguments were partly sophistical,

Those arguments were partly solid and partly sophistical. They were solid so far as they asserted that the exportation of gold and silver in trade might frequently be advantageous to the country. They were solid too, in asserting that no prohibition could prevent their exportation, when private people found any advantage in exporting them. But they were sophistical in supposing, that either to preserve or to augment the quantity of those metals required more the attention of government, than to preserve or to augment the quantity of any other useful commodities, which the freedom of trade, without any such attention, never fails to supply in the proper quantity. They were sophistical too, perhaps, in asserting that the high price of exchange necessarily increased, what they called, the unfavourable balance of trade, or occasioned the exportation of a greater quantity of gold and silver. That high price, indeed, was extremely disadvantageous to the merchants who had any money to pay in foreign countries. They paid so much dearer for the bills which their bankers granted them upon those countries. But though the risk arising from the prohibition might occasion some extraordinary expence to the bankers, it would not necessarily carry any more money out of the country. This expence would generally be all laid out in the country, in smuggling the money out of it, and could seldom occasion the exportation of a single six-pence beyond the precise sum drawn for. The high price of exchange too would naturally dispose the merchants to endeavour to make their exports nearly balance their imports, in order that they might have this high exchange to pay upon as small a sum as possible. The high price of exchange, besides, must necessarily have operated as a tax, in raising the price of foreign goods, and thereby diminishing their consumption.¹ It would tend, therefore, not to increase, but to diminish, what they called, the unfavourable balance of trade, and consequently the exportation of gold and silver.

but they convinced parliaments and councils.

Such as they were, however, those arguments convinced the people to whom they were addressed. They were addressed by merchants to parliaments, and to the councils of princes, to nobles, and to country gentlemen; by those who were supposed to understand trade, to those who were conscious to themselves that they knew nothing about the matter. That foreign trade enriched the country, experience demonstrated to the nobles and country gentlemen, as well as to the merchants; but how, or in what manner, none of them well knew. The merchants knew perfectly in what manner it enriched themselves.

¹[This sentence appears first in ed. 2. Ed. 1 begins the next sentence, 'The high price of exchange therefore would tend'.]

It was their business to know it. But to know in what manner it enriched the country, was no part of their business. This subject never came into their consideration, but when they had occasion to apply to their country for some change in the laws relating to foreign trade. It then became necessary to say something about the beneficial effects of foreign trade, and the manner in which those effects were obstructed by the laws as they then stood. To the judges who were to decide the business, it appeared a most satisfactory account of the matter, when they were told that foreign trade brought money into the country, but that the laws in question hindered it from bringing so much as it otherwise would do. Those arguments therefore produced the wished-for effect. The prohibition of exporting gold and silver was in France and England confined to the coin of those respective countries. The exportation of foreign coin and of bullion was made free. In Holland, and in some other places, this liberty was extended even to the coin of the country. The attention of government was turned away from guarding against the exportation of gold and silver, to watch over the balance of trade, as the only cause which could occasion any augmentation or diminution of those metals. From one fruitless care it was turned away to another care much more intricate, much more embarrassing, and just equally fruitless. The title of Mun's book, *England's Treasure in Foreign Trade*, became a fundamental maxim in the political œconomy, not of England only, but of all other commercial countries. The inland or home trade, the most important of all, the trade in which an equal capital affords the greatest revenue, and creates the greatest employment to the people of the country, was considered as subsidiary only to foreign trade. It neither brought money into the country, it was said, nor carried any out of it. The country therefore could never become either richer or poorer by means of it, except so far as its prosperity or decay might indirectly influence the state of foreign trade.

A country that has no mines of its own must undoubtedly draw its gold and silver from foreign countries, in the same manner as one that has no vineyards of its own must draw its wines. It does not seem necessary, however, that the attention of government should be more turned towards the one than towards the other object. A country that has wherewithal to buy wine, will always get the wine which it has occasion for; and a country that has wherewithal to buy gold and silver, will never be in want of those metals. They are to be bought for a certain price like all other commodities, and as they are the price

The exportation of foreign coin and bullion was permitted by France and England, and the exportation of Dutch coin by Holland.

That treasure was obtained by foreign trade became a received maxim.

Gold and silver will be imported without any attention of government,

¹ ['In' is a mistake for 'by' .]

of all other commodities, so all other commodities are the price of those metals. We trust with perfect security that the freedom of trade, without any attention of government, will always supply us with the wine which we have occasion for: and we may trust with equal security that it will always supply us with all the gold and silver which we can afford to purchase or to employ, either in circulating our commodities, or in other uses.

They can be imported more easily than other commodities when there is an effectual demand.

The quantity of every commodity which human industry can either purchase or produce, naturally regulates itself in every country according to the effectual demand, or according to the demand of those who are willing to pay the whole rent, labour and profits which must be paid in order to prepare and bring it to market. But no commodities regulate themselves more easily or more exactly according to this effectual demand than gold and silver; because, on account of the small bulk and great value of those metals, no commodities can be more easily transported from one place to another, from the places where they are cheap, to those where they are dear, from the places where they exceed, to those where they fall short of this effectual demand. If there were in England, for example, an effectual demand for an additional quantity of gold, a packet-boat could bring from Lisbon, or from wherever else it was to be had, fifty tuns of gold, which could be coined into more than five millions of guineas. But if there were ¹ an effectual demand for grain to the same value, to import it would require, at five guineas a tun, a million of tuns of shipping, or a thousand ships of a thousand tuns each. The navy of England would not be sufficient.

When their quantity exceeds the demand it is impossible to prevent their exportation,

When the quantity of gold and silver imported into any country exceeds the effectual demand, no vigilance of government can prevent their exportation. All the sanguinary laws of Spain and Portugal are not able to keep their gold and silver at home. The continual importations from Peru and Brazil exceed the effectual demand of those countries, and sink the price of those metals there below that in the neighbouring countries. If, on the contrary, in any particular country their quantity fell short of the effectual demand, so as to raise their price above that of ² the neighbouring countries, the government would have no occasion to take any pains to import them. If it were ³ even to take pains to prevent their importation, it would not be able to effectuate it. Those metals, when the Spartans had got wherewithal to purchase them, broke through all the barriers which the laws of Lycur-

and it would be equally impossible to prevent their importation if the supply fell

¹ [Here and four lines higher eds. 1-3 read 'if there was'.]

² [Ed. 1 reads 'in'.]

³ [Eds. 1-3 read 'if it was'.]

gus opposed to their entrance into Lacedemon. All the sanguinary laws of the customs are not able to prevent the importation of the teas of the Dutch and Gottenburgh East India companies ; because somewhat cheaper than those of the British company. A pound of tea, however, is about a hundred times the bulk of one of the highest prices, sixteen shillings, that is commonly paid for it in silver, and more than two thousand times the bulk of the same price in gold, and consequently just so many times more difficult to smuggle.

It is partly owing to the easy transportation of gold and silver from the places where they abound to those where they are wanted, that the price of those metals does not fluctuate continually like that of the greater part of other commodities, which are hindered by their bulk from shifting their situation, when the market happens to be either over or under-stocked with them. The price of those metals, indeed, is not altogether exempted from variation, but the changes to which it is liable are generally slow, gradual, and uniform. In Europe, for example, it is supposed, without much foundation, perhaps, that, during the course of the present and preceding century, they have been constantly, but gradually, sinking in their value, on account of the continual importations from the Spanish West Indies.¹ But to make any sudden change in the price of gold and silver, so as to raise or lower at once, sensibly and remarkably, the money price of all other commodities, requires such a revolution in commerce as that occasioned by the discovery of America.

If, notwithstanding all this, gold and silver should at any time fall short in a country which has wherewithal to purchase them, there are more expedients for supplying their place, than that of almost any other commodity. If the materials of manufacture are wanted, industry must stop. If provisions are wanted, the people must starve. But if money is wanted, barter will supply its place, though with a good deal of inconveniency. Buying and selling upon credit, and the different dealers compensating their credits with one another, once a month or once a year, will supply it with less inconveniency. A well-regulated paper money will supply it, not only without any inconveniency, but, in some cases, with some advantages.² Upon every account, therefore, the attention of government never was so unnecessarily employed, as when directed to watch over the preservation or increase of the quantity of money in any country.

short of the effectual demand.

It is this case of transportation which makes the value of gold and silver so uniform.

If they did fall short, their place could be supplied by paper.

¹ [The absence of any reference to the long Digression in bk. i., chap. xi., suggests that this passage was written before the Digression was incorporated in the work. Contrast the reference below, vol. ii., p. 9.]

² [Ed. 1 reads 'not only without any inconveniency but with very great advantages'.]

The common complaint of scarcity of money only means difficulty in borrowing.

No complaint, however, is more common than that of a scarcity of money. Money, like wine, must always be scarce with those who have neither wherewithal to buy it, nor credit to borrow it. Those who have either, will seldom be in want either of the money, or of the wine which they have occasion for. This complaint, however, of the scarcity of money, is not always confined to improvident spendthrifts. It is sometimes general through a whole mercantile town, and the country in its neighbourhood. Over-trading is the common cause of it. Sober men, whose projects have been disproportioned to their capitals, are as likely to have neither wherewithal to buy money, nor credit to borrow it, as prodigals whose expence has been disproportioned to their revenue. Before their projects can be brought to bear, their stock is gone, and their credit with it. They run about everywhere to borrow money, and every body tells them that they have none to lend. Even such general complaints of the scarcity of money do not always prove that the usual number of gold and silver pieces are not circulating in the country, but that many people want those pieces who have nothing to give for them. When the profits of trade happen to be greater than ordinary, over-trading becomes a general error both among great and small dealers. They do not always send more money abroad than usual, but they buy upon credit both at home and abroad, an unusual quantity of goods, which they send to some distant market, in hopes that the returns will come in before the demand for payment. The demand comes before the returns, and they have nothing at hand, with which they can either purchase money, or give solid security for borrowing. It is not any scarcity of gold and silver, but the difficulty which such people find in borrowing, and which their creditors find in getting payment, that occasions the general complaint of the scarcity of money.

Money makes but a small part of the national capital.

It would be too ridiculous to go about seriously to prove, that wealth does not consist in money, or in gold and silver; but in what money purchases, and is valuable only for purchasing. Money, no doubt, makes always a part of the national capital; but it has already been shown¹ that it generally makes but a small part, and always the most unprofitable part of it.

It is easier to buy than to sell simply because money is the instrument of commerce.

It is not because wealth consists more essentially in money than in goods, that the merchant finds it generally more easy to buy goods with money, than to buy money with goods; but because money is the known and established instrument of commerce, for which every

¹[This probably refers to p. 279, though the object there is rather to insist on the largeness of the saving effected by dispensing with money, and pp. 269-275.]

thing is readily given in exchange, but which is not always with equal readiness to be got in exchange for every thing. The greater part of goods besides are more perishable than money, and he may frequently sustain a much greater loss by keeping them. When his goods are upon hand too, he is more liable to such demands for money as he may not be able to answer, than when he has got their price in his coffers. Over and above all this, his profit arises more directly from selling than from buying, and he is upon all these accounts generally much more anxious to exchange his goods for money, than his money for goods. But though a particular merchant, with abundance of goods in his warehouse, may sometimes be ruined by not being able to sell them in time, a nation or country is not liable to the same accident. The whole capital of a merchant frequently consists in perishable goods destined for purchasing money. But it is but a very small part of the annual produce of the land and labour of a country which can ever be destined for purchasing gold and silver from their neighbours. The far greater part is circulated and consumed among themselves; and even of the surplus which is sent abroad, the greater part is generally destined for the purchase of other foreign goods. Though gold and silver, therefore, could not be had in exchange for the goods destined to purchase them, the nation would not be ruined. It might, indeed, suffer some loss and inconveniency, and be forced upon some of those expedients which are necessary for supplying the place of money. The annual produce of its land and labour, however, would be the same, or very nearly the same, as usual, because the same, or very nearly the same consumable capital would be employed in maintaining it. And though goods do not always draw money so readily as money draws goods, in the long-run they draw it more necessarily than even it draws them. Goods can serve many other purposes besides purchasing money, but money can serve no other purpose besides purchasing goods. Money, therefore, necessarily runs after goods, but goods do not always or necessarily run after money. The man who buys, does not always mean to sell again, but frequently to use or to consume; whereas he who sells, always means to buy again. The one may frequently have done the whole, but the other can never have done more than the one-half of his business. It is not for its own sake that men desire money, but for the sake of what they can purchase with it.

Consumable commodities, it is said, are soon destroyed; whereas gold and silver are of a more durable nature, and, were it not for this continual exportation, might be accumulated for ages together, to the

The durability of a commodity is no reason for accumu-

lating more
of it than is
wanted.

incredible augmentation of the real wealth of the country. Nothing, therefore, it is pretended, can be more disadvantageous to any country, than the trade which consists in the exchange of such lasting for such perishable commodities. We do not, however, reckon that trade disadvantageous which consists in the exchange of the hard-ware of England for the wines of France; and yet hard-ware is a very durable commodity, and were it not¹ for this continual exportation, might too be accumulated for ages together, to the incredible augmentation of the pots and pans of the country. But it readily occurs that the number of such utensils is in every country necessarily limited by the use which there is for them; that it would be absurd to have more pots and pans than were necessary for cooking the victuals usually consumed there; and that if the quantity of victuals were to increase, the number of pots and pans would readily increase along with it, a part of the increased quantity of victuals being employed in purchasing them, or in maintaining an additional number of workmen whose business it was to make them. It should as readily occur that the quantity of gold and silver is in every country limited by the use which there is for those metals; that their use consists in circulating commodities as coin, and in affording a species of household furniture as plate; that the quantity of coin in every country is regulated by the value of the commodities which are to be circulated by it: increase that value, and immediately a part of it will be sent abroad to purchase, wherever it is to be had, the additional quantity of coin requisite for circulating them: that the quantity of plate is regulated by the number and wealth of those private families who chuse to indulge themselves in that sort of magnificence: increase the number and wealth of such families, and a part of this increased wealth will most probably be employed in purchasing, wherever it is to be found, an additional quantity of plate: that to attempt to increase the wealth of any country, either by introducing or by detaining in it an unnecessary quantity of gold and silver, is as absurd as it would be to attempt to increase the good cheer of private families, by obliging them to keep an unnecessary number of kitchen utensils. As the expence of purchasing those unnecessary utensils would diminish instead of increasing either the quantity or goodness of the family provisions; so the expence of purchasing an unnecessary quantity of gold and silver must, in every country, as necessarily diminish the wealth which feeds, clothes, and lodges, which maintains and employs the people. Gold and silver, whether in the shape of coin or of plate, are utensils, it must be

¹[Eds. 1-3 read 'was it not'.]

remembered, as much as the furniture of the kitchen. Increase the use for them, increase the consumable commodities which are to be circulated, managed, and prepared by means of them, and you will infallibly increase the quantity; but if you attempt, by extraordinary means, to increase the quantity, you will as infallibly diminish the use and even the quantity too, which in those metals can never be greater than what the use requires. Were they ever to be accumulated beyond this quantity, their transportation is so easy, and the loss which attends their lying idle and unemployed so great, that no law could prevent their being immediately sent out of the country.

It is not always necessary to accumulate gold and silver, in order to enable a country to carry on foreign wars, and to maintain fleets and armies in distant countries. Fleets and armies are maintained, not with gold and silver, but with consumable goods. The nation which, from the annual produce of its domestic industry, from the annual revenue arising out of its lands, labour, and consumable stock, has wherewithal to purchase those consumable goods in distant countries, can maintain foreign wars there.

A nation may purchase the pay and provisions of an army in a distant country three different ways; by sending abroad either, first, some part of its accumulated gold and silver; or secondly, some part of the annual produce of its manufactures; or last of all, some part of its annual rude produce.

The gold and silver which can properly be considered as accumulated or stored up in any country, may be distinguished into three parts; first, the circulating money; secondly, the plate of private families; and last of all, the money which may have been collected by many years parsimony, and laid up in the treasury of the prince.

It can seldom happen that much can be spared from the circulating money of the country; because in that there can seldom be much redundancy. The value of goods annually bought and sold in any country requires a certain quantity of money to circulate and distribute them to their proper consumers, and can give employment to no more. The channel of circulation necessarily draws to itself a sum sufficient to fill it, and never admits any more. Something, however, is generally withdrawn from this channel in the case of foreign war. By the great number of people who are maintained abroad, fewer are maintained at home. Fewer goods are circulated there, and less money becomes necessary to circulate them. An extraordinary quantity of paper money, of some sort or other too, such as exchequer notes, navy bills, and bank bills in England, is generally issued upon such occasions,

Accumulation of gold and silver is not necessary for carrying on distant wars,

which may be paid for by exporting: (1) gold and silver, (2) manufactures, or (3) rude produce

The gold and silver consists of money in circulation, plate, and money in the treasury.

Little can be spared from the money in circulation;

and by supplying the place of circulating gold and silver, gives an opportunity of sending a greater quantity of it abroad. All this, however, could afford but a poor resource for maintaining a foreign war, of great expence and several years duration.

plate has never yielded much;

The melting down the plate of private families, has upon every occasion been found a still more insignificant one. The French, in the beginning of the last war, did not derive so much advantage from this expedient as to compensate the loss of the fashion.

accumulation in the treasury has been abandoned.

The accumulated treasures of the prince have, in former times, afforded a much greater and more lasting resource. In the present times, if you except the king of Prussia, to accumulate treasure seems to be no part of the policy of European princes.

The foreign wars of the century have evidently not been paid for from the money in circulation,

The funds which maintained the foreign wars of the present century, the most expensive perhaps which history records, seem to have had little dependency upon the exportation either of the circulating money, or of the plate of private families, or of the treasure of the prince. The last French war cost Great Britain upwards of ninety millions, including not only the seventy-five millions of new debt that was contracted,¹ but the additional two shillings in the pound land tax, and what was annually borrowed of the sinking fund. More than two-thirds of this expence were² laid out in distant countries; in Germany, Portugal, America, in the ports of the Mediterranean, in the East and West Indies. The kings of England had no accumulated treasure. We never heard of any extraordinary quantity of plate being melted down. The circulating gold and silver of the country had not been supposed to exceed eighteen millions. Since the late recoinage of the gold, however, it is believed to have been a good deal under-rated. Let us suppose, therefore, according to the most exaggerated computation which I remember to have either seen or heard of,³ that, gold and silver together, it amounted to thirty millions,⁴ Had the war been carried on, by means of our money, the whole of it must, even according to this computation, have been sent out and returned again at least twice, in a period of between six and seven years. Should this be supposed, it would afford the most decisive argument to demonstrate how unnecessary it is for government to watch over the preservation of money, since upon this supposition the whole money of the country must have gone from it and returned to it again, two different times in so short a period, without any body's knowing any thing of the matter.

¹ [*Present State of the Nation* (see next page and note), p. 28.]

² [Eds. 1-3 read 'was'.]

³ [Ed. 1 reads 'according to the exaggerated computation of Mr. Horsely'.]

⁴ [*Lectures*, p. 199.]

The channel of circulation, however, never appeared more empty than usual during any part of this period. Few people wanted money who had wherewithal to pay for it. The profits of foreign trade, indeed, were greater than usual during the whole war; but especially towards the end of it. This occasioned, what it always occasions, a general over-trading in all the ports of Great Britain; and this again occasioned the usual complaint of the scarcity of money, which always follows over-trading. Many people wanted it, who had neither wherewithal to buy it, nor credit to borrow it; and because the debtors found it difficult to borrow, the creditors found it difficult to get payment. Gold and silver, however, were generally to be had for their value, by those who had that value to give for them.

The enormous expence of the late war, therefore, must have been chiefly defrayed, not by the exportation of gold and silver, but by that of British commodities of some kind or other. When the government, or those who acted under them, contracted with a merchant for a remittance to some foreign country, he would naturally endeavour to pay his foreign correspondent, upon whom he had granted a bill, by sending abroad rather commodities than gold and silver. If the commodities of Great Britain were not in demand in that country, he would endeavour to send them to some other country, in which he could purchase a bill upon that country. The transportation of commodities, when properly suited to the market, is always attended with a considerable profit; whereas that of gold and silver is scarce ever attended with any. When those metals are sent abroad in order to purchase foreign commodities, the merchant's profit arises, not from the purchase, but from the sale of the returns. But when they are sent abroad merely to pay a debt, he gets no returns, and consequently no profit. He naturally, therefore, exerts his invention to find out a way of paying his foreign debts, rather by the exportation of commodities than by that of gold and silver. The great quantity of British goods exported during the course of the late war, without bringing back any returns, is accordingly remarked by the author of *The Present State of the Nation*.¹

Besides the three sorts of gold and silver above mentioned, there is in all great commercial countries a good deal of bullion alternately imported and exported for the purposes of foreign trade. This bullion, as it circulates among different commercial countries in the same manner as the national coin circulates in every particular country,

but by commodities.

Part of the bullion which circulates from country to country may have been employed,

¹[*The Present State of the Nation, particularly with respect to its Trade, Finances, etc., etc., addressed to the King and both Houses of Parliament, 1768* (written under the direction of George Grenville by William Knox), pp. 7, 8.]

but it must have been purchased with commodities.

may be considered as the money of the great mercantile republic. The national coin receives its movement and direction from the commodities circulated within the precincts of each particular country: the money of the mercantile republic, from those circulated between different countries. Both are employed in facilitating exchanges, the one between different individuals of the same, the other between those of different nations. Part of this money of the great mercantile republic may have been, and probably was, employed in carrying on the late war. In time of a general war, it is natural to suppose that a movement and direction should be impressed upon it, different from what it usually follows in profound peace; that it should circulate more about the seat of the war, and be more employed in purchasing there, and in the neighbouring countries, the pay and provisions of the different armies. But whatever part of this money of the mercantile republic, Great Britain may have annually employed in this manner, it must have been annually purchased, either with British commodities, or with something else that had been purchased with them; which still brings us back to commodities, to the annual produce of the land and labour of the country, as the ultimate resources which enabled us to carry on the war. It is natural indeed to suppose, that so great an annual expence must have been defrayed from a great annual produce. The expence of 1761, for example, amounted to more than nineteen millions. No accumulation could have supported so great an annual profusion. There is no annual produce even of gold and silver which could have supported it. The whole gold and silver annually imported into both Spain and Portugal, according to the best accounts, does not commonly much exceed six millions sterling,¹ which, in some years, would scarce have paid four months expence of the late war.

The finer manufactures are the most convenient commodities for the purpose.

The commodities most proper for being transported to distant countries, in order to purchase there, either the pay and provisions of an army, or some part of the money of the mercantile republic to be employed in purchasing them, seem to be the finer and more improved manufactures; such as contain a great value in a small bulk, and can, therefore, be exported to a great distance at little expence. A country whose industry produces a great annual surplus of such manufactures, which are usually exported to foreign countries, may carry on for many years a very expensive foreign war, without either exporting any considerable quantity of gold and silver, or even having any such quantity to export. A considerable part of the annual surplus of its manufactures must, indeed, in this case be exported, without bringing back

¹[Above, pp. 207-209.]

any returns to the country, though it does to the merchant; the government purchasing of the merchant his bills upon foreign countries, in order to purchase there the pay and provisions of an army. Some part of this surplus, however, may still continue to bring back a return.¹ The manufacturers, during the war, will have a double demand upon them, and be called upon, first, to work up goods to be sent abroad, for paying the bills drawn upon foreign countries for the pay and provisions of the army; and, secondly, to work up such as are necessary for purchasing the common returns that had usually been consumed in the country. In the midst of the most destructive foreign war, therefore, the greater part of manufactures may frequently flourish greatly; and, on the contrary, they may decline on the return of the peace. They may flourish amidst the ruin of their country, and begin to decay upon the return of its prosperity. The different state of many different branches of the British manufactures during the late war, and for some time after the peace, may serve as an illustration of what has been just now said.

No foreign war of great expence or duration could conveniently be carried on by the exportation of the rude produce of the soil. The expence of sending such a quantity of it to a foreign country as might purchase the pay and provisions of an army, would be too great. Few countries too produce much more rude produce than what is sufficient for the subsistence of their own inhabitants. To send abroad any great quantity of it, therefore, would be to send abroad a part of the necessary subsistence of the people. It is otherwise with the exportation of manufactures. The maintenance of the people employed in them is kept at home, and only the surplus part of their work is exported. Mr. Hume frequently takes notice of the inability of the ancient kings of England to carry on, without interruption, any foreign war of long duration.² The English, in those days, had nothing wherewithal to purchase the pay and provisions of their armies in foreign countries, but either the rude produce of the soil, of which no considerable part could be spared from the home consumption, or a few manufactures of the coarsest kind, of which, as well as of the rude produce, the transportation was too expensive. This inability did not arise from the want of money, but of the finer and more improved manufactures. Buying and selling was transacted by means of money in England then, as well as now. The quantity of circulating money

Rude produce is inconvenient.

¹ [In place of these two sentences ed. 1 reads 'A considerable part of the annual surplus of its manufactures must indeed in this case be exported without bringing back any returns. Some part of it, however, may still continue to bring back a return.']

² [*History*, chaps. xix. and xx., vol. iii., pp. 103, 104, 165 in ed. of 1773.]

must have borne the same proportion to the number and value of purchases and sales usually transacted at that time, which it does to those transacted at present; or rather it must have borne a greater proportion, because there was then no paper, which now occupies a great part of the employment of gold and silver. Among nations to whom commerce and manufactures are little known, the sovereign, upon extraordinary occasions, can seldom draw any considerable aid from his subjects, for reasons which shall be explained hereafter.¹ It is in such countries, therefore, that he generally endeavours to accumulate a treasure, as the only resource against such emergencies. Independent of this necessity, he is in such a situation naturally disposed to the parsimony requisite for accumulation. In that simple state, the expence even of a sovereign is not directed by the vanity which delights in the gaudy finery of a court, but is employed in bounty to his tenants, and hospitality to his retainers. But bounty and hospitality very seldom lead to extravagance; though vanity almost always does.² Every Tartar chief, accordingly, has a treasure. The treasures of Mazepa, chief of the Cossacks in the Ukraine, the famous ally of Charles the XIIth, are said to have been very great. The French kings of the Merovingian race had all treasures. When they divided their kingdom among their different children, they divided their treasure too. The Saxon princes, and the first kings after the conquest, seem likewise to have accumulated treasures. The first exploit of every new reign was commonly to seize the treasure of the preceding king, as the most essential measure for securing the succession. The sovereigns of improved and commercial countries are not under the same necessity of accumulating treasures, because they can generally draw from their subjects extraordinary aids upon extraordinary occasions. They are likewise less disposed to do so. They naturally, perhaps necessarily, follow the mode of the times, and their expence comes to be regulated by the same extravagant vanity which directs that of all the other great proprietors in their dominions. The insignificant pageantry of their court becomes every day more brilliant, and the expence of it not only prevents accumulation, but frequently encroaches upon the funds destined for more necessary expences. What Dercyllidas said of the court of Persia, may be applied to that of several European princes, that he saw there much splendor but little strength, and many servants but few soldiers.³

¹ [Below, p. 396.]

² [This sentence and the nine words before it are repeated below, vol. ii., p. 393.]

³ ['Dercyllidas' appears to be a mistake for Antiochus. See Xenophon, *Hellenica*, vii., i., § 38.]

The importation of gold and silver is not the principal, much less the sole benefit which a nation derives from its foreign trade. Between whatever places foreign trade is carried on, they all of them derive two distinct benefits from it. It carries out that surplus part of the produce of their land and labour for which there is no demand among them, and brings back in return for it something else for which there is a demand. It gives a value to their superfluities, by exchanging them for something else, which may satisfy a part of their wants, and increase their enjoyments. By means of it, the narrowness of the home market does not hinder the division of labour in any particular branch of art or manufacture from being carried to the highest perfection. By opening a more extensive market for whatever part of the produce of their labour may exceed the home consumption, it encourages them to improve its productive powers, and to augment its annual produce to the utmost, and thereby to increase¹ the real revenue and wealth of the society. These great and important services foreign trade is continually occupied in performing, to all the different countries between which it is carried on. They all derive great benefit from it, though that in which the merchant resides generally derives the greatest, as he is generally more employed in supplying the wants, and carrying out the superfluities of his own, than of any other particular country. To import the gold and silver which may be wanted, into the countries which have no mines, is, no doubt, a part of the business of foreign commerce. It is, however, a most insignificant part of it. A country which carried on foreign trade merely upon this account, could scarce have occasion to freight a ship in a century.

The principal benefit of foreign trade is not the importation of gold and silver, but the carrying out of surplus produce for which there is no demand and bringing back something for which there is.

It is not by the importation of gold and silver, that the discovery of America has enriched Europe. By the abundance of the American mines, those metals have become cheaper. A service of plate can now be purchased for about a third part of the corn, or a third part of the labour, which it would have cost in the fifteenth century. With the same annual expence of labour and commodities, Europe can annually purchase about three times the quantity of plate which it could have purchased at that time. But when a commodity comes to be sold for a third part of what had been its usual price, not only those who purchased it before can purchase three times their former quantity, but it is brought down to the level of a much greater number of purchasers, perhaps to more than ten, perhaps to more than twenty times the former number. So that there may be in Europe at present not only more than three times, but more than twenty or thirty times the quan-

The discovery of America has benefited Europe not by the cheapening of gold and silver,

¹ [Ed. 1 reads 'thereby increase'.]

tity of plate which would have been in it, even in its present state of improvement, had the discovery of the American mines never been made. So far Europe has, no doubt, gained a real conveniency, though surely a very trifling one. The cheapness of gold and silver renders those metals rather less fit for the purposes of money than they were before. In order to make the same purchases, we must load ourselves with a greater quantity of them, and carry about a shilling in our pocket where a groat would have done before. It is difficult to say which is most trifling, this inconveniency, or the opposite conveniency. Neither the one nor the other could have made any very essential change in the state of Europe. The discovery of America, however, certainly made a most essential one. By opening a new and inexhaustible market to all the commodities of Europe, it gave occasion to new divisions of labour and improvements of art, which, in the narrow circle of the ancient commerce, could never have taken place for want of a market to take off the greater part of their produce. The productive powers of labour were improved, and its produce increased in all the different countries of Europe, and together with it the real revenue and wealth of the inhabitants. The commodities of Europe were almost all new to America, and many of those of America were new to Europe. A new set of exchanges, therefore, began to take place which had never been thought of before, and which should naturally have proved as advantageous to the new, as it certainly did to the old continent. The savage injustice of the Europeans rendered an event, which ought to have been beneficial to all, ruinous and destructive to several of those unfortunate countries.

but by opening up of a new market which improved the productive powers of labour.

The discovery of a passage to the East Indies, by the Cape of Good Hope, which happened much about the same time, opened, perhaps, a still more extensive range to foreign commerce than even that of America, notwithstanding the greater distance. There were but two nations in America, in any respect superior to savages, and these were destroyed almost as soon as discovered. The rest were mere savages. But the empires of China, Indostan, Japan, as well as several others in the East Indies, without having richer mines of gold or silver, were in every other respect much richer, better cultivated, and more advanced in all arts and manufactures than either Mexico or Peru, even though we should credit, what plainly deserves no credit, the exaggerated accounts of the Spanish writers, concerning the ancient state of those empires. But rich and civilized nations can always exchange to a much greater value with one another, than with savages and barbarians. Europe, however, has hitherto derived much less advantage from its commerce

The discovery of the sea passage to the East Indies would have been still more advantageous if the trade to the East Indies had been free.

with the East Indies, than from that with America. The Portuguese monopolized the East India trade to themselves for about a century, and it was only indirectly and through them, that the other nations of Europe could either send out or receive any goods from that country. When the Dutch, in the beginning of the last century, began to encroach upon them, they vested their whole East India commerce in an exclusive company. The English, French, Swedes, and Danes, have all followed their example, so that no great nation in Europe has ever yet had the benefit of a free commerce to the East Indies. No other reason need be assigned why it has never been so advantageous as the trade to America, which, between almost every nation of Europe and its own colonies, is free to all its subjects. The exclusive privileges of those East India companies, their great riches, the great favour and protection which these have procured them from their respective governments, have excited much envy against them. This envy has frequently represented their trade as altogether pernicious, on account of the great quantities of silver, which it every year exports from the countries from which it is carried on. The parties concerned have replied, that their trade, by this continual exportation of silver, might, indeed, tend to impoverish Europe in general, but not the particular country from which it was carried on; because, by the exportation of a part of the returns to other European countries, it annually brought home a much greater quantity of that metal than it carried out. Both the objection and the reply are founded in the popular notion which I have been just now examining. It is, therefore, unnecessary to say any thing further about either. By the annual exportation of silver to the East Indies, plate is probably somewhat dearer in Europe than it otherwise might have been; and coined silver probably purchases a larger quantity both of labour and commodities. The former of these two effects is a very small loss, the latter a very small advantage; both too insignificant to deserve any part of the public attention. The trade to the East Indies, by opening a market to the commodities of Europe, or, what comes nearly to the same thing, to the gold and silver which is purchased with those commodities, must necessarily tend to increase the annual production of European commodities, and consequently the real wealth and revenue of Europe. That it has hitherto increased them so little, is probably owing to the restraints which it every-where labours under.

I thought it necessary, though at the hazard of being tedious, to examine at full length this popular notion that wealth consists in money, or in gold and silver. Money in common language, as I have

The exportation of silver to the East Indies is not harmful.

Writers who begin by including lands, houses and

consumable goods in wealth often forget them later.

already observed, frequently signifies wealth; and this ambiguity of expression has rendered this popular notion so familiar to us, that even they, who are convinced of its absurdity, are very apt to forget their own principles, and in the course of their reasonings to take it for granted as a certain and undeniable truth. Some of the best English writers upon commerce set out with observing, that the wealth of a country consists, not in its gold and silver only, but in its lands, houses, and consumable goods of all different kinds. In the course of their reasonings, however, the lands, houses, and consumable goods seem to slip out of their memory, and 'the strain of their argument frequently supposes that all wealth consists in gold and silver, and that to multiply those metals is the great object of national industry and commerce.

Wealth being supposed to consist in gold and silver, political economy endeavoured to diminish imports and encourage exports,

The two principles being established, however, that wealth consisted in gold and silver, and that those metals could be brought into a country which had no mines only by the balance of trade, or by exporting to a greater value than it imported; it necessarily became the great object of political economy to diminish as much as possible the importation of foreign goods for home consumption, and to increase as much as possible the exportation of the produce of domestic industry. Its two great engines for enriching the country, therefore, were restraints upon importation, and encouragements to exportation.

The restraints upon importation were of two kinds.

by restraints upon importation

First, Restraints upon the importation of such foreign goods for home consumption as could be produced at home, from whatever country they were imported.

Secondly, Restraints upon the importation of goods of almost all kinds from those particular countries with which the balance of trade was supposed to be disadvantageous.

Those different restraints consisted sometimes in high duties, and sometimes in absolute prohibitions.

and encouragements to exportation,

Exportation was encouraged sometimes by drawbacks, sometimes by bounties, sometimes by advantageous treaties of commerce with foreign states, and sometimes by the establishment of colonies in distant countries.

Drawbacks were given upon two different occasions. When the home-manufactures were subject to any duty or excise, either the whole or a part of it was frequently drawn back upon their exportation; and when foreign goods liable to a duty were imported in order to be exported again, either the whole or a part of this duty was sometimes given back upon such exportation.

Bounties were given for the encouragement either of some beginning manufactures, or of such sorts of industry of other kinds as were supposed to deserve particular favour.

By advantageous treaties of commerce, particular privileges were procured in some foreign state for the goods and merchants of the country, beyond what were granted to those of other countries.

By the establishment of colonies in distant countries, not only particular privileges, but a monopoly was frequently procured for the goods and merchants of the country which established them.

The two sorts of restraints upon importation above-mentioned, together with these four encouragements to exportation, constitute the six principal means by which the commercial system proposes to increase the quantity of gold and silver in any country by turning the balance of trade in its favour. I shall consider each of them in a particular chapter, and without taking much further notice of their supposed tendency to bring money into the country, I shall examine chiefly what are likely to be the effects of each of them upon the annual produce of its industry. According as they tend either to increase or diminish the value of this annual produce, they must evidently tend either to increase or diminish the real wealth and revenue of the country.

which re-
straints and
encourage-
ments will
be con-
sidered in
the next six
chapters.

CHAPTER II

OF RESTRAINTS UPON THE IMPORTATION FROM FOREIGN COUNTRIES OF SUCH GOODS AS CAN BE PRODUCED AT HOME

High duties and prohibitions giving a monopoly to a particular home industry are very common.

BY restraining, either by high duties, or by absolute prohibitions, the importation of such goods from foreign countries as can be produced at home, the monopoly of the home market is more or less secured to the domestic industry employed in producing them. Thus the prohibition of importing either live cattle¹ or salt provisions from foreign countries secures to the graziers of Great Britain the monopoly of the home market for butcher's meat. The high duties upon the importation of corn,² which in times of moderate plenty amount to a prohibition, give a like advantage to the growers of that commodity. The prohibition of the importation of foreign woollens is equally favourable to the woollen manufacturers.³ The silk manufacture, though altogether employed upon foreign materials, has lately obtained the same advantage.⁴ The linen manufacture has not yet obtained it, but is making great strides towards it.⁵ Many other sorts of manufacturers⁶ have, in the same manner, obtained in Great Britain, either altogether, or very nearly a monopoly against their countrymen. The variety of goods of which the importation into Great Britain is prohibited, either absolutely, or under certain circumstances, greatly exceeds what can easily be suspected by those who are not well acquainted with the laws of the customs.⁷

They encourage the particular industry, but neither increase general industry nor

That this monopoly of the home-market frequently gives great encouragement to that particular species of industry which enjoys it, and frequently turns towards that employment a greater share of both the labour and stock of the society than would otherwise have gone to it, cannot be doubted. But whether it tends either to increase the

¹[See above, p. 392.]

²[See below, vol ii., pp. 37, 38.]

³[11 and 12 Ed. III., c. 3; 4 Ed. IV., c. 7.]

⁴[5 Geo. III., c. 28.]

⁵[By the additional duties, 7 Geo. III., c. 28.]

⁶[Misprinted 'manufactures' in ed. 5.]

⁷[This sentence appears first in Additions and Corrections and ed. 3.]

general industry of the society, or to give it the most advantageous direction, is not, perhaps, altogether so evident.¹

The general industry of the society never can exceed what the capital of the society can employ. As the number of workmen that can be kept in employment by any particular person must bear a certain proportion to his capital, so the number of those that can be continually employed by all the members of a great society, must bear a certain proportion to the whole capital of that society, and never can exceed that proportion. No regulation of commerce can increase the quantity of industry in any society beyond what its capital can maintain. It can only divert a part of it into a direction into which it might not otherwise have gone; and it is by no means certain that this artificial direction is likely to be more advantageous to the society than that into which it would have gone of its own accord.

Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of the society, which he has in view. But the study of his own advantage naturally, or rather necessarily leads him to prefer that employment which is most advantageous to the society.

First, every individual endeavours to employ his capital as near home as he can, and consequently as much as he can in the support of domestic industry; provided always that he can thereby obtain the ordinary, or not a great deal less than the ordinary profits of stock.

Thus, upon equal or nearly equal profits, every wholesale merchant naturally prefers the home-trade to the foreign trade of consumption, and the foreign trade of consumption to the carrying trade. In the home-trade his capital is never so long out of his sight as it frequently is in the foreign trade of consumption. He can know better the character and situation of the persons whom he trusts, and if he should happen to be deceived, he knows better the laws of the country from which he must seek redress. In the carrying trade, the capital of the merchant is, as it were, divided between two foreign countries, and no part of it is ever necessarily brought home, or placed under his own immediate view and command. The capital which an Amsterdam merchant employs in carrying corn from Konningsberg to Lisbon, and fruit and wine from Lisbon to Konningsberg, must generally be the one-half of it at Konningsberg and the other half at Lisbon. No part of it need ever come to Amsterdam. The natural residence of such a merchant should either be at Konningsberg or Lisbon, and it can only

give it the best direction.

The number of persons employed cannot exceed a certain proportion to the capital of the society,

and every man's interest leads him to seek that employment of capital which is most advantageous to the society.

(1) He tries to employ it as near home as possible

¹[Ed. 1 reads 'certain'.]

be some very particular circumstances which can make him prefer the residence of Amsterdam. The uneasiness, however, which he feels at being separated so far from his capital, generally determines him to bring part both of the Konningsberg goods which he destines for the market of Lisbon, and of the Lisbon goods which he destines for that of Konningsberg, to Amsterdam: and though this necessarily subjects him to a double charge of loading and unloading, as well as to the payment of some duties and customs, yet for the sake of having some part of his capital always under his own view and command, he willingly submits to this extraordinary charge; and it is in this manner that every country which has any considerable share of the carrying trade, becomes always the emporium, or general market, for the goods of all the different countries whose trade it carries on. The merchant, in order to save a second loading and unloading, endeavours always to sell in the home-market as much of the goods of all those different countries as he can, and thus, so far as he can, to convert his carrying trade into a foreign trade of consumption. A merchant, in the same manner, who is engaged in the foreign trade of consumption, when he collects goods for foreign markets, will always be glad, upon equal or nearly equal profits, to sell as great a part of them at home as he can. He saves himself the risk and trouble of exportation, when, so far as he can, he thus converts his foreign trade of consumption into a home-trade. Home is in this manner the center, if I may say so, round which the capitals of the inhabitants of every country are continually circulating, and towards which they are always tending, though by particular causes they may sometimes be driven off and repelled from it towards more distant employments. But a capital employed in the home-trade, it has already been shown,¹ necessarily puts into motion a greater quantity of domestic industry, and gives revenue and employment to a greater number of the inhabitants of the country, than an equal capital employed in the foreign trade of consumption: and one employed in the foreign trade of consumption has the same advantage over an equal capital employed in the carrying trade. Upon equal, or only nearly equal profits, therefore, every individual naturally inclines to employ his capital in the manner in which it is likely to afford the greatest support to domestic industry, and to give revenue and employment to the greatest number of² people of his own country.

Secondly, every individual who employs his capital in the support of domestic industry, necessarily endeavours so to direct that industry, that its produce may be of the greatest possible value.

(2) He endeavours to produce the greatest possible value.

¹[Above, pp. 348-352.]

²[Ed. 1 reads 'the' here.]

The produce of industry is what it adds to the subject or materials upon which it is employed. In proportion as the value of this produce is great or small, so will likewise be the profits of the employer. But it is only for the sake of profit that any man employs a capital in the support of industry ; and he will always, therefore, endeavour to employ it in the support of that industry of which the produce is likely to be of the greatest value, or to exchange for the greatest quantity either of money or of other goods.

But the annual revenue of every society is always precisely equal to the exchangeable value of the whole annual produce of its industry, or rather is precisely the same thing with that exchangeable value. As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value ; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security ; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.

What is the species of domestic industry which his capital can employ, and of which the produce is likely to be of the greatest value, every individual, it is evident, can, in his local situation, judge much better than any statesman or lawgiver can do for him. The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would no-where be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.

To give the monopoly of the home-market to the produce of domestic industry, in any particular art or manufacture, is in some measure to direct private people in what manner they ought to employ their

He can judge of this much better than the statesman.

High duties and prohibitions direct people to employ

capital in producing at home what they could buy cheaper from abroad

capitals, and must, in almost all cases, be either a useless or a hurtful regulation. If the produce of domestic can be brought there as cheap as that of foreign industry, the regulation is evidently useless. If it cannot, it must generally be hurtful. It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy. The taylor does not attempt to make his own shoes, but buys them of the shoemaker. The shoemaker does not attempt to make his own clothes, but employs a taylor. The farmer attempts to make neither the one nor the other, but employs those different artificers. All of them find it for their interest to employ their whole industry in a way in which they have some advantage over their neighbours, and to purchase with a part of its produce, or what is the same thing, with the price of a part of it, whatever else they have occasion for.

It is as foolish for a nation as for an individual to make what can be bought cheaper.

What is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage. The general industry of the country, being always in proportion to the capital which employs it, will not thereby be diminished, no more than that of the above-mentioned artificers; but only left to find out the way in which it can be employed with the greatest advantage. It is certainly not employed to the greatest advantage, when it is thus directed towards an object which it can buy cheaper than it can make. The value of its annual produce is certainly more or less diminished, when it is thus turned away from producing commodities evidently of more value than the commodity which it is directed to produce. According to the supposition, that commodity could be purchased from foreign countries cheaper than it can be made at home. It could, therefore, have been purchased with a part only of the commodities, or, what is the same thing, with a part only of the price of the commodities, which the industry employed by an equal capital would have produced at home, had it been left to follow its natural course. The industry of the country, therefore, is thus turned away from a more, to a less advantageous employment, and the exchangeable value of its annual produce, instead of being increased, according to the intention of the lawgiver, must necessarily be diminished by every such regulation.

Sometimes by such regulations

By means of such regulations, indeed, a particular manufacture may sometimes be acquired sooner than it could have been otherwise, and

after a certain time may be made at home as cheap or cheaper than in the foreign country. But though the industry of the society may be thus carried with advantage into a particular channel sooner than it could have been otherwise, it will by no means follow that the sum total, either of its industry, or of its revenue, can ever be augmented by any such regulation. The industry of the society can augment only in proportion as its capital augments, and its capital can augment only in proportion to what can be gradually saved out of its revenue. But the immediate effect of every such regulation is to diminish its revenue, and what diminishes its revenue is certainly not very likely to augment its capital faster than it would have augmented of its own accord, had both capital and industry been left to find out their natural employments.

Though for want of such regulations the society should never acquire the proposed manufacture, it would not, upon that account, necessarily be the poorer in any one period of its duration. In every period of its duration its whole capital and industry might still have been employed, though upon different objects, in the manner that was most advantageous at the time. In every period its revenue might have been the greatest which its capital could afford, and both capital and revenue might have been augmented¹ with the greatest possible rapidity.

The natural advantages which one country has over another in producing particular commodities are sometimes so great, that it is acknowledged by all the world to be in vain to struggle with them. By means of glasses, hotbeds, and hotwalls, very good grapes can be raised in Scotland, and very good wine too can be made of them at about thirty times the expence for which at least equally good can be brought from foreign countries. Would it be a reasonable law to prohibit the importation of all foreign wines, merely to encourage the making of claret and burgundy in Scotland? But if there would be a manifest absurdity in turning towards any employment, thirty times more of the capital and industry of the country, than would be necessary to purchase from foreign countries an equal quantity of the commodities wanted, there must be an absurdity, though not altogether so glaring, yet exactly of the same kind, in turning towards any such employment a thirtieth, or even a three hundredth part more of either. Whether the advantages which one country has over another, be natural or acquired, is in this respect of no consequence. As long as the one country has those advantages, and the other wants them, it will always be more advantageous for the latter, rather to buy of the former than to make. It is an acquired advantage only, which one

a manufacture may be established earlier than it would otherwise have been, but this would make capital accumulate slower,

and the country might always be just as rich if it never acquired the manufacture.

No one proposes that a country should strive against great natural advantages, but it is also absurd to strive against smaller advantages whether natural or acquired.

¹[Ed. 1 reads 'augmenting,' which seems more correct.]

artificer has over his neighbour, who exercises another trade ; and yet they both find it more advantageous to buy of one another, than to make what does not belong to their particular trades.

Merchants and manufacturers get the most benefit from high duties and prohibitions.

Merchants and manufacturers are the people who derive the greatest advantage from this monopoly of the home-market. The prohibition of the importation of foreign cattle, and of salt provisions, together with the high duties upon foreign corn, which in times of moderate plenty amount to a prohibition,¹ are not near so advantageous to the graziers and farmers of Great Britain, as other regulations of the same kind are to its merchants and manufacturers. Manufactures, those of the finer kind especially, are more easily transported from one country to another than corn or cattle. It is in the fetching and carrying manufactures, accordingly, that foreign trade is chiefly employed. In manufactures, a very small advantage will enable foreigners to undersell our own workmen, even in the home market. It will require a very great one to enable them to do so in the rude produce of the soil. If the free importation of foreign manufactures were² permitted, several of the home manufactures would probably suffer, and some of them, perhaps, go to ruin altogether, and a considerable part of the stock and industry at present employed in them, would be forced to find out some other employment. But the freest importation of the rude produce of the soil could have no such effect upon the agriculture of the country.

The free importation of foreign cattle would make no great difference to British graziers.

If the importation of foreign cattle, for example, were made ever so free, so few could be imported, that the grazing trade of Great Britain could be little affected by it. Live cattle are, perhaps, the only commodity of which the transportation is more expensive by sea than by land. By land they carry themselves to market. By sea, not only the cattle, but their food and their water too, must be carried at no small expence and inconveniency. The short sea between Ireland and Great Britain, indeed, renders the importation of Irish cattle more easy. But though the free importation of them, which was lately permitted only for a limited time, were rendered perpetual, it could have no considerable effect upon the interest of the graziers of Great Britain. Those parts of Great Britain which border upon the Irish sea are all grazing countries. Irish cattle could never be imported for their use, but must be drove through those very extensive countries, at no small expence and inconveniency, before they could arrive at their proper market. Fat cattle could not be drove so far. Lean cattle, therefore, only could be imported, and such importation could interfere, not with

¹ [Above, p. 418, and below, vol. ii., pp. 37, 38.]

² [Eds. 1-3 read ' was ' here and six lines lower down.]

the interest of the feeding or fattening countries, to which, by reducing the price of lean cattle, it would rather be advantageous, but with that of the breeding countries only. The small number of Irish cattle imported since their importation was permitted, together with the good price at which lean cattle still continue to sell, seem to demonstrate that even the breeding countries of Great Britain are never likely to be much affected by the free importation of Irish cattle. The common people of Ireland, indeed, are said to have sometimes opposed with violence the exportation of their cattle. But if the exporters had found any great advantage in continuing the trade, they could easily, when the law was on their side, have conquered this mobbish opposition.

Feeding and fattening countries, besides, must always be highly improved, whereas breeding countries are generally uncultivated. The high price of lean cattle, by augmenting the value of uncultivated land, is like a bounty against improvement. To any country which was highly improved throughout, it would be more advantageous to import its lean cattle than to breed them. The province of Holland, accordingly, is said to follow this maxim at present. The mountains of Scotland, Wales and Northumberland, indeed, are countries not capable of much improvement, and seem destined by nature to be the breeding countries of Great Britain. The freest importation of foreign cattle could have no other effect than to hinder those breeding countries from taking advantage of the increasing population and improvement of the rest of the kingdom, from raising their price to an exorbitant height, and from laying a real tax upon all the more improved and cultivated parts of the country.

The freest importation of salt provisions, in the same manner, could have as little effect upon the interest of the graziers of Great Britain as that of live cattle. Salt provisions are not only a very bulky commodity, but when compared with fresh meat, they are a commodity both of worse quality, and as they cost more labour and expence, of higher price. They could never, therefore, come into competition with the fresh meat, though they might with the salt provisions of the country. They might be used for victualling ships for distant voyages, and such like uses, but could never make any considerable part of the food of the people. The small quantity of salt provisions imported from Ireland since their importation was rendered free, is an experimental proof that our graziers have nothing to apprehend from it. It does not appear that the price of butcher's-meat has ever been sensibly affected by it.

Even the free importation of foreign corn could very little affect the interest of the farmers of Great Britain. Corn is a much more bulky

It might even benefit the cultivated plains at the expence of the rugged mountainous districts.

The free importation of salt provisions also would make little difference to the graziers,

and even the free importation of

corn would not much affect the farmers.

commodity than butcher's-meat. A pound of wheat at a penny is as dear as a pound of butcher's-meat at fourpence. The small quantity of foreign corn imported even in times of the greatest scarcity, may satisfy our farmers that they can have nothing to fear from the freest importation. The average quantity imported one year with another, amounts only, according to the very well informed author of the tracts upon the corn trade, to twenty-three thousand seven hundred and twenty-eight quarters of all sorts of grain, and does not exceed the five hundredth and seventy-one part of the annual consumption.¹ But as the bounty upon corn occasions a greater exportation in years of plenty, so it must of consequence occasion a greater importation in years of scarcity, than in the actual state of tillage² would otherwise take place. By means of it, the plenty of one year does not compensate the scarcity of another, and as the average quantity exported is necessarily augmented by it, so must likewise, in the actual state of tillage, the average quantity imported. If there were³ no bounty, as less corn would be exported, so it is probable that, one year with another, less would be imported than at present. The corn merchants, the fetchers and carriers of corn between Great Britain and foreign countries, would have much less employment, and might suffer considerably; but the country gentlemen and farmers could suffer very little. It is in the corn merchants accordingly, rather than in the country gentlemen and farmers, that I have observed the greatest anxiety for the renewal and continuation of the bounty.

Country gentlemen and farmers are less subject to the spirit of monopoly than merchants and manufacturers.

Country gentlemen and farmers are, to their great honour, of all people, the least subject to the wretched spirit of monopoly. The undertaker of a great manufactory is sometimes alarmed if another work of the same kind is established within twenty miles of him. The Dutch undertaker of the woollen manufacture at Abbeville⁴ stipulated, that no work of the same kind should be established within thirty leagues of that city. Farmers and country gentlemen, on the contrary, are generally disposed rather to promote than to obstruct the cultivation and improvement of their neighbours farms and estates. They have no secrets, such as those of the greater part of manufacturers, but are generally rather fond of communicating to their neighbours, and of extending as far as possible any new practice which they have

¹[Charles Smith, *Three Tracts on the Corn-Trade and Corn-Laws*, pp. 144-145. The same figure is quoted below, vol. ii., p. 36.]

²[Ed. 1 does not contain the words 'in the actual state of tillage'.]

³[Eds. 1-3 read 'was'.]

⁴[Joseph Van Robais in 1669.—John Smith, *Memoirs of Wool*, vol. ii., pp. 426, 427, but neither John Smith nor Charles King, *British Merchant*, 1721, vol. ii., pp. 93, 94, gives the particular stipulation mentioned.]

found to be advantageous. *Pius Questus*, says old Cato, *stabilissimusque, minimeque invidiosus; minimeque male cogitantes sunt, qui in eo studio occupati sunt.*¹ Country gentlemen and farmers, dispersed in different parts of the country, cannot so easily combine as merchants and manufacturers, who being collected into towns, and accustomed to that exclusive corporation spirit which prevails in them, naturally endeavour to obtain against all their countrymen, the same exclusive privilege which they generally possess against the inhabitants of their respective towns. They accordingly seem to have been the original inventors of those restraints upon the importation of foreign goods, which secure to them the monopoly of the home-market. It was probably in imitation of them, and to put themselves upon a level with those who, they found, were disposed to oppress them, that the country gentlemen and farmers of Great Britain so far forgot the generosity which is natural to their station, as to demand the exclusive privilege of supplying their countrymen with corn and butcher's-meat. They did not perhaps take time to consider, how much less their interest could be affected by the freedom of trade, than that of the people whose example they followed.

To prohibit by a perpetual law the importation of foreign corn and cattle, is in reality to enact, that the population and industry of the country shall at no time exceed what the rude produce of its own soil can maintain.

There seem, however, to be two cases in which it will generally be advantageous to lay some burden upon foreign, for the encouragement of domestic industry.

The first is, when some particular sort of industry is necessary for the defence of the country. The defence of Great Britain, for example, depends very much upon the number of its sailors and shipping. The act of navigation,² therefore, very properly endeavours to give the sailors and shipping of Great Britain the monopoly of the trade of their own country, in some cases, by absolute prohibitions, and in others by heavy burdens upon the shipping of foreign countries. The following are the principal dispositions of this act.

First, all ships, of which the owners, masters, and three-fourths of the mariners are not British subjects, are prohibited, upon pain of forfeiting ship and cargo, from trading to the British settlements and plantations, or from being employed in the coasting trade of Great Britain.³

The prohibition of foreign corn and cattle restrains the population.

There are two cases which are exceptional,

(1) when a particular industry is necessary for the defence of the country, like shipping, which is properly encouraged by the act of navigation,

¹ [Cato, *De re rustica*, *ad init.*, but '*Questus*' should of course be '*quæstus*']

² [12 Car. II., c. 18, 'An act for the encouraging and increasing of shipping and navigation.']

³ [§§ 1 and 6.]

Secondly, a great variety of the most bulky articles of importation can be brought into Great Britain only, either in such ships as are above described, or in ships of the country where those goods are produced, and of which the owners, masters, and three-fourths of the mariners, are of that particular country; and when imported even in ships of this latter kind, they are subject to double aliens duty. If imported in ships of any other country, the penalty is forfeiture of ship and goods.¹ When this act was made, the Dutch were, what they still are, the great carriers of Europe, and by this regulation they were entirely excluded from being the carriers to Great Britain, or from importing to us the goods of any other European country.

Thirdly, a great variety of the most bulky articles of importation are prohibited from being imported, even in British ships, from any country but that in which they are produced; under pain of forfeiting ship and cargo.² This regulation too was probably intended against the Dutch. Holland was then, as now, the great emporium for all European goods, and by this regulation, British ships were hindered from loading in Holland the goods of any other European country.

Fourthly, salt fish of all kinds, whale-fins, whale-bone, oil, and blubber, not caught by and cured on board British vessels, when imported into Great Britain, are subjected to double aliens duty.³ The Dutch, as they are still the principal, were then the only fishers in Europe that attempted to supply foreign nations with fish. By this regulation, a very heavy burden was laid upon their supplying Great Britain.

When the act of navigation was made, though England and Holland were not actually at war, the most violent animosity subsisted between the two nations. It had begun during the government of the long parliament, which first framed this act,⁴ and it broke out soon after in the Dutch wars during that of the Protector and of Charles the Second. It is not impossible, therefore, that some of the regulations of this famous act may have proceeded from national animosity. They are as wise, however, as if they had all been dictated by the most deliberate wisdom. National animosity at that particular time aimed at the very same object which the most deliberate wisdom would have

a wise act,
though dic-
tated by ani-
mosity,

¹ [§§ 8 and 9. Eds. 1 and 2 read 'ship and cargo'. The alteration was probably made in order to avoid wearisome repetition of the same phrase in the three paragraphs.]

² [§ 4, which, however, applies to all such goods of foreign growth and manufacture as were forbidden to be imported except in English ships, not only to bulky goods. The words 'great variety of the most bulky articles of importation' occur at the beginning of the previous paragraph, and are perhaps copied here by mistake.]

³ [§ 5.]

⁴ [In 1651, by 'An act for the increase of shipping and encouragement of the navigation of this nation,' p. 1,449 in the collection of Commonwealth Acts.]

recommended, the diminution of the naval power of Holland, the only naval power which could endanger the security of England.

The act of navigation is not favourable to foreign commerce, or to the growth of that opulence which can arise from it. The interest of a nation in its commercial relations to foreign nations is, like that of a merchant with regard to the different people with whom he deals, to buy as cheap and to sell as dear as possible. But it will be most likely to buy cheap, when by the most perfect freedom of trade it encourages all nations to bring to it the goods which it has occasion to purchase; and, for the same reason, it will be most likely to sell dear, when its markets are thus filled with the greatest number of buyers. The act of navigation, it is true, lays no burden upon foreign ships that come to export the produce of British industry. Even the ancient aliens duty, which used to be paid upon all goods exported as well as imported, has, by several subsequent acts, been taken off from the greater part of the articles of exportation.¹ But if foreigners, either by prohibitions or high duties, are hindered from coming to sell, they cannot always afford to come to buy; because coming without a cargo, they must lose the freight from their own country to Great Britain. By diminishing the number of sellers, therefore, we necessarily diminish that of buyers, and are thus likely not only to buy foreign goods dearer, but to sell our own cheaper, than if there was a more perfect freedom of trade. As defence, however, is of much more importance than opulence, the act of navigation is, perhaps, the wisest of all the commercial regulations of England.

The second case, in which it will generally be advantageous to lay some burden upon foreign for the encouragement of domestic industry, is, when some tax is imposed at home upon the produce of the latter. In this case, it seems reasonable that an equal tax should be imposed upon the like produce of the former. This would not give the monopoly of the home market to domestic industry, nor turn towards a particular employment a greater share of the stock and labour of the country, than what would naturally go to it. It would only hinder any part of what would naturally go to it from being turned away by the tax, into a less natural direction, and would leave the competition between foreign and domestic industry, after the tax, as nearly as possible upon the same footing as before it. In Great Britain, when any such tax is laid upon the produce of domestic industry, it is usual at the same time, in order to stop the clamorous complaints of our

and unfavourable to foreign commerce:

and (2) when there is a tax on the produce of the like home manufacture.

¹[By 25 Car. II., c. 6, § 1, except on coal. The plural 'acts' may refer to renewing acts. Anderson, *Commerce*, A.D. 1672.]

merchants and manufacturers, that they will be undersold at home, to lay a much heavier duty upon the importation of all foreign goods of the same kind.

Some people say that this principle justifies a general imposition of duties on imports to counterbalance taxes levied at home on necessities,

This second limitation of the freedom of trade according to some people should, upon some occasions, be extended much farther than to the precise foreign commodities which could come into competition with those which had been taxed at home. When the necessities of life have been taxed in any country, it becomes proper, they pretend, to tax not only the like necessities of life imported from other countries, but all sorts of foreign goods which can come into competition with any thing that is the produce of domestic industry. Subsistence, they say, becomes necessarily dearer in consequence of such taxes; and the price of labour must always rise with the price of the labourers subsistence. Every commodity, therefore, which is the produce of domestic industry, though not immediately taxed itself, becomes dearer in consequence of such taxes, because the labour which produces it becomes so. Such taxes, therefore, are really equivalent, they say, to a tax upon every particular commodity produced at home. In order to put domestic upon the same footing with foreign industry, therefore, it becomes necessary, they think, to lay some duty upon every foreign commodity, equal to this enhancement of the price of the home commodities with which it can come into competition.

but there is a difference.

Whether taxes upon the necessities of life, such as those in Great Britain upon¹ soap, salt, leather, candles, &c. necessarily raise the price of labour, and consequently that of all other commodities, I shall consider hereafter,² when I come to treat of taxes. Supposing, however, in the mean time, that they have this effect, and they have it undoubtedly, this general enhancement of the price of all commodities, in consequence of that of labour, is a case which differs in the two following respects from that of a particular commodity, of which the price was enhanced by a particular tax immediately imposed upon it.

since (a) the effect of taxes on necessities cannot be exactly known,

First, it might always be known with great exactness how far the price of such a commodity could be enhanced by such a tax: but how far the general enhancement of the price of labour might affect that of every different commodity about which labour was employed, could never be known with any tolerable exactness. It would be impossible, therefore, to proportion with any tolerable exactness the tax upon every foreign, to this enhancement of the price of every home commodity.

¹[Ed. I contains the words 'malt, beer' here.]

²[Below, vol. ii., pp. 354-359.]

Secondly, taxes upon the necessaries of life have nearly the same effect upon the circumstances of the people as a poor soil and a bad climate. Provisions are thereby rendered dearer in the same manner as if it required extraordinary labour and expence to raise them. As in the natural scarcity arising from soil and climate, it would be absurd to direct the people in what manner they ought to employ their capitals and industry, so is it¹ likewise in the artificial scarcity arising from such taxes. To be left to accommodate, as well as they could, their industry to their situation, and to find out those employments in which, notwithstanding their unfavourable circumstances, they might have some advantage either in the home or in the foreign market, is what in both cases would evidently be most for their advantage. To lay a new tax upon them, because they are already overburdened with taxes, and because they already pay too dear for the necessaries of life, to make them likewise pay too dear for the greater part of other commodities, is certainly a most absurd way of making amends.

Such taxes, when they have grown up to a certain height, are a curse equal to the barrenness of the earth and the inclemency of the heavens ; and yet it is in the richest and most industrious countries that they have been most generally imposed. No other countries could support so great a disorder. As the strongest bodies only can live and enjoy health, under an unwholesome regimen ; so the nations only, that in every sort of industry have the greatest natural and acquired advantages, can subsist and prosper under such taxes. Holland is the country in Europe in which they abound most, and which from peculiar circumstances continues to prosper, not by means of them, as has been most absurdly supposed, but in spite of them.

As there are two cases in which it will generally be advantageous to lay some burden upon foreign, for the encouragement of domestic industry ; so there are two others in which it may sometimes be a matter of deliberation ; in the one, how far it is proper to continue the free importation of certain foreign goods ; and in the other, how far, or in what manner, it may be proper to restore that free importation after it has been for some time interrupted.

The case in which it may sometimes be a matter of deliberation how far it is proper to continue the free importation of certain foreign goods, is, when some foreign nation restrains by high duties or prohibitions the importation of some of our manufactures into their country. Revenge in this case naturally dictates retaliation, and that we should impose the like duties and prohibitions upon the importation of some or all

and (b) taxes on necessaries are like poor soil or bad climate: they cannot justify an attempt to give capital an unnatural direction.

Taxes on necessaries are commonest in the richest countries because no others could support them

There are two other possible exceptions to the general principle

(1) Retaliation

¹ [Ed. 1 reads 'it is'.]

of their manufactures into ours. Nations accordingly seldom fail to retaliate in this manner. The French have been particularly forward to favour their own manufactures by restraining the importation of such foreign goods as could come into competition with them. In this consisted a great part of the policy of Mr. Colbert, who, notwithstanding his great abilities, seems in this case to have been imposed upon by the sophistry of merchants and manufacturers, who are always demanding a monopoly against their countrymen. It is at present the opinion of the most intelligent men in France that his operations of this kind have not been beneficial to his country. That minister, by the tariff of 1667, imposed very high duties upon a great number of foreign manufactures. Upon his refusing to moderate them in favour of the Dutch, they in 1671 prohibited the importation of the wines, brandies and manufactures of France. The war of 1672 seems to have been in part occasioned by this commercial dispute. The peace of Nimeguen put an end to it in 1678, by moderating some of those duties in favour of the Dutch, who in consequence took off their prohibition. It was about the same time that the French and English began mutually to oppress each other's industry, by the like duties and prohibitions, of which the French, however, seem to have set the first example. The spirit of hostility which has subsisted between the two nations ever since, has hitherto hindered them from being moderated on either side. In 1697 the English prohibited the importation of bonelace, the manufacture of Flanders. The government of that country, at that time under the dominion of Spain, prohibited in return the importation of English woollens. In 1700, the prohibition of importing bonelace into England, was taken off upon condition that the importation of English woollens into Flanders should be put on the same footing as before.¹

may be good policy where it is likely to secure the abolition of foreign restraints.

There may be good policy in retaliations of this kind, when there is a probability that they will procure the repeal of the high duties or prohibitions complained of. The recovery of a great foreign market will generally more than compensate the transitory inconveniency of paying dearer during a short time for some sorts of goods. To judge whether such retaliations are likely to produce such an effect, does not, perhaps, belong so much to the science of a legislator, whose deliberations ought to be governed by general principles which are always the same, as to the skill of that insidious and crafty animal, vulgarly called a statesman or politician, whose councils are directed by the momentary

¹[The importation of bone lace was prohibited by 13 and 14 Car. II., c. 13, and 9, and 10 W. III., c. 9, was passed to make the prohibition more effectual. By 11 and 12 W. III., c. 11, it was provided that the prohibition should cease three months after English woollen manufactures were readmitted to Flanders.]

fluctuations of affairs. When there is no probability that any such repeal can be procured, it seems a bad method of compensating the injury done to certain classes of our people, to do another injury ourselves, not only to those classes, but to¹ almost all the other classes of them. When our neighbours prohibit some manufacture of ours, we generally prohibit, not only the same, for that alone would seldom affect them considerably, but some other manufacture of theirs. This may no doubt give encouragement to some particular class of workmen among ourselves, and by excluding some of their rivals, may enable them to raise their price in the home-market. Those workmen, however, who suffered by our neighbours prohibition will not be benefited by ours. On the contrary, they and almost all the other classes of our citizens will thereby be obliged to pay dearer than before for certain goods. Every such law, therefore, imposes a real tax upon the whole country, not in favour of that particular class of workmen who were injured by our neighbours prohibition, but of some other class.

The case in which it may sometimes be a matter of deliberation, how far, or in what manner, it is proper to restore the free importation of foreign goods, after it has been for some time interrupted, is, when particular manufactures, by means of high duties or prohibitions upon all foreign goods which can come into competition with them, have been so far extended as to employ a great multitude of hands. Humanity may in this case require that the freedom of trade should be restored only by slow gradations, and with a good deal of reserve and circumspection. Were those high duties and prohibitions taken away all at once, cheaper foreign goods of the same kind might be poured so fast into the home market, as to deprive all at once many thousands of our people of their ordinary employment and means of subsistence. The disorder which this would occasion might no doubt be very considerable. It would in all probability, however, be much less than is commonly imagined, for the two following reasons :

First, all those manufactures, of which any part is commonly exported to other European countries without a bounty, could be very little affected by the freest importation of foreign goods. Such manufactures must be sold as cheap abroad as any other foreign goods of the same quality and kind, and consequently must be sold cheaper at home. They would still, therefore, keep possession of the home market, and though a capricious man of fashion might sometimes prefer foreign wares, merely because they were foreign, to cheaper and better goods of the same kind that were made at home, this folly could, from the

(2) It may be desirable to introduce freedom of trade by slow gradations.

But the disorder occasioned by its sudden introduction would be less than is supposed since

(a) no manufacture which is now exported would be affected;

¹[Ed. 1 reads 'injury ourselves, both to those classes and to']

nature of things, extend to so few, that it could make no sensible impression upon the general employment of the people. But a great part of all the different branches of our woollen manufacture, of our tanned leather, and of our hard-ware, are annually exported to other European countries without any bounty, and these are the manufactures which employ the greatest number of hands. The silk, perhaps, is the manufacture which would suffer the most by this freedom of trade, and after it the linen, though the latter much less than the former.

(b) the people thrown out of one employment would easily find another,

Secondly, though a great number of people should, by thus restoring the freedom of trade, be thrown all at once out of their ordinary employment and common method of subsistence, it would by no means follow that they would thereby be deprived either of employment or subsistence. By the reduction of the army and navy at the end of the late war, more than a hundred thousand soldiers and seamen, a number equal to what is employed in the greatest manufactures, were all at once thrown out of their ordinary employment; but, though they no doubt suffered some inconveniency, they were not thereby deprived of all employment and subsistence. The greater part of the seamen, it is probable, gradually betook themselves to the merchant-service as they could find occasion, and in the meantime both they and the soldiers were absorbed in the great mass of the people, and employed in a great variety of occupations. Not only no great convulsion, but no sensible disorder arose from so great a change in the situation of more than a hundred thousand men, all accustomed to the use of arms, and many of them to rapine and plunder. The number of vagrants was scarce any-where sensibly increased by it, even the wages of labour were not reduced by it in any occupation, so far as I have been able to learn, except in that of seamen in the merchant-service. But if we compare together the habits of a soldier and of any sort of manufacturer, we shall find that those of the latter do not tend so much to disqualify him from being employed in a new trade, as those of the former from being employed in any. The manufacturer has always been accustomed to look for his subsistence from his labour only: the soldier to expect it from his pay. Application and industry have been familiar to the one; idleness and dissipation to the other. But it is surely much easier to change the direction of industry from one sort of labour to another, than to turn idleness and dissipation to any. To the greater part of manufactures besides, it has already been observed,¹ there are other collateral manufactures of so similar a nature, that a workman can easily transfer his industry from one of them to another. The

¹[Above, p. 136.]

greater part of such workmen too are occasionally employed in country labour. The stock which employed them in a particular manufacture before, will still remain in the country to employ an equal number of people in some other way. The capital of the country remaining the same, the demand for labour will likewise be the same, or very nearly the same, though it may be exerted in different places and for different occupations. Soldiers and seamen, indeed, when discharged from the king's service, are at liberty to exercise any trade, within any town or place of Great Britain or Ireland.¹ Let the same natural liberty of exercising what species of industry they please, be restored to all his majesty's subjects, in the same manner as to soldiers and seamen; that is, break down the exclusive privileges of corporations, and repeal the statute of apprenticeship, both which are real encroachments upon natural liberty, and add to these the repeal of the law of settlements, so that a poor workman, when thrown out of employment either in one trade or in one place, may seek for it in another trade or in another place, without the fear either of a prosecution or of a removal, and neither the public nor the individuals will suffer much more from the occasional disbanding some particular classes of manufacturers, than from that of soldiers. Our manufacturers have no doubt great merit with their country, but they cannot have more than those who defend it with their blood, nor deserve to be treated with more delicacy.

especially if the privileges of corporations and the law of settlement were abolished.

To expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceana or Utopia² should ever be established in it. Not only the prejudices of the public, but what is much more unconquerable, the private interests of many individuals, irresistibly oppose it. Were the officers of the army to oppose with the same zeal and unanimity any reduction in the number of forces, with which master manufacturers set themselves against every law that is likely to increase the number of their rivals in the home market; were the former to animate their soldiers, in the same manner as the latter enflame their workmen, to attack with violence and outrage the proposers of any such regulation; to attempt to reduce the army would be as dangerous as it has now become to attempt to diminish in any respect the monopoly which our manufacturers have obtained against us. This monopoly has so much increased the number of some particular tribes of them, that, like an overgrown standing army, they have become formidable to the government, and upon many

Private interests are too strong to allow of the restoration of freedom of trade in Great Britain.

¹[12 Car. II., c. 16; 12 Ann., st. 1, § 13; 3 Geo. III., c. 8, gave this liberty after particular wars.]

²[Ed. 1 reads 'Utopea'.]

occasions intimidate the legislature. The member of parliament who supports every proposal for strengthening this monopoly, is sure to acquire not only the reputation of understanding trade, but great popularity and influence with an order of men whose numbers and wealth render them of great importance. If he opposes them, on the contrary, and still more if he has authority enough to be able to thwart them, neither the most acknowledged probity, nor the highest rank, nor the greatest public services, can protect him from the most infamous abuse and detraction, from personal insults, nor sometimes from real danger, arising from the insolent outrage of furious and disappointed monopolists.

The fact that equitable regard is due to the manufacturer who has fixed capital in his business is an argument against the establishment of new monopolies.

The undertaker of a great manufacture, who, by the home markets being suddenly laid open to the competition of foreigners, should be obliged to abandon his trade, would no doubt suffer very considerably. That part of his capital which had usually been employed in purchasing materials and in paying his workmen, might, without much difficulty, perhaps, find another employment. But that part of it which was fixed in workhouses, and in the instruments of trade, could scarce be disposed of without considerable loss. The equitable regard, therefore, to his interest requires that changes of this kind should never be introduced suddenly, but slowly, gradually, and after a very long warning. The legislature, were it possible that its deliberations could be always directed, not by the clamorous importunity of partial interests, but by an extensive view of the general good, ought upon this very account, perhaps, to be particularly careful neither to establish any new monopolies of this kind, nor to extend further those which are already established. Every such regulation introduces some degree of real disorder into the constitution of the state, which it will be difficult afterwards to cure without occasioning another disorder.

Customs duties imposed for revenue remain to be considered hereafter

How far it may be proper to impose taxes upon the importation of foreign goods, in order, not to prevent their importation, but to raise a revenue for government, I shall consider hereafter when I come to treat of taxes.¹ Taxes imposed with a view to prevent, or even to diminish importation, are evidently as destructive of the revenue of the customs as of the freedom of trade.

¹[Below, vol. ii., pp. 378-383.]

CHAPTER IX

OF THE AGRICULTURAL SYSTEMS, OR OF THOSE SYSTEMS OF POLITICAL ECONOMY, WHICH REPRESENT THE PRODUCE OF LAND AS EITHER THE SOLE OR THE PRINCIPAL SOURCE OF THE REVENUE AND WEALTH OF EVERY COUNTRY

THE agricultural systems of political œconomy will not require so long an explanation as that which I have thought it necessary to bestow upon the mercantile or commercial system.

That system which represents the produce of land as the sole source of the revenue and wealth of every country has, so far as I know, never been adopted by any nation, and it at present exists only in the speculations of a few men of great learning and ingenuity in France.¹ It would not, surely, be worth while to examine at great length the errors of a system which never has done, and probably never will do any harm in any part of the world. I shall endeavour to explain, however, as distinctly as I can, the great outlines of this very ingenious system.

Mr. Colbert, the famous minister of Lewis XIV. was a man of probity, of great industry and knowledge of detail; of great experience and acuteness in the examination of public accounts, and of abilities, in short, every way fitted for introducing method and good order into the collection and expenditure of the public revenue. That minister had unfortunately embraced all the prejudices of the mercantile system, in its nature and essence a system of restraint and regulation, and such as could scarce fail² to be agreeable to a laborious and plodding man of business, who had been accustomed to regulate the different departments of public offices, and to establish the necessary checks and

The agricultural systems will require less lengthy explanation than the mercantile system.

Colbert adopted the mercantile system and favoured town industry.

¹[The *Économistes* or *Physiocrats*. Quesnay, Mirabeau and Mercier de la Rivière are mentioned below, pp. 174, 177.]

²[Ed. 1 places a full stop at 'mercantile system' and continues 'That system, in its nature and essence a system of restraint and regulation, could scarce fail'.]

controuls for confining each to its proper sphere. The industry and commerce of a great country he endeavoured to regulate upon the same model as the departments of a public office; and instead of allowing every man to pursue his own interest his own way, upon the liberal plan of equality, liberty and justice, he bestowed upon certain branches of industry extraordinary privileges, while he laid others under as extraordinary restraints. He was not only disposed, like other European ministers, to encourage more the industry of the towns than that of the country; but, in order to support the industry of the towns, he was willing even to depress and keep down that of the country. In order to render provisions cheap to the inhabitants of the towns, and thereby to encourage manufactures and foreign commerce, he prohibited altogether the exportation of corn, and thus excluded the inhabitants of the country from every foreign market for by far the most important part of the produce of their industry. This prohibition, joined to the restraints imposed by the ancient provincial laws of France upon the transportation of corn from one province to another, and to the arbitrary and degrading taxes which are levied upon the cultivators in almost all the provinces, discouraged and kept down the agriculture of that country very much below the state to which it would naturally have risen in so very fertile a soil and so very happy a climate. This state of discouragement and depression was felt more or less in every different part of the country, and many different inquiries were set on foot concerning the causes of it. One of those causes appeared to be the preference given, by the institutions of Mr. Colbert, to the industry of the towns above that of the country.

with the result that the French philosophers who support the agricultural system undervalue town industry.

If the rod be bent too much one way, says the proverb, in order to make it straight you must bend it as much the other. The French philosophers, who have proposed the system which represents agriculture as the sole source of the revenue and wealth of every country, seem to have adopted this proverbial maxim; and as in the plan of Mr. Colbert the industry of the towns was certainly over-valued in comparison with that of the country; so in their system it seems to be as certainly under-valued.

There are three classes in their system. (1) proprietors, (2) cultivators, and (3) artificers, manufacturers and merchants.

The different orders of people who have ever been supposed to contribute in any respect towards the annual produce of the land and labour of the country, they divide into three classes. The first is the class of the proprietors of land. The second is the class of the cultivators, of farmers and country labourers, whom they honour with the peculiar appellation of the productive class. The third is the class of artificers, manufacturers and merchants, whom they endeavour to de-

grade by the humiliating appellation¹ of the barren or unproductive class.

The class of proprietors contributes to the annual produce by the expence which they may occasionally lay out upon the improvement of the land, upon the buildings, drains, enclosures and other ameliorations, which they may either make or maintain upon it, and by means of which the cultivators are enabled, with the same capital, to raise a greater produce, and consequently to pay a greater rent. This advanced rent may be considered as the interest or profit due to the proprietor upon the expence or capital which he thus employs in the improvement of his land. Such expences are in this system called ground expences (*depenses foncieres*).

Proprietors contribute to production by expences on improvement of land

The cultivators or farmers contribute to the annual produce by what are in this system called the original and annual expences (*depenses primitives et depenses annuelles*) which they lay out upon the cultivation of the land. The original expenses consist in the instruments of husbandry, in the stock of cattle, in the seed, and in the maintenance of the farmer's family, servants and cattle, during at least a great part of the first year of his occupancy, or till he can receive some return from the land. The annual expences consist in the seed, in the wear and tear² of the instruments of husbandry, and in the annual maintenance of the farmer's servants and cattle, and of his family too, so far as any part of them can be considered as servants employed in cultivation. That part of the produce of the land which remains to him after paying the rent, ought to be sufficient, first, to replace to him within a reasonable time, at least during the term of his occupancy, the whole of his original expences, together with the ordinary profits of stock; and, secondly, to replace to him annually the whole of his annual expences, together likewise with the ordinary profits of stock. Those two sorts of expences are two capitals which the farmer employs in cultivation; and unless they are regularly restored to him, together with a reasonable profit, he cannot carry on his employment upon a level with other employments; but, from a regard to his own interest, must desert it as soon as possible, and seek some other.³ That part of the produce of the land which is thus necessary for enabling the farmer to continue

cultivators, by original and annual expences of cultivation

¹[But, see below, p. 167, where the usefulness of the class is said to be admitted. In his exposition of physiocratic doctrine, Smith does not appear to follow any particular book closely. His library contained Du Pont's *Physiocratie, ou constitution naturelle du gouvernement le plus avantageux au genre humain*, 1768 (see Bonar, *Catalogue*, p. 92), and he refers lower down to La Rivière, *L'ordre naturel et essentiel des sociétés politiques*, 1767, but he probably relied largely on his recollection of conversations in Paris; see Rae, *Life of Adam Smith*, pp. 215-222.]

²[Ed. 1 reads 'tear and wear'.]

³[Ed. 1 reads 'some other employment'.]

his business, ought to be considered as a fund sacred to cultivation, which if the landlord violates, he necessarily reduces¹ the produce of his own land, and in a few years not only disables the farmer from paying this racked rent, but from paying the reasonable rent which he might otherwise have got for his land. The rent which properly belongs to the landlord, is no more than the neat produce which remains after paying in the completest manner all the necessary expences which must be previously laid out in order to raise the gross, or the whole produce. It is because the labour of the cultivators, over and above paying completely all those necessary expences, affords a neat produce of this kind, that this class of people are in this system peculiarly distinguished by the honourable appellation of the productive class. Their original and annual expences are for the same reason called, in this system, productive expences, because, over and above replacing their own value, they occasion the annual reproduction of this neat produce.

These expences should be free from all taxation.

The ground expences, as they are called, or what the landlord lays out upon the improvement of his land, are in this system too honoured with the appellation of productive expences. Till the whole of those expences, together with the ordinary profits of stock, have been completely repaid to him by the advanced rent which he gets from his land, that advanced rent ought to be regarded as sacred and inviolable, both by the church and by the king; ought to be subject neither to tithe nor to taxation. If it is otherwise, by discouraging the improvement of land, the church discourages the future increase of her own tithes, and the king the future increase of his own taxes. As in a well-ordered state of things, therefore, those ground expences, over and above reproducing in the completest manner their own value, occasion likewise after a certain time a reproduction of a neat produce, they are in this system considered as productive expences.

All other expences and orders of people are unproductive

The ground expences of the landlord, however, together with the original and the annual expences of the farmer, are the only three sorts of expences which in this system are considered as productive. All other expences and all other orders of people, even those who in the common apprehensions of men are regarded as the most productive, are in this account of things represented as altogether barren and unproductive.

artificers and manufacturers in particular, and the expense of employing them.

Artificers and manufacturers, in particular, whose industry, in the common apprehensions of men, increases so much the value of the rude produce of land, are in this system represented as a class of people altogether barren and unproductive. Their labour, it is said,

¹[Ed. 1 reads 'degrades'.]

replaces only the stock which employs them, together with its ordinary profits. That stock consists in the materials, tools, and wages, advanced to them by their employer; and is the fund destined for their employment and maintenance. Its profits are the fund destined for the maintenance of their employer. Their employer, as he advances to them the stock of materials, tools and wages necessary for their employment, so he advances to himself what is necessary for his own maintenance, and this maintenance he generally proportions to the profit which he expects to make by the price of their work. Unless its price repays to him the maintenance which he advances to himself, as well as the materials, tools and wages which he advances to his workmen, it evidently does not repay to him¹ the whole expence which he lays out upon it. The profits of manufacturing stock, therefore, are not, like the rent of land, a neat produce which remains after completely repaying the whole expence which must be laid out in order to obtain them. The stock of the farmer yields him a profit as well as that of the master manufacturer; and it yields a rent likewise to another person, which that of the master manufacturer does not. The expence, therefore, laid out in employing and maintaining artificers and manufacturers, does no more than continue, if one may say so, the existence of its own value, and does not produce any new value. It is therefore altogether a barren and unproductive expence. The expence, on the contrary, laid out in employing farmers and country labourers, over and above continuing the existence of its own value, produces a new value, the rent of the landlord. It is therefore a productive expence.

Mercantile stock is equally barren and unproductive with manufacturing stock. It only continues the existence of its own value, without producing any new value. Its profits are only the repayment of the maintenance which its employer advances to himself during the time that he employs it, or till he receives the returns of it. They are only the repayment of a part of the expence which must be laid out in employing it.

mercantile
stock also

The labour of artificers and manufacturers never adds any thing to the value of the whole annual amount of the rude produce of the land. It adds indeed greatly to the value of some particular parts of it. But the consumption which in the mean time it occasions of other parts, is precisely equal to the value which it adds to those parts; so that the value of the whole amount is not, at any one moment of time, in the least augmented by it. The person who works the lace of a pair of fine ruffles, for example, will sometimes raise the value of perhaps

The labour
of artificers
and manu-
facturers
adds nothing
to the value
of the
annual pro-
duce

¹[Ed. 1 reads 'repay him'.]

a pennyworth of flax to thirty pounds sterling. But though at first sight he appears thereby to multiply the value of a part of the rude produce about seven thousand and two hundred times, he in reality adds nothing to the value of the whole annual amount of the rude produce. The working of that lace costs him perhaps two years labour. The thirty pounds which he gets for it when it is finished, is no more than the repayment of the subsistence which he advances to himself during the two years that he is employed about it. The value which, by every day's, month's, or year's labour, he adds to the flax, does no more than replace the value of his own consumption during that day, month, or year. At no moment of time, therefore, does he add any thing to the value of the whole annual amount of the rude produce of the land: the portion of that produce which he is continually consuming, being always equal to the value which he is continually producing. The extreme poverty of the greater part of the persons employed in this expensive, though trifling manufacture, may satisfy us that the price of their work does not in ordinary cases exceed the value of their subsistence. It is otherwise with the work of farmers and country labourers. The rent of the landlord is a value, which, in ordinary cases, it is continually producing, over and above replacing, in the most complete manner, the whole consumption, the whole expence laid out upon the employment and maintenance both of the workmen and of their employer.

Artificers, manufacturers and merchants can augment revenue only by privation.

Artificers, manufacturers and merchants, can augment the revenue and wealth of their society, by parsimony only; or, as it is expressed in this system, by privation, that is, by depriving themselves of a part of the funds destined for their own subsistence. They annually reproduce nothing but those funds. Unless, therefore, they annually save some part of them, unless they annually deprive themselves of the enjoyment of some part of them, the revenue and wealth of their society can never be in the smallest degree augmented by means of their industry. Farmers and country labourers, on the contrary, may enjoy completely the whole funds destined for their own subsistence, and yet augment at the same time the revenue and wealth of their society. Over and above what is destined¹ for their own subsistence, their industry annually affords a neat produce, of which the augmentation necessarily augments the revenue and wealth of their society. Nations, therefore, which, like France or England, consist in a great measure of proprietors and cultivators, can be enriched by industry and enjoyment. Nations, on the contrary, which, like Holland and

¹ [Ed. I reads 'above the funds destined'.]

Hamburgh, are composed chiefly of merchants, artificers and manufacturers, can grow rich only through parsimony and privation. As the interest of nations so differently circumstanced, is very different, so is likewise the common character of the people. In those of the former kind, liberality, frankness, and good fellowship, naturally make a part of that common character. In the latter, narrowness, meanness, and a selfish disposition, averse to all social pleasure and enjoyment.

The unproductive class, that of merchants, artificers and manufacturers, is maintained and employed altogether at the expence of the two other classes, of that of proprietors, and of that of cultivators. They furnish it both with the materials of its work and with the fund of its subsistence, with the corn and cattle which it consumes while it is employed about that work. The proprietors and cultivators finally pay both the wages of all the workmen of the unproductive class, and the profits of all their employers. Those workmen and their employers are properly the servants of the proprietors and cultivators. They are only servants who work without doors, as menial servants work within. Both the one and the other, however, are equally maintained at the expence of the same masters. The labour of both is equally unproductive. It adds nothing to the value of the sum total of the rude produce of the land. Instead of increasing the value of that sum total, it is a charge and expence which must be paid out of it.

The unproductive class, however, is not only useful, but greatly useful to the other two classes. By means of the industry of merchants, artificers and manufacturers, the proprietors and cultivators can purchase both the foreign goods and the manufactured produce of their own country which they have occasion for, with the produce of a much smaller quantity of their own labour, than what they would be obliged to employ, if they were to attempt, in an awkward and unskilful manner, either to import the one, or to make the other for their own use. By means of the unproductive class, the cultivators are delivered from many cares which would otherwise distract their attention from the cultivation of land. The superiority of produce, which, in consequence of this undivided attention, they are enabled to raise, is fully sufficient to pay the whole expence which the maintenance and employment of the unproductive class costs either the proprietors, or themselves. The industry of merchants, artificers and manufacturers, though in its own nature altogether unproductive, yet contributes in this manner indirectly to increase the produce of the land. It increases the productive powers of productive labour, by leaving it at liberty to confine itself to its proper employment, the cultivation of land; and the plough goes frequently

The unproductive class is maintained at the expence of the other two.

but is useful to them.

the easier and the better by means of the labour of the man whose business is most remote from the plough.

and it is not their interest to discourage its industry;

It can never be the interest of the proprietors and cultivators to restrain or to discourage in any respect the industry of merchants, artificers and manufacturers. The greater the liberty which this unproductive class enjoys, the greater will be the competition in all the different trades which compose it, and the cheaper will the other two classes be supplied, both with foreign goods and with the manufactured produce of their own country.

nor is it ever the interest of the unproductive class to oppress the others.

It can never be the interest of the unproductive class to oppress the other two classes. It is the surplus produce of the land, or what remains after deducting the maintenance, first, of the cultivators, and afterwards, of the proprietors, that maintains and employs the unproductive class. The greater this surplus, the greater must likewise be the maintenance and employment of that class.¹ The establishment of perfect justice, of perfect liberty, and of perfect equality, is the very simple secret which most effectually secures the highest degree of prosperity to all the three classes.

Mercantile states similarly are maintained at the expense of landed states,

The merchants, artificers and manufacturers of those mercantile states which, like Holland and Hamburg, consist chiefly of this unproductive class, are in the same manner maintained and employed altogether at the expense of the proprietors and cultivators of land. The only difference is, that those proprietors and cultivators are, the greater part of them, placed at a most inconvenient distance from the merchants, artificers and manufacturers whom they supply with the materials of their work and the fund of their subsistence, are the inhabitants of other countries, and the subjects of other governments.

but are greatly useful to them.

Such mercantile states, however, are not only useful, but greatly useful to the inhabitants of those other countries. They fill up, in some measure, a very important void, and supply the place of the merchants, artificers and manufacturers, whom the inhabitants of those countries ought to find at home, but whom, from some defect in their policy, they do not find at home.

and it is not the interest of landed nations to discourage their industry by high duties

It can never be the interest of those landed nations, if I may call them so, to discourage or distress the industry of such mercantile states, by imposing high duties upon their trade, or upon the commodities which they furnish. Such duties, by rendering those commodities dearer, could serve only to sink the real value of the surplus produce of their own land, with which, or, what comes to the same thing, with the price of which, those commodities are purchased.

¹ [Ed. 1 reads 'the greater must likewise be its maintenance and employment'.]

Such duties could serve only to discourage the increase of that surplus produce, and consequently the improvement and cultivation of their own land. The most effectual expedient, on the contrary, for raising the value of that surplus produce, for encouraging its increase, and consequently the improvement and cultivation of their own land, would be to allow the most perfect freedom to the trade of all such mercantile nations.

This perfect freedom of trade would even be the most effectual expedient for supplying them, in due time, with all the artificers, manufacturers and merchants, whom they wanted at home, and for filling up in the properest and most advantageous manner that very important void which they felt there.

The continual increase of the surplus produce of their land, would, in due time, create a greater capital than what could be employed with the ordinary rate of profit in the improvement and cultivation of land; and the surplus part of it would naturally turn itself to the employment of artificers and manufacturers at home. But those artificers and manufacturers, finding at home both the materials of their work and the fund of their subsistence, might immediately, even with much less art and skill, be able to work as cheap as the like artificers and manufacturers of such mercantile states, who had both to bring from a great¹ distance. Even though, from want of art and skill, they might not for some time be able to work as cheap, yet, finding a market at home, they might be able to sell their work there as cheap as that of the artificers and manufacturers of such mercantile states, which could not be brought to that market but from so great a distance; and as their art and skill improved, they would soon be able to sell it cheaper. The artificers and manufacturers of such mercantile states, therefore, would immediately be rivalled in the market of those landed nations, and soon after undersold and justled out of it altogether. The cheapness of the manufactures of those landed nations, in consequence of the gradual improvements of art and skill, would, in due time, extend their sale beyond the home market, and carry them to many foreign markets, from which they would in the same manner gradually justle out many of the manufactures of such mercantile nations.

This continual increase both of the rude and manufactured produce of those landed nations would in due time create a greater capital than could, with the ordinary rate of profit, be employed either in agriculture or in manufactures. The surplus of this capital would naturally turn itself to foreign trade, and be employed in exporting, to foreign countries, such parts of the rude and manufactured produce of its

Freedom of trade would in due time supply artificers, etc., at home.

in consequence of the increase of their capital, which would first employ manufacturers.

and afterwards over-flow into foreign trade

¹[Misprinted 'greater' in ed. 5.]

own country, as exceeded the demand of the home market. In the exportation of the produce of their own country, the merchants of a landed nation would have an advantage of the same kind over those of mercantile nations, which its artificers and manufacturers had over the artificers and manufacturers of such nations; the advantage of finding at home that cargo, and those stores and provisions, which the others were obliged to seek for at a distance. With inferior art and skill in navigation, therefore, they would be able to sell that cargo as cheap in foreign markets as the merchants of such mercantile nations; and with equal art and skill they would be able to sell it cheaper. They would soon, therefore, rival those mercantile nations in this branch of foreign trade,¹ and in due time would jostle them out of it altogether.

Freedom of trade therefore is best for introducing manufactures and foreign trade.

According to this liberal and generous system, therefore, the most advantageous method in which a landed nation can raise up artificers, manufacturers and merchants of its own, is to grant the most perfect freedom of trade to the artificers, manufacturers and merchants of all other nations. It thereby raises the value of the surplus produce of its own land, of which the continual increase gradually establishes a fund, which in due time necessarily raises up all the artificers, manufacturers and merchants whom it has occasion for.

High duties and prohibitions sink the value of agricultural produce, raise mercantile and manufacturing profit.

When a landed nation, on the contrary, oppresses either by high duties or by prohibitions the trade of foreign nations, it necessarily hurts its own interest in two different ways. First, by raising the price of all foreign goods and of all sorts of manufactures, it necessarily sinks the real value of the surplus produce of its own land, with which, or, what comes to the same thing, with the price of which, it purchases those foreign goods and manufactures. Secondly, by giving a sort of monopoly of the home market to its own merchants, artificers and manufacturers, it raises the rate of mercantile and manufacturing profit in proportion to that of agricultural profit, and consequently either draws from agriculture a part of the capital which had before been employed in it, or hinders from going to it a part of what would otherwise have gone to it. This policy, therefore, discourages agriculture in two different ways; first, by sinking the real value of its produce, and thereby lowering the rate of its profit; and, secondly, by raising the rate of profit in all other employments. Agriculture is rendered less advantageous, and trade and manufactures more advantageous than they otherwise would be; and every man is tempted by his own interest to turn, as much as he can, both his capital and his industry from the former to the latter employments.

¹[Ed. 1 reads 'of their foreign trade'.]

Though, by this oppressive policy, a landed nation should be able to raise up artificers, manufacturers and merchants of its own, somewhat sooner than it could do by the freedom of trade; a matter, however, which is not a little doubtful; yet it would raise them up, if one may say so, prematurely, and before it was perfectly ripe for them. By raising up too hastily one species of industry, it would depress another more valuable species of industry. By raising up too hastily a species of industry which only replaces the stock which employs it, together with the ordinary profit, it would depress a species of industry which, over and above replacing that stock with its profit, affords likewise a neat produce, a free rent to the landlord. It would depress productive labour, by encouraging too hastily that labour which is altogether barren and unproductive.

In what manner, according to this system, the sum total of the annual produce of the land is distributed among the three classes above mentioned, and in what manner the labour of the unproductive class does no more than replace the value of its own consumption, without increasing in any respect the value of that sum total, is represented by Mr. Quesnai, the very ingenious and profound author of this system, in some arithmetical formularies. The first of these formularies, which by way of eminence he peculiarly distinguishes by the name of the *Œconomical Table*,¹ represents the manner in which he supposes this distribution takes place, in a state of the most perfect liberty, and therefore of the highest prosperity; in a state where the annual produce is such as to afford the greatest possible neat produce, and where each class enjoys its proper share of the whole annual produce. Some subsequent formularies represent the manner, in which, he supposes, this distribution is made in different states of restraint and regulation; in which, either the class of proprietors, or the barren and unproductive class, is more favoured than the class of cultivators, and in which, either the one or the other encroaches more or less upon the share which ought properly to belong to this productive class. Every such encroachment, every violation of that natural distribution, which the most perfect liberty would establish, must, according to this system, necessarily degrade more or less, from one year to another, the value and sum total of the annual produce, and must necessarily occasion a gradual declension in the real wealth and revenue of the society; a declension of which the progress must be quicker or slower, according to the degree of this encroachment, according as that natural distribution, which the most perfect liberty would establish, is more or less violated.

and could only raise up manufacturers and merchants prematurely.

The distribution of the produce of land is represented in the *Œconomical Table*.

¹[See François Quesnay, *Tableau Œconomique*, 1758, reproduced in facsimile for the British Economic Association, 1894.]

Those subsequent formularies represent the different degrees of declension, which, according to this system, correspond to the different degrees in which this natural distribution of things is violated.

Some speculative physicians seem to have imagined that the health of the human body could be preserved only by a certain precise regimen of diet and exercise, of which every, the smallest, violation necessarily occasioned some degree of disease or disorder proportioned to the degree of the violation. Experience, however, would seem to show, that the human body frequently preserves, to all appearance at least,¹ the most perfect state of health under a vast variety of different regimens; even under some which are generally believed to be very far from being perfectly wholesome. But the healthful state of the human body, it would seem, contains in itself some unknown principle of preservation, capable either of preventing or of correcting, in many respects, the bad effects even of a very faulty regimen. Mr. Quesnai, who was himself a physician, and a very speculative physician, seems to have entertained a notion of the same kind concerning the political body, and to have imagined that it would thrive and prosper only under a certain precise regimen, the exact regimen of perfect liberty and perfect justice. He seems not to have considered that in the political body, the natural effort which every man is continually making to better his own condition, is a principle of preservation capable of preventing and correcting, in many respects, the bad effects of a political œconomy, in some degree both partial and oppressive. Such a political œconomy, though it no doubt retards more or less, is not always capable of stopping altogether the natural progress of a nation towards wealth and prosperity, and still less of making it go backwards. If a nation could not prosper without the enjoyment of perfect liberty and perfect justice, there is not in the world a nation which could ever prospered. In the political body, however, the wisdom of nature has fortunately made ample provision for remedying many of the bad effects of the folly and injustice of man; in the same manner as it has done in the natural body, for remedying those of his sloth and intemperance.

The capital error of this system, however, seems to lie in its representing the class of artificers, manufacturers and merchants, as altogether barren and unproductive. The following observations may serve to show the impropriety of this representation.

First, this class, it is acknowledged, reproduces annually the value of its own annual consumption, and continues, at least, the existence of the stock or capital which maintains and employs it. But upon this

¹ [Ed. r reads 'at least to all appearance'.]

Nations can prosper in spite of hurtful regulations.

The system is wrong in representing artificers, etc., as unproductive, since,

(1) they reproduce at least their annual consumption

account alone the denomination of barren or unproductive should seem to be very improperly applied to it. We should not call a marriage barren or unproductive, though it produced only a son and a daughter, to replace the father and mother, and though it did not increase the number of the human species, but only continued it as it was before. Farmers and country labourers, indeed, over and above the stock which maintains and employs them, reproduce annually a neat produce, a free rent to the landlord. As a marriage which affords three children is certainly more productive than one which affords only two; so the labour of farmers and country labourers is certainly more productive than that of merchants, artificers and manufacturers. The superior produce of the one class, however, does not render the other barren or unproductive.

and continue
the capital
which em-
ploys them.

Secondly, it seems, upon this account, altogether improper to consider artificers, manufacturers and merchants, in the same light as menial servants. The labour of menial servants does not continue the existence of the fund which maintains and employs them. Their maintenance and employment is altogether at the expence of their masters, and the work which they perform is not of a nature to repay that expence. That work consists in services which perish generally in the very instant of their performance, and does not fix or realize itself in any vendible commodity which can replace the value of their wages and maintenance. The labour, on the contrary, of artificers, manufacturers and merchants, naturally does fix and realize itself in some such vendible commodity. It is upon this account that, in the chapter in which I treat of productive and unproductive labour,¹ I have classed artificers, manufacturers and merchants, among the productive labourers, and menial servants among the barren or unproductive.

(2) they are
not like
menial ser-
vants.

Thirdly, it seems, upon every supposition, improper to say, that the labour of artificers, manufacturers and merchants, does not increase the real revenue of the society. Though we should suppose, for example, as it seems to be supposed in this system, that the value of the daily, monthly, and yearly consumption of this class was exactly equal to that of its daily, monthly, and yearly production; yet it would not from thence follow that its labour added nothing to the real revenue, to the real value of the annual produce of the land and labour of the society. An artificer, for example, who, in the first six months after harvest, executes ten pounds worth of work, though he should in the same time consume ten pounds worth of corn and other necessaries, yet really adds the value of ten pounds to the annual produce of the land and labour of the society. While he has been consuming a half yearly revenue

(3) their
labour in-
creases the
real revenue
of the
society.

¹[Bk. ii., ch. iii., vol. i., pp. 313-331.]

of ten pounds worth of corn and other necessaries, he has produced an equal value of work capable of purchasing, either to himself or to some other person, an equal half yearly revenue. The value, therefore, of what has been consumed and produced during these six months is equal, not to ten, but to twenty pounds. It is possible, indeed, that no more than ten pounds worth of this value, may ever have existed at any one moment of time. But if the ten pounds worth of corn and other necessaries, which were consumed by the artificer, had been consumed by a soldier or by a menial servant, the value of that part of the annual produce which existed at the end of the six months, would have been ten pounds less than it actually is in consequence of the labour of the artificer. Though the value of what the artificer produces, therefore, should not at any one moment of time be supposed greater than the value he consumes, yet at every moment of time the actually existing value of goods in the market is, in consequence of what he produces, greater than it otherwise would be.

When the patrons of this system assert, that the consumption of artificers, manufacturers and merchants, is equal to the value of what they produce, they probably mean no more than that their revenue, or the fund destined for their consumption, is equal to it. But if they had expressed themselves more accurately, and only asserted, that the revenue of this class was equal to the value of what they produced, it might readily have occurred to the reader, that what would naturally be saved out of this revenue, must necessarily increase more or less the real wealth of the society. In order, therefore, to make out something like an argument, it was necessary that they should express themselves as they have done; and this argument, even supposing things actually were as it seems to presume them to be, turns out to be a very inconclusive one.

Fourthly, farmers and country labourers can no more augment, without parsimony, the real revenue, the annual produce of the land and labour of their society, than artificers, manufacturers and merchants. The annual produce of the land and labour of any society can be augmented only in two ways; either, first, by some improvement in the productive powers of the useful labour actually maintained within it; or, secondly, by some increase in the quantity of that labour.

The improvement in the productive powers of useful labour depend, first, upon the improvement in the ability of the workman; and, secondly, upon that of the machinery with which he works. But the labour of artificers and manufacturers, as it is capable of being more subdivided, and the labour of each workman reduced to a greater

(4) for augmenting annual produce parsimony is just as much required from farmers as from them.

simplicity of operation, than that of farmers and country labourers, so it is likewise capable of both these sorts of improvement in a much higher degree.¹ In this respect, therefore, the class of cultivators can have no sort of advantage over that of artificers and manufacturers.

The increase in the quantity of useful labour actually employed within any society, must depend altogether upon the increase of the capital which employs it; and the increase of that capital again must be exactly equal to the amount of the savings from the revenue, either of the particular persons who manage and direct the employment of that capital, or of some other persons who lend it to them. If merchants, artificers and manufacturers are, as this system seems to suppose, naturally more inclined to parsimony and saving than proprietors and cultivators, they are, so far, more likely to augment the quantity of useful labour employed within their society, and consequently to increase its real revenue, the annual produce of its land and labour.

Fifthly and lastly, though the revenue of the inhabitants of every country was supposed to consist altogether, as this system seems to suppose, in the quantity of subsistence which their industry could procure to them; yet, even upon this supposition, the revenue of a trading and manufacturing country must, other things being equal, always be much greater than that of one without trade or manufactures. By means of trade and manufactures, a greater quantity of subsistence can be annually imported into a particular country than what its own lands, in the actual state of their cultivation, could afford. The inhabitants of a town, though they frequently possess no lands of their own, yet draw to themselves by their industry such a quantity of the rude produce of the lands of other people as supplies them, not only with the materials of their work, but with the fund of their subsistence. What a town always is with regard to the country in its neighbourhood, one independent state or country may frequently be with regard to other independent states or countries. It is thus that Holland draws a great part of its subsistence from other countries; live cattle from Holstein and Jutland, and corn from almost all the different countries of Europe. A small quantity of manufactured produce purchases a great quantity of rude produce. A trading and manufacturing country, therefore, naturally purchases with a small part of its manufactured produce a great part of the rude produce of other countries; while, on the contrary, a country without trade and manufactures is generally obliged to purchase, at the expence of a great part of its rude produce, a very small part of the manufactured produce of other countries. The one exports

and (5) trade and manufactures can procure that subsistence which the system regards as the only revenue.

¹ See Book I. Chap. I. [vol. 1., pp. 7-8].

what can subsist and accommodate but a very few, and imports the subsistence and accommodation of a great number. The other exports the accommodation and subsistence of a great number, and imports that of a very few only. The inhabitants of the one must always enjoy a much greater quantity of subsistence than what their own lands, in the actual state of their cultivation, could afford. The inhabitants of the other must always enjoy a much smaller quantity.

In spite of its errors the system has been valuable.

This system, however, with all its imperfections, is, perhaps, the nearest approximation to the truth that has yet been published upon the subject of political oconomy, and is upon that account well worth the consideration of every man who wishes to examine with attention the principles of that very important science. Though in representing the labour which is employed upon land as the only productive labour, the notions which it inculcates are perhaps too narrow and confined; yet in representing the wealth of nations as consisting, not in the unconsumable riches of money, but in the consumable goods annually reproduced by the labour of the society; and in representing perfect liberty as the only effectual expedient for rendering this annual reproduction the greatest possible, its doctrine seems to be in every respect as just as it is generous and liberal. Its followers are very numerous; and as men are fond of paradoxes, and of appearing to understand what surpasses the comprehension of ordinary people, the paradox which it maintains, concerning the unproductive nature of manufacturing labour, has not perhaps contributed a little to increase the number of its admirers. They have for some years past made a pretty considerable sect, distinguished in the French republic of letters by the name of, The Economists. Their works have certainly been of some service to their country; not only by bringing into general discussion, many subjects which had never been well examined before, but by influencing in some measure the public administration in favour of agriculture. It has been in consequence of their representations, accordingly, that the agriculture of France has been delivered from several of the oppressions which it before laboured under. The term during which such a lease can be granted, as will be valid against every future purchaser or proprietor of the land, has been prolonged from nine to twenty-seven years.¹ The ancient provincial restraints upon the transportation of corn from one province of the kingdom to another, have been entirely taken away, and the liberty of exporting it to all foreign countries, has been established as the common law of the kingdom in all ordinary cases.² This sect, in their works, which are very

¹[Above, vol. i., p. 368.]

²[Above, vol. i., p. 198, and vol. ii., p. 9.]

numerous, and which treat not only of what is properly called Political Œconomy, or of the nature and causes of the wealth of nations, but of every other branch of the system of civil government, all follow implicitly, and without any sensible variation, the doctrine of Mr. Quesnai. There is upon this account little variety in the greater part of their works. The most distinct and best connected account of this doctrine is to be found in a little book written by Mr. Mercier de la Riviere, sometime Intendant of Martinico, intitled, *The natural and essential Order of Political Societies*.¹ The admiration of this whole sect for their master, who was himself a man of the greatest modesty and simplicity, is not inferior to that of any of the ancient philosophers for the founders of their respective systems. "There have been, since the world began," says a very diligent and respectable author, the Marquis de Mirabeau, "three great inventions which have principally given stability to political societies, independent of many other inventions which have enriched and adorned them. The first, is the invention of writing, which alone gives human nature the power of transmitting, without alteration, its laws, its contracts, its annals, and its discoveries. The second, is the invention of money, which binds together all the relations between civilized societies. The third, is the Œconomical Table, the result of the other two, which completes them both by perfecting their object; the great discovery of our age, but of which our posterity will reap the benefit."²

As the political œconomy of the nations of modern Europe, has been more favourable to manufactures and foreign trade, the industry of the towns, than to agriculture, the industry of the country; so that of other nations has followed a different plan, and has been more favourable to agriculture than to manufactures and foreign trade.

The policy of China favours agriculture more than all other employments.³ In China, the condition of a labourer is said to be as much

Some nations have favoured agriculture

China, for example.

¹[*L'ordre naturel et essentiel des sociétés politiques*, 1767, a quarto of 511 pages, seems, as G. Schelle (*Du Pont de Nemours et l'école physiocratique*, 1888, p. 46, note) remarks, not entitled to be called a 'little book,' but Smith may have been thinking of the edition in two vols., 12mo, 1767, nominally printed 'à Londres chez Jean Nourse, libraire'.]

²['Trois grandes inventions principales ont fondé stablement les sociétés, indépendamment de tant d'autres qui les ont ensuite dotées et décorées. Ces trois sont, 1^o L'invention de l'écriture, qui seule donne à l'humanité le pouvoir de transmettre, sans altération, ses lois, ses pactes, ses annales et ses découvertes. 2^o Celle de la monnaie, qui lie tous les rapports entre les sociétés policées. La troisième enfin, qui est due à notre âge, et dont nos neveux profiteront, est un dérivé des deux autres, et les complète également en perfectionnant leur objet: c'est la découverte du Tableau économique, qui devenant désormais le truchement universel, embrasse, et accorde toutes les portions ou quotités corrélatives, qui doivent entrer dans tous les calculs généraux de l'ordre économique.'—*Philosophie Rurale ou économie générale et politique de l'agriculture, pour servir de suite à l'Ami des Hommes*, Amsterdam, 1766, tom. i., pp. 52, 53.]

³[Du Halde, *Description Géographique, etc., de la Chine*, tom. ii., p. 64.]

superior to that of an artificer ; as in most parts of Europe, that of an artificer is to that of a labourer. In China, the great ambition of every man is to get possession of some little bit of land, either in property or in lease ; and leases are there said to be granted upon very moderate terms, and to be sufficiently secured to the lessees. The Chinese have little respect for foreign trade. Your beggarly commerce! was the language in which the Mandarins of Pekin used to talk to Mr. de Lange,¹ the Russian envoy, concerning it.² Except with Japan, the Chinese carry on, themselves, and in their own bottoms, little or no foreign trade ; and it is only into one or two ports of their kingdom that they even admit the ships of foreign nations. Foreign trade, therefore, is, in China, every way confined within a much narrower circle than that to which it would naturally extend itself, if more freedom was allowed to it, either in their own ships, or in those of foreign nations.

China is
itself of very
great extent,
but more
foreign
trade would
be advanta-
geous to it.

Manufactures, as in a small bulk they frequently contain a great value, and can upon that account be transported at less expence from one country to another than most parts³ of rude produce, are, in almost all countries, the principal support of foreign trade. In countries, besides, less extensive and less favourably circumstanced for interior commerce than China, they generally require the support of foreign trade. Without an extensive foreign market, they could not well flourish, either in countries so moderately extensive as to afford but a narrow home market ; or in countries where the communication between one province and another was so difficult, as to render it impossible for the goods of any particular place to enjoy the whole of that home market which the country could afford. The perfection of manufacturing industry, it must be remembered, depends altogether upon the division of labour ; and the degree to which the division of labour can be introduced into any manufacture, is necessarily regulated, it has already been shown,⁴ by the extent of the market. But the great extent of the empire of China, the vast multitude of its inhabitants, the variety of climate, and consequently of productions in its different provinces, and the easy communication by means of water carriage between the greater part of them, render the home market of that country of so great extent, as to be alone sufficient to support very great manufactures, and to admit of very considerable subdivisions of

¹ [Ed. 1 reads 'Mr. Langlet'.]

² See the Journal of Mr. De Lange in Bell's Travels, vol. ii. p. 258, 276 and 293. [*Travels from St. Petersburg in Russia to Diverse Parts of Asia*, by John Bell of Antermony, Glasgow, 1763. The mandarins requested the Russians to cease 'from importuning the council about their beggarly commerce,' p. 293. Smith was a subscriber to this book. The note is not in ed. 1.]

³ [Ed. 1 reads 'sorts'.]

⁴ [Above, vol. i., pp. 19-25.]

labour. The home market of China is, perhaps, in extent, not much inferior to the market of all the different countries of Europe put together.¹ A more extensive foreign trade, however, which to this great home market added the foreign market of all the rest of the world; especially if any considerable part of this trade was carried on in Chinese ships; could scarce fail to increase very much the manufactures of China, and to improve very much the productive powers of its manufacturing industry. By a more extensive navigation, the Chinese would naturally learn the art of using and constructing themselves all the different machines made use of in other countries, as well as the other² improvements of art and industry which are practised in all the different parts of the world. Upon their present plan they have little opportunity of improving themselves by the example of any other nation; except that of the Japanese.

The policy of ancient Egypt too, and that of the Gentoo government of Indostan, seem to have favoured agriculture more than all other employments.

Both in ancient Egypt and³ Indostan, the whole body of the people was divided into different casts or tribes, each of which was confined, from father to son, to a particular employment or class of employments. The son of a priest was necessarily a priest; the son of a soldier, a soldier; the son of a labourer, a labourer; the son of a weaver, a weaver; the son of a taylor, a taylor; &c. In both countries, the cast of the priests held the highest rank, and that of the soldiers the next; and in both countries, the cast of the farmers and labourers was superior to the casts of merchants and manufacturers.

The government of both countries was particularly attentive to the interest of agriculture. The works constructed by the ancient sovereigns of Egypt for the proper distribution of the waters of the Nile were famous in antiquity; and the ruined remains of some of them are still the admiration of travellers. Those of the same kind which were constructed by the ancient sovereigns of Indostan, for the proper distribution of the waters of the Ganges as well as of many other rivers, though they have been less celebrated, seem to have been equally great. Both countries, accordingly, though subject occasionally to dearths, have been famous for their great fertility. Though both were extremely populous, yet, in years of moderate plenty, they were both able to export great quantities of grain to their neighbours.

¹[Quesnay went further than this: 'L'historien dit que le commerce qui se fit dans l'intérieur de la Chine est si grand que celui de l'Europe ne peut pas lui être comparé.' — *Oeuvres*, ed. Oncken, 1888, p. 603.]

²[Ed. 1 reads 'as well as all the other'.]

³[Ed. 1 reads 'and in'.]

Egypt and the Gentoo government of Indostan favoured agriculture. The people were divided into castes in these countries.

Irrigation was attended to there.

Egypt
and India
were depen-
dent on
other
nations for
foreign
trade

The ancient Egyptians had a superstitious aversion to the sea ; and as the Gentoo religion does not permit its followers to light a fire, nor consequently to dress any victuals upon the water, it in effect prohibits them from all distant sea voyages. Both the Egyptians and Indians must have depended almost altogether upon the navigation of other nations for the exportation of their surplus produce ; and this dependency, as it must have confined the market, so it must have discouraged the increase of this surplus produce. It must have discouraged too the increase of the manufactured produce more than that of the rude produce. Manufactures require a much more extensive market than the most important parts of the rude produce of the land. A single shoemaker will make more than three hundred pairs of shoes in the year ; and his own family will not perhaps wear out six pairs. Unless therefore he has the custom of at least fifty such families as his own, he cannot dispose of the whole produce of his own labour. The most numerous class of artificers will seldom, in a large country, make more than one in fifty or one in a hundred of the whole number of families contained in it. But in such large countries as France and England, the number of people employed in agriculture has by some authors been computed at a half, by others at a third, and by no author that I know of, at less than a fifth of the whole inhabitants of the country. But as the produce of the agriculture of both France and England is, the far greater part of it, consumed at home, each person employed in it must, according to these computations, require little more than the custom of one, two, or, at most, of¹ four such families as his own, in order to dispose of the whole produce of his own labour. Agriculture, therefore, can support itself under the discouragement of a confined market, much better than manufactures. In both ancient Egypt and Indostan, indeed, the confinement of the foreign market was in some measure compensated by the conveniency of many inland navigations, which opened, in the most advantageous manner, the whole extent of the home market to every part of the produce of every different district of those countries. The great extent of Indostan too rendered the home market of that country very great, and sufficient to support a great variety of manufactures. But the small extent of ancient Egypt, which was never equal to England, must at all times have rendered the home market of that country too narrow for supporting any great variety of manufactures. Bengal, accordingly, the province of Indostan which commonly exports the greatest quantity of rice, has always been more remarkable for the exportation of a great variety of manufactures, than for that of its grain. Ancient Egypt, on

¹[Ed. 1 does not contain 'of'.]

the contrary, though it exported some manufactures, fine linen in particular, as well as some other goods, was always most distinguished for its great exportation of grain. It was long the granary of the Roman empire.

The sovereigns of China, of ancient Egypt, and of the different kingdoms into which Indostan has at different times been divided, have always derived the whole, or by far the most considerable part, of their revenue from some sort of land-tax or land-rent. This land-tax or land-rent, like the tithe in Europe, consisted in a certain proportion, a fifth, it is said, of the produce of the land, which was either delivered in kind, or paid in money, according to a certain valuation, and which therefore varied from year to year according to all the variations of the produce. It was natural therefore, that the sovereigns of those countries should be particularly attentive to the interests of agriculture, upon the prosperity or declension of which immediately depended the yearly increase or diminution of their own revenue.¹

The policy of the ancient republics of Greece, and that of Rome, though it honoured agriculture more than manufactures or foreign trade, yet seems rather to have discouraged the latter employments, than to have given any direct or intentional encouragement to the former. In several of the ancient states of Greece, foreign trade was prohibited altogether; and in several others the employments of artificers and manufacturers were considered as hurtful to the strength and agility of the human body, as rendering it incapable of those habits which their military and gymnastic exercises endeavoured to form in it, and as thereby disqualifying it more or less for² undergoing the fatigues and encountering the dangers of war. Such occupations were considered as fit only for slaves, and the free citizens of the state were prohibited from exercising them.³ Even in those states where no such prohibition took place, as in Rome and Athens, the great body of the people were in effect excluded from all the trades which are now commonly exercised by the lower sort of the inhabitants of towns. Such trades were, at Athens and Rome, all occupied by the slaves of the rich, who exercised them for the benefit of their masters, whose wealth, power, and protection, made it almost impossible for a poor freeman to find a market for his work, when it came into competition with that of the slaves of the rich. Slaves, however, are very seldom inventive; and all the most important improvements, either in machinery, or in the⁴ arrangement and distribution of work, which facilitate and abridge labour, have been the discoveries of freemen.

The land tax gave eastern sovereigns a particular interest in agriculture.

Ancient Greece and Rome discouraged manufactures and foreign trade, and carried on manufactures only by slave labour, which is expensive

¹ [Below, p. 322.]

³ [Montesquieu, *Esprit des lois*, liv. iv., chap. 8.]

² [Ed. 1 reads 'from'.]

⁴ [Ed. 1 reads 'that'.]

Should a slave propose any improvement of this kind, his master would be very apt to consider the proposal as the suggestion of laziness, and of a desire to save his own labour at the master's expence. The poor slave, instead of reward, would probably meet with much abuse, perhaps with some punishment. In the manufactures carried on by slaves, therefore, more labour must generally have been employed to execute the same quantity of work, than in those carried on by freemen. The work of the former must, upon that account, generally have been dearer than that of the latter. The Hungarian mines, it is remarked by Mr. Montesquieu, though not richer,¹ have always been wrought with less expence, and therefore with more profit, than the Turkish mines in their neighbourhood. The Turkish mines are wrought by slaves; and the arms of those slaves are the only machines which the Turks have ever thought of employing. The Hungarian mines are wrought by freemen, who employ a great deal of machinery, by which they facilitate and abridge their own labour.² From the very little that is known about the price of manufactures in the times of the Greeks and Romans, it would appear that those of the finer sort were excessively dear. Silk sold for its weight in gold. It was not, indeed, in those times a European manufacture; and as it was all brought from the East Indies, the distance of the carriage may in some measure account for the greatness of the price. The price, however, which a lady, it is said, would sometimes pay for a piece of very fine linen, seems to have been equally extravagant; and as linen was always either a European, or, at farthest, an Egyptian manufacture, this high price can be accounted for only by the great expence of the labour which must have been employed about it, and the expence of this labour again could arise from nothing but the awkwardness of the machinery which it made use of. The price of fine woollens too, though not quite so extravagant, seems however to have been much above that of the present times. Some cloths, we are told by Pliny, dyed in a particular manner, cost a hundred denarii, or three pounds six shillings and eight pence the pound weight.³ Others dyed in another manner cost a thousand denarii the pound weight, or thirty-three pounds six shillings and eight pence. The Roman pound, it must be remembered, contained only twelve of our avoirdupois ounces. This high price, indeed, seems to have been principally owing to the dye. But had not the cloths themselves been much dearer than any which are made in the present times, so very expensive a dye would not probably have

¹[Ed. 1 reads 'more rich'.]

²[*Lectures*, p. 231, Montesquieu, *Esprit des lois*, liv. xv., chap. 8.]

³Plin. [*H.N.*] l. ix. c. 39.

been bestowed upon them. The disproportion would have been too great between the value of the accessory and that of the principal. The price mentioned by the same¹ author of some Triclinaria, a sort of woollen pillows or cushions made use of to lean upon as they reclined upon their couches at table, passes all credibility; some of them being said to have cost more than thirty thousand, others more than three hundred thousand pounds. This high price too is not said to have arisen from the dye. In the dress of the people of fashion of both sexes, there seems to have been much less variety, it is observed by Dr. Arbuthnot, in ancient than in modern times;² and the very little variety which we find in that of the ancient statues confirms his observation. He infers from this, that their dress must upon the whole have been cheaper than ours: but the conclusion does not seem to follow. When the expence of fashionable dress is very great, the variety must be very small. But when, by the improvements in the productive powers of manufacturing art and industry, the expence of any one dress comes to be very moderate, the variety will naturally be very great. The rich not being able to distinguish themselves by the expence of any one dress, will naturally endeavour to do so by the multitude and variety of their dresses.

The greatest and most important branch of the commerce of every nation, it has already been observed,³ is that which is carried on between the inhabitants of the town and those of the country. The inhabitants of the town draw from the country the rude produce which constitutes both the materials of their work and the fund of their subsistence; and they pay for this rude produce by sending back to the country a certain portion of it manufactured and prepared for immediate use. The trade which is carried on between those two different sets of people, consists ultimately in a certain quantity of rude produce exchanged for a certain quantity of manufactured produce. The dearer the latter, therefore, the cheaper the former; and whatever tends in any country to raise the price of manufactured produce, tends to lower that of the rude produce of the land, and thereby to discourage agriculture. The smaller the quantity of manufactured produce which any given quantity of rude produce, or, what comes to the same thing, which the price of any given quantity of rude produce is capable of purchasing, the smaller the exchangeable value⁴ of that given quantity of rude produce; the smaller the encouragement which either the landlord has to increase its quantity by improving, or the

Everything which raises the price of manufactures discourages agriculture.

¹ Plin. [*H.N.*] l. viii. c. 48. [Neither this nor the preceding note is in ed. 1.]

² [John Arbuthnot, *Tables of Ancient Coins, Weights and Measures*, 2nd ed., 1754, pp. 142-145.]

³ [Above, vol. i., p. 355.]

⁴ [Ed. 1 reads 'real value'.]

farmer by cultivating the land. Whatever, besides, tends to diminish in any country the number of artificers and manufacturers, tends to diminish the home market, the most important of all markets for the rude produce of the land, and thereby still further to discourage agriculture.

and this is done by systems which restrain manufactures and foreign trade.

Those systems, therefore, which preferring agriculture to all other employments, in order to promote it, impose restraints upon manufactures and foreign trade, act contrary to the very end which they propose, and indirectly discourage that very species of industry which they mean to promote. They are so far, perhaps, more inconsistent than even the mercantile system. That system, by encouraging manufactures and foreign trade more than agriculture, turns a certain portion of the capital of the society from supporting a more advantageous, to support a less advantageous species of industry. But still it really and in the end encourages that species of industry which it means to promote. Those agricultural systems, on the contrary, really and in the end discourage their own favourite species of industry.

So all systems of encouragement and restraints retard the progress of society.

It is thus that every system which endeavours, either, by extraordinary encouragements, to draw towards a particular species of industry a greater share of the capital of the society than what would naturally go to it; or, by extraordinary restraints, to force from a particular species of industry some share of the capital which would otherwise be employed in it; is in reality subversive of the great purpose which it means to promote. It retards, instead of accelerating, the progress of the society towards real wealth and greatness; and diminishes, instead of increasing, the real value of the annual produce of its land and labour.

The system of natural liberty leaves the sovereign only three duties (1) the defence of the country, (2) the administration of justice, and (3) the maintenance of certain public works

All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men. The sovereign is completely discharged from a duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society. According to the system of natural liberty, the sovereign has only three duties to attend to; three duties of great importance, indeed, but plain and intelligible to common understand-

ings: first, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice; and, thirdly, the duty of erecting and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expence to any individual or small number of individuals, though it may frequently do much more than repay it to a great society.

The proper performance of those several duties of the sovereign necessarily supposes a certain expence; and this expence again necessarily requires a certain revenue to support it. In the following book, therefore, I shall endeavour to explain; first, what are the necessary expences of the sovereign or commonwealth; and which of those expences 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 the society: secondly, what are the different methods in which the whole society may be made to contribute towards defraying the expences incumbent on the whole society, and what are the principal advantages and inconveniences of each of those methods: and, thirdly, what are the reasons and causes which have induced almost all modern governments to mortgage some part of this revenue, or to contract debts, and what have been the effects of those debts upon the real wealth, the annual produce of the land and labour of the society. The following book, therefore, will naturally be divided into three chapters.

The next book will treat of the necessary expences of the sovereign, the methods of contribution towards the expences of the whole society, and the causes and effects of public debts

heavier machines than the balista or catapulta, and require a greater expence, not only to prepare them for the field, but to carry them to it. As the superiority of the modern artillery too, over that of the ancients is very great; it has become much more difficult, and consequently much more expensive, to fortify a town so as to resist even for a few weeks the attack of that superior artillery. In modern times many different causes contribute to render the defence of the society more expensive. The unavoidable effects of the natural progress of improvement have, in this respect, been a good deal enhanced by a great revolution in the art of war, to which a mere accident, the invention of gunpowder, seems to have given occasion.

and so give an advantage to rich nations, which is favourable to civilisation

In modern war the great expence of fire-arms gives an evident advantage to the nation which can best afford that expence; and consequently, to an opulent and civilized, over a poor and barbarous nation. In ancient times the opulent and civilized found it difficult to defend themselves against the poor and barbarous nations. In modern times the poor and barbarous find it difficult to defend themselves against the opulent and civilized. The invention of fire-arms, an invention which at first sight appears to be so pernicious, is certainly favourable both to the permanency and to the extension of civilization.¹

PART II

Of the Expence of Justice

The expence of justice is different at different periods

THE second duty of the sovereign, that of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice requires too very different degrees of expence in the different periods of society.

Civil government was first rendered necessary by the introduction of property

Among nations of hunters, as there is scarce any property, or at least none that exceeds the value of two or three days labour; so there is seldom any established magistrate or any regular administration of justice. Men who have no property can injure one another only in their persons or reputations. But when one man kills, wounds, beats, or defames another, though he to whom the injury is done suffers, he

¹[Hume, *History*, ed of 1773, vol. ii., p. 432, says the 'furious engine,' artillery, 'though it seemed contrived for the destruction of mankind and the overthrow of empires, has in the issue rendered battles less bloody, and has given greater stability to civil societies,' but his reasons are somewhat different from those in the text above. This part of the chapter is evidently adapted from Part iv. 'Of Arms' in the *Lectures*, pp. 260-264, and the dissertation on the rise, progress and fall of militarism in Part i., pp. 26-34.]

who does it receives no benefit. It is otherwise with the injuries to property. The benefit of the person who does the injury is often equal to the loss of him who suffers it. Envy, malice, or resentment, are the only passions which can prompt one man to injure another in his person or reputation. But the greater part of men are not very frequently under the influence of those passions; and the very worst men are so only occasionally. As their gratification too, how agreeable soever it may be to certain characters, is not attended with any real or permanent advantage, it is in the greater part of men commonly restrained by prudential considerations. Men may live together in society with some tolerable degree of security, though there is no civil magistrate to protect them from the injustice of those passions. But avarice and ambition in the rich, in the poor the hatred of labour and the love of present ease and enjoyment, are the passions which prompt to invade property, passions much more steady in their operation, and much more universal in their influence. Wherever there is great property, there is great inequality. For one very rich man, there must be at least five hundred poor, and the affluence of the few supposes the indigence of the many. The affluence of the rich excites the indignation of the poor, who are often both driven by want, and prompted by envy, to invade his possessions. It is only under the shelter of the civil magistrate that the owner of that valuable property, which is acquired by the labour of many years, or perhaps of many successive generations, can sleep a single night in security. He is at all times surrounded by unknown enemies, whom, though he never provoked, he can never appease, and from whose injustice he can be protected only by the powerful arm of the civil magistrate continually held up to chastise it. The acquisition of valuable and¹ extensive property, therefore, necessarily requires the establishment of civil government. Where there is no property, or at least none that exceeds the value of two or three days labour, civil government is not so necessary.

Civil government supposes a certain subordination. But as the necessity of civil government gradually grows up with the acquisition of valuable property, so the principal causes which naturally introduce subordination gradually grow up with the growth of that valuable property.

The causes or circumstances which naturally introduce subordination, or which naturally, and antecedent to any civil institution, give some men some superiority over the greater part of their brethren, seem to be four in number.

Property
strengthens
the causes of
subordina-
tion

There are
four causes
of subor-
dination.

¹[Ed. 1 reads 'or'.]

(1) superiority of personal qualifications,

The first of those causes or circumstances is the superiority of personal qualifications, of strength, beauty, and agility of body; of wisdom, and virtue, of prudence, justice, fortitude, and moderation of mind. The qualifications of the body, unless supported by those of the mind, can give little authority in any period of society. He is a very strong man, who, by mere strength of body, can force two weak ones to obey him. The qualifications of the mind can alone give very great authority. They are, however, invisible qualities; always disputable, and generally disputed. No society, whether barbarous or civilized, has ever found it convenient to settle the rules of precedence of rank and subordination, according to those invisible qualities; but according to something that is more plain and palpable.

(2) superiority of age,

The second of those causes or circumstances is the superiority of age. An old man, provided his age is not so far advanced as to give suspicion of dotage, is every where more respected than a young man of equal rank, fortune, and abilities. Among nations of hunters, such as the native tribes of North America, age is the sole foundation of rank and precedence. Among them, father is the appellation of a superior; brother, of an equal; and son, of an inferior. In the most opulent and civilized nations, age regulates rank among those who are in every other respect equal, and among whom, therefore, there is nothing else to regulate it. Among brothers and among sisters, the eldest always take place; and in the succession of the paternal estate every thing which cannot be divided, but must go entire to one person, such as a title of honour, is in most cases given to the eldest. Age is a plain and palpable quality which admits of no dispute.

(3) superiority of fortune

The third of those causes or circumstances is the superiority of fortune. The authority of riches, however, though great in every age of society, is perhaps greatest in the rudest age of society which admits of any considerable inequality of fortune. A Tartar chief, the increase of whose herds and flocks is sufficient to maintain a thousand men, cannot well employ that increase in any other way than in maintaining a thousand men. The rude state of his society does not afford him any manufactured produce, any trinkets or baubles of any kind, for which he can exchange that part of his rude produce which is over and above his own consumption. The thousand men whom he thus maintains, depending entirely upon him for their subsistence, must both obey his orders in war, and submit to his jurisdiction in peace. He is necessarily both their general and their judge, and his chieftainship is the necessary effect of the superiority of his fortune. In an opulent and civilized society, a man may possess a much greater

fortune, and yet not be able to command a dozen of people. Though the produce of his estate may be sufficient to maintain, and may perhaps actually maintain, more than a thousand people, yet as those people pay for every thing which they get from him, as he gives scarce any thing to any body but in exchange for an equivalent, there is scarce any body who considers himself as entirely dependent upon him, and his authority extends only over a few menial servants. The authority of fortune, however, is very great even in an opulent and civilized society. That it is much greater than that, either of age, or of personal qualities, has been the constant complaint of every period of society which admitted of any considerable inequality of fortune. The first period of society, that of hunters, admits of no such inequality. Universal poverty establishes there¹ universal equality, and the superiority, either of age, or of personal qualities, are the feeble, but the sole foundations of authority and subordination. There is therefore little or no authority or subordination in this period of society. The second period of society, that of shepherds, admits of very great inequalities of fortune, and there is no period in which the superiority of fortune gives so great authority to those who possess it. There is no period accordingly in which authority and subordination are more perfectly established. The authority of an Arabian scherif is very great; that of a Tartar khan altogether despotic.

The fourth of those causes or circumstances is the superiority of birth. Superiority of birth supposes an ancient superiority of fortune in the family of the person who claims it. All families are equally ancient; and the ancestors of the prince, though they may be better known, cannot well be more numerous than those of the beggar. Antiquity of family means every where the antiquity either of wealth, or of that greatness which is commonly either founded upon wealth, or accompanied with it. Upstart greatness is every where less respected than ancient greatness.² The hatred of usurpers, the love of the family of an ancient monarch, are, in a great measure, founded upon the contempt which men naturally have for the former, and upon their veneration for the latter. As a military officer submits without reluctance to the authority of a superior by whom he has always been commanded, but cannot bear that his inferior should be set over his head; so men easily submit to a family to whom they and their ancestors have always submitted; but are fired with indignation when another family, in whom they had never acknowledged any such superiority, assumes a dominion over them.

and (4)
superiority
of birth

¹ [Misprinted 'their' in eds. 4 and 5.]

² [Lectures, p. 10.]

The distinction of birth is not present among hunters,

The distinction of birth, being subsequent to the inequality of fortune, can have no place in nations of hunters, among whom all men, being equal in fortune, must likewise be very nearly equal in birth. The son of a wise and brave man may, indeed, even among them, be somewhat more respected than a man of equal merit who has the misfortune to be the son of a fool or a coward. The difference, however, will not be very great; and there never was, I believe, a great family in the world whose illustration was entirely derived from the inheritance of wisdom and virtue.

but always among shepherds.

The distinction of birth not only may, but always does take place among nations of shepherds. Such nations are always strangers to every sort of luxury, and great wealth can scarce ever be dissipated among them by improvident profusion. There are no nations accordingly who abound more in families revered and honoured on account of their descent from a long race of great and illustrious ancestors; because there are no nations among whom wealth is likely to continue longer in the same families.

Distinctions of birth and fortune are both most powerful among shepherds.

Birth and fortune are evidently the two circumstances which principally set one man above another. They are the two great sources of personal distinction, and are therefore the principal causes which naturally establish authority and subordination among men. Among nations of shepherds both those causes operate with their full force. The great shepherd or herdsman, respected on account of his great wealth, and of the great number of those who depend upon him for subsistence, and revered on account of the nobleness of his birth, and of the immemorial antiquity of his illustrious family, has a natural authority over all the inferior shepherds or herdsmen of his horde or clan. He can command the united force of a greater number of people than any of them. His military power is greater than that of any of them. In time of war they are all of them naturally disposed to muster themselves under his banner, rather than under that of any other person, and his birth and fortune thus naturally procure to him some sort of executive power. By commanding too the united force of a greater number of people than any of them, he is best able to compel any one of them who may have injured another to compensate the wrong. He is the person, therefore, to whom all those who are too weak to defend themselves naturally look up for protection. It is to him that they naturally complain of the injuries which they imagine have been done to them, and his interposition in such cases is more easily submitted to, even by the person complained of, than that of any other person would be. His birth and fortune thus naturally procure him some sort of judicial authority.

It is in the age of shepherds, in the second period of society, that the inequality of fortune first begins to take place, and introduces among men a degree of authority and subordination which could not possibly exist before. It thereby introduces some degree of that civil government which is indispensably necessary for its own preservation: and it seems to do this naturally, and even independent of the consideration of that necessity. The consideration of that necessity comes no doubt afterwards to contribute very much to maintain and secure that authority and subordination. The rich, in particular, are necessarily interested to support that order of things, which can alone secure them in the possession of their own advantages. Men of inferior wealth combine to defend those of superior wealth in the possession of their property, in order that men of superior wealth may combine to defend them in the possession of theirs. All the inferior shepherds and herdsmen feel that the security of their own herds and flocks depends upon the security of those of the great shepherd or herdsman; that the maintenance of their lesser authority depends upon that of his greater authority, and that upon their subordination to him depends his power of keeping their inferiors in subordination to them. They constitute a sort of little nobility, who feel themselves interested to defend the property and to support the authority of their own little sovereign, in order that he may be able to defend their property and to support their authority. Civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor, or of those who have some property against those who have none at all.¹

The judicial authority of such a sovereign, however, far from being a cause of expence, was for a long time a source of revenue to him. The persons who applied to him for justice were always willing to pay for it, and a present never failed to accompany a petition. After the authority of the sovereign too was thoroughly established, the person found guilty, over and above the satisfaction which he was obliged to make to the party, was likewise forced to pay an amercement to the sovereign. He had given trouble, he had disturbed, he had broke the peace of his lord the king, and for those offences an amercement was thought due. In the Tartar governments of Asia, in the governments of Europe which were founded by the German and Scythian nations who overturned the Roman empire, the administration of justice was a

Among shepherds inequality of fortune arises and introduces civil government.

but the judicial authority was long a source of revenue rather than expence.

¹[*Lectures*, p. 15: 'Till there be property there can be no government, the very end of which is to secure wealth and to defend the rich from the poor.' Cp. Locke, *Civil Government*, § 94. 'government has no other end but the preservation of property'.]

considerable source of revenue, both to the sovereign, and to all the lesser chiefs or lords who exercised under him any particular jurisdiction, either over some particular tribe or clan, or over some particular territory or district. Originally both the sovereign and the inferior chiefs used to exercise this jurisdiction in their own persons. Afterwards they universally found it convenient to delegate it to some substitute, bailiff, or judge. This substitute, however, was still obliged to account to his principal or constituent for the profits of the jurisdiction. Whoever reads the¹ instructions which were given to the judges of the circuit in the time of Henry II. will see clearly that those judges were a sort of itinerant factors, sent round the country for the purpose of levying certain branches of the king's revenue. In those days the administration of justice, not only afforded a certain revenue to the sovereign, but to procure this revenue seems to have been one of the principal advantages which he proposed to obtain by the administration of justice.

which produced great abuses.

This scheme of making the administration of justice subservient to the purposes of revenue, could scarce fail to be productive of several very gross abuses. The person, who applied for justice with a large present in his hand, was likely to get something more than justice; while he, who applied for it with a small one, was likely to get something less. Justice too might frequently be delayed, in order that this present might be repeated. The amercement, besides, of the person complained of, might frequently suggest a very strong reason for finding him in the wrong, even when he had not really been so. That such abuses were far from being uncommon, the ancient history of every country in Europe bears witness.

whether the sovereign exercised the judicial authority in person or by deputy.

When the sovereign or chief exercised his judicial authority in his own person, how much soever he might abuse it, it must have been scarce possible to get any redress; because there could seldom be any body powerful enough to call him to account. When he exercised it by a bailiff, indeed, redress might sometimes be had. If it was for his own benefit only, that the bailiff had been guilty of any act of injustice, the sovereign himself might not always be unwilling to punish him, or to oblige him to repair the wrong. But if it was for the benefit of his sovereign, if it was in order to make court to the person who appointed him and who might prefer him, that he had committed any act of oppression, redress would upon most occasions be as impos-

¹ They are to be found in Tyrrel's History of England. [*General History of England, both Ecclesiastical and Civil*, by James Tyrrell, vol. ii., 1700, pp. 576-579. The king is Richard I., not Henry II.]

sible as if the sovereign had committed it himself. In all barbarous governments, accordingly, in all those ancient governments of Europe in particular, which were founded upon the ruins of the Roman empire, the administration of justice appears for a long time to have been extremely corrupt; far from being quite equal and impartial even under the best monarchs, and altogether profligate under the worst.

Among nations of shepherds, where the sovereign or chief is only the greatest shepherd or herdsman of the horde or clan, he is maintained in the same manner as any of his vassals or subjects, by the increase of his own herds or flocks. Among those nations of husbandmen who are but just come out of the shepherd state, and who are not much advanced beyond that state; such as the Greek tribes appear to have been about the time of the Trojan war, and our German and Scythian ancestors when they first settled upon the ruins of the western empire; the sovereign or chief is, in the same manner, only the greatest landlord of the country, and is maintained, in the same manner as any other landlord, by a revenue derived from his own private estate, or from what, in modern Europe, was called the demesne of the crown. His subjects, upon ordinary occasions, contribute nothing to his support, except when, in order to protect them from the oppression of some of their fellow-subjects, they stand in need of his authority.¹ The presents which they make him upon such occasions, constitute the whole ordinary revenue, the whole of the emoluments which, except perhaps upon some very extraordinary emergencies, he derives from his dominion over them. When Agamemnon, in Homer, offers to Achilles for his friendship the sovereignty of seven Greek cities, the sole advantage which he mentions as likely to be derived from it, was, that the people would honour him with presents.² As long as such presents, as long as the emoluments of justice, or what may be called the fees of court, constituted in this manner the whole ordinary revenue which the sovereign derived from his sovereignty, it could not well be expected, it could not even decently be proposed, that he should give them up altogether. It might, and it frequently was proposed, that he should regulate and ascertain them. But after they had been so regulated and ascertained, how to hinder a person who was all-powerful from extending them beyond those regulations, was still very difficult, not to say impossible. During the continuance of this state of things, therefore, the corruption of justice, naturally

These abuses could not be remedied so long as the sovereign depended only on land revenue and court fees.

¹ [Ed. 1 reads 'except when they stand in need of the interposition of his authority in order to protect them from the oppression of some of their fellow subjects'.]

² [*Iliad*, ix., 149-156, but the presents are not the 'sole advantage' mentioned.]

resulting from the arbitrary and uncertain nature of those presents, scarce admitted of any effectual remedy.

but when taxes became necessary, the people stipulated that no presents should be taken by judges.

But when from different causes, chiefly from the continually increasing expence of defending the nation against the invasion of other nations, the private estate of the sovereign had become altogether insufficient for defraying the expence of the sovereignty; and when it had become necessary that the people should, for their own security, contribute towards this expence by taxes of different kinds, it seems to have been very commonly stipulated, that no present for the administration of justice should, under any pretence, be accepted either by the sovereign, or by his bailiffs and substitutes, the judges. Those presents, it seems to have been supposed, could more easily be abolished altogether, than effectually regulated and ascertained. Fixed salaries were appointed to the judges, which were supposed to compensate to them the loss of whatever might have been their share of the ancient emoluments of justice; as the taxes more than compensated to the sovereign the loss of his. Justice was then said to be administered gratis.

Justice is never administered gratis.

Justice, however, never was in reality administered gratis in any country. Lawyers and attornies, at least, must always be paid by the parties; and, if they were not, they would perform their duty still worse than they actually perform it. The fees annually paid to lawyers and attornies amount, in every court, to a much greater sum than the salaries of the judges. The circumstance of those salaries being paid by the crown, can no-where much diminish the necessary expence of a law-suit. But it was not so much to diminish the expence, as to prevent the corruption of justice, that the judges were prohibited from receiving any present or fee from the parties.

The salaries of judges are a small part of the expence of civilised government.

The office of judge is in itself so very honourable, that men are willing to accept of it, though accompanied with very small emoluments. The inferior office of justice of peace, though attended with a good deal of trouble, and in most cases with no emoluments at all, is an object of ambition to the greater part of our country gentlemen. The salaries of all the different judges, high and low, together with the whole expence of the administration and execution of justice, even where it is not managed with very good œconomy, makes, in any civilized country, but a very inconsiderable part of the whole expence of government.

and might be defrayed by fees of court

The whole expence of justice too might easily be defrayed by the fees of court; and, without exposing the administration of justice to any real hazard of corruption, the public revenue might thus be entirely discharged from a certain, though, perhaps, but a small in-

cumbrance. It is difficult to regulate the fees of court effectually, where a person so powerful as the sovereign is to share in them, and to derive any considerable part of his revenue from them. It is very easy, where the judge is the principal person who can reap any benefit from them. The law can very easily oblige the judge to respect the regulation, though it might not always be able to make the sovereign respect it. Where the fees of court are precisely regulated and ascertained, where they are paid all at once, at a certain period of every process, into the hands of a cashier or receiver, to be by him distributed in certain known proportions among the different judges after the process is decided, and not till it is decided, there seems to be no more danger of corruption than where such fees are prohibited altogether. Those fees, without occasioning any considerable increase in the expence of a law-suit, might be rendered fully sufficient for defraying the whole expence of justice. By not being paid to the judges till the process was determined, they might be some incitement to the diligence of the court in examining and deciding it. In courts which consisted of a considerable number of judges, by proportioning the share of each judge to the number of hours and days which he had employed in examining the process, either in the court or in a committee by order of the court, those fees might give some encouragement to the diligence of each particular judge. Public services are never better performed than when their reward comes only in consequence of their being performed, and is proportioned to the diligence employed in performing them. In the different parliaments of France, the fees of court (called *Epicès*¹ and vacations) constitute the far greater part of the emoluments of the judges. After all deductions are made, the neat salary paid by the crown to a counsellor or judge in the parliament of Toulouse, in rank and dignity the second parliament of the kingdom, amounts only to a hundred and fifty livres, about six pounds eleven shillings sterling a year. About seven years ago² that sum was in the same place the ordinary yearly wages of a common footman. The distribution of those *Epicès* too is according to the diligence of the judges. A diligent judge gains a comfortable, though moderate, revenue by his office: An idle one gets little more than his salary. Those parliaments are perhaps, in many respects, not very convenient courts of justice; but they have never been accused; they seem never even to have been suspected of corruption.

¹[The extraordinary accent here and seven lines lower down appears first in ed. 2.]

²[Smith was in Toulouse from February or March, 1764, to August, 1765.—Rae, *Life of Adam Smith*, pp. 174, 175, 188.]

The English courts were originally maintained by fees, and this led to their encroachments

The fees of court seem originally to have been the principal support of the different courts of justice in England. Each court endeavoured to draw to itself as much business as it could, and was, upon that account, willing to take cognizance of many suits which were not originally intended to fall under its jurisdiction. The court of king's bench, instituted for the trial of criminal causes only, took cognizance of civil suits; the plaintiff pretending that the defendant, in not doing him justice, had been guilty of some trespass or misdemeanor. The court of exchequer, instituted for the levying of the king's revenue, and for enforcing the payment of such debts only as were due to the king, took cognizance of all other contract debts; the plaintiff alleging that he could not pay the king, because the defendant would not pay him. In consequence of such fictions it came, in many cases, to depend altogether upon the parties before what court they would chuse to have their cause tried; and each court endeavoured, by superior dispatch and impartiality, to draw to itself as many causes as it could. The present admirable constitution of the courts of justice in England was, perhaps, originally in a great measure, formed by this emulation, which anciently took place between their respective judges; each judge endeavouring to give, in his own court, the speediest and most effectual remedy, which the law would admit, for every sort of injustice. Originally the courts of law gave damages only for breach of contract. The court of chancery, as a court of conscience, first took upon it to enforce the specific performance of agreements. When the breach of contract consisted in the non-payment of money, the damage sustained could be compensated in no other way than by ordering payment, which was equivalent to a specific performance of the agreement. In such cases, therefore, the remedy of the courts of law was sufficient. It was not so in others. When the tenant sued his lord for having unjustly outed him of his lease, the damages which he recovered were by no means equivalent to the possession of the land. Such causes, therefore, for some time, went all to the court of chancery, to the no small loss of the courts of law. It was to draw back such causes to themselves that the courts of law are said to have invented the artificial and fictitious writ of ejectment, the most effectual remedy for an unjust ouster or dispossession of land.¹

Courts might be maintained by a stamp duty on proceedings before them.

A stamp-duty upon the law proceedings of each particular court, to be levied by that court, and applied towards the maintenance of the judges and other officers belonging to it, might, in the same manner, afford a revenue sufficient for defraying the expence of the administra-

¹[*Lectures*, p. 49. Above, vol. 1., p. 367.]

tion of justice, without bringing any burden upon the general revenue of the society. The judges indeed might, in this case, be under the temptation of multiplying unnecessarily the proceedings upon every cause, in order to increase, as much as possible, the produce of such a stamp-duty. It has been the custom in modern Europe to regulate, upon most occasions, the payment of the attornies and clerks of court, according to the number of pages which they had occasion to write; the court, however, requiring that each page should contain so many lines, and each line so many words. In order to increase their payment, the attornies and clerks have contrived to multiply words beyond all necessity, to the corruption of the law language of, I believe, every court of justice in Europe. A like temptation might perhaps occasion a like corruption in the form of law proceedings.

but this would tempt them to multiply such proceedings ..

But whether the administration of justice be so contrived as to defray its own expence, or whether the judges be maintained by fixed salaries paid to them from some other fund, it does not seem necessary that the person or persons entrusted with the executive power should be charged with the management of that fund, or with the payment of those salaries. That fund might arise from the rent of landed estates, the management of each estate being entrusted to the particular court which was to be maintained by it. That fund might arise even from the interest of a sum of money, the lending out of which might, in the same manner, be entrusted to the court which was to be maintained by it. A part, though indeed but a small part, of the salary of the judges of the court of session in Scotland, arises from the interest of a sum of money. The necessary instability of such a fund seems, however, to render it an improper one for the maintenance of an institution which ought to last for ever.

Another way of securing independence would be to endow the courts with a revenue from property

The separation of the judicial from the executive power seems originally to have arisen from the increasing business of the society, in consequence of its increasing improvement. The administration of justice became so laborious and so complicated a duty as to require the undivided attention of the persons to whom it was entrusted. The person entrusted with the executive power, not having leisure to attend to the decision of private causes himself, a deputy was appointed to decide them in his stead. In the progress of the Roman greatness, the consul was too much occupied with the political affairs of the state, to attend to the administration of justice. A prætor, therefore, was appointed to administer it in his stead. In the progress of the European monarchies which were founded upon the ruins of the Roman empire, the sovereigns and the great lords came universally

The separation of the judicial from the executive power is due to the increase of executive business.

to consider the administration of justice as an office, both too laborious and too ignoble for them to execute in their own persons. They universally, therefore, discharged themselves of it by appointing a deputy, bailiff, or judge.

The judicial should be not only separate but independent of the executive power

When the judicial is united to the executive power, it is scarce possible that justice should not frequently be sacrificed to, what is vulgarly called, politics. The persons entrusted with the great interests of the state may, even without any corrupt views, sometimes imagine it necessary to sacrifice to those interests the rights of a private man. But upon the impartial administration of justice depends the liberty of every individual, the sense which he has of his own security. In order to make every individual feel himself perfectly secure in the possession of every right which belongs to him, it is not only necessary that the judicial should be separated from the executive power, but that it should be rendered as much as possible independent of that power. The judge should not be liable to be removed from his office according to the caprice of that power. The regular payment of his salary should not depend upon the good-will, or even upon the good œconomy of that power.

PART III

Of the Expence of public Works and public Institutions

The third duty of the sovereign is the erection and maintenance of those public works and institutions which are useful but not capable of bringing in a profit to individuals.

These are chiefly institutions for facilitating commerce and promoting instruction.

THE third and last duty of the sovereign or commonwealth is that of erecting and maintaining those public institutions and those public works, which, though they may be in the highest degree advantageous to a great society, are, however, of such a nature, that the profit could never repay the expence to any individual or small number of individuals, and which it therefore cannot be expected that any individual or small number of individuals should erect or maintain. The performance of this duty requires too very different degrees of expence in the different periods of society.

After the public institutions and public works necessary for the defence of the society, and for the administration of justice, both of which have already been mentioned, the other works and institutions of this kind are chiefly those for facilitating the commerce of the society, and those for promoting the instruction of the people. The institutions for instruction are of two kinds; those for the education of the youth, and those for the instruction of people of all ages. The consideration of the manner in which the expence of those different

CHAPTER III

OF PUBLIC DEBTS

When
expensive
luxuries are
unknown,
persons with
large
revenue are
likely to
hoard
savings

IN that rude state of society which precedes the extension of commerce and the improvement of manufactures, when those expensive luxuries which commerce and manufactures can alone introduce, are altogether unknown, the person who possesses a large revenue, I have endeavoured to show in the third book of this Inquiry,¹ can spend or enjoy that revenue in no other way than by maintaining nearly as many people as it can maintain. A large revenue may at all times be said to consist in the command of a large quantity of the necessaries of life. In that rude state of things it is commonly paid in a large quantity of those necessaries, in the materials of plain food and coarse clothing, in corn and cattle, in wool and raw hides. When neither commerce nor manufactures furnish any thing for which the owner can exchange the greater part of those materials which are over and above his own consumption, he can do nothing with the surplus but feed and clothe nearly as many people as it will feed and clothe. A hospitality in which there is no luxury, and a liberality in which there is no ostentation, occasion, in this situation of things, the principal expences of the rich and the great. But these, I have likewise endeavoured to show in the same book,² are expences by which people are not very apt to ruin themselves. There is not, perhaps, any selfish pleasure so frivolous, of which the pursuit has not sometimes ruined even sensible men. A passion for cock-fighting has ruined many. But the instances, I believe, are not very numerous of people who have been ruined by a hospitality or liberality of this kind; though the hospitality of luxury and the liberality of ostentation have ruined many. Among our feudal ancestors, the long time during which estates used to continue in the same family, sufficiently demon-

¹[Above, vol. i., pp. 383, 384.]

²[Above, vol. i., p. 389.]

strates the general disposition of people to live within their income. Though the rustic hospitality, constantly exercised by the great land-holders, may not, to us in the present times, seem consistent with that order, which we are apt to consider as inseparably connected with good œconomy, yet we must certainly allow them to have been at least so far frugal as not commonly to have spent their whole income. A part of their wool and raw hides they had generally an opportunity of selling for money. Some part of this money, perhaps, they spent in purchasing the few objects of vanity and luxury, with which the circumstances of the times could furnish them; but some part of it they seem commonly to have hoarded. They could not well indeed do any thing else but hoard whatever money they saved. To trade was disgraceful to a gentleman, and to lend money at interest, which at that time was considered as usury and prohibited by law, would have been still more so. In those times of violence and disorder, besides, it was convenient to have a hoard of money at hand, that in case they should be driven from their own home, they might have something of known value to carry with them to some place of safety. The same violence, which made it convenient to hoard, made it equally convenient to conceal the hoard. The frequency of treasure-trove, or of treasure found of which no owner was known, sufficiently demonstrates the frequency in those times both of hoarding and of concealing the hoard. Treasure-trove was then considered as an important branch of the revenue of the sovereign.¹ All the treasure-trove of the kingdom would scarce perhaps in the present times make an important branch of the revenue of a private gentleman of a good estate.

The same disposition to save and to hoard prevailed in the sovereign, as well as in the subjects. Among nations to whom commerce and manufactures are little known, the sovereign, it has already been observed in the fourth book,² is in a situation which naturally disposes him to the parsimony requisite for accumulation. In that situation the expence even of a sovereign cannot be directed by that vanity which delights in the gaudy finery of a court. The ignorance of the times affords but few of the trinkets in which that finery consists. Standing armies are not then necessary, so that the expence even of a sovereign, like that of any other great lord, can be employed in scarce any thing but bounty to his tenants, and hospitality to his retainers. But bounty and hospitality very seldom lead to extrava-

So the ancient sovereigns of Europe amassed treasures

¹[Cp. vol. i., pp. 267, 268.]

²[Above, vol. i., p. 412.]

gance ; though vanity almost always does.¹ All the ancient sovereigns of Europe accordingly, it has already been observed, had treasures. Every Tartar chief in the present times is said to have one.

When luxuries are introduced, the sovereign's expenditure equals his revenue in time of peace,

In a commercial country abounding with every sort of expensive luxury, the sovereign, in the same manner as almost all the great proprietors in his dominions, naturally spends a great part of his revenue in purchasing those luxuries. His own and the neighbouring countries supply him abundantly with all the costly trinkets which compose the splendid, but insignificant pageantry of a court. For the sake of an inferior pageantry of the same kind, his nobles dismiss their retainers, make their tenants independent, and become gradually themselves as insignificant as the greater part of the wealthy burghers in his dominions. The same frivolous passions, which influence their conduct, influence his. How can it be supposed that he should be the only rich man in his dominions who is insensible to pleasures of this kind? If he does not, what he is very likely to do, spend upon those pleasures so great a part of his revenue as to debilitate very much the defensive power of the state, it cannot well be expected that he should not spend upon them all that part of it which is over and above what is necessary for supporting that defensive power. His ordinary expence becomes equal to his ordinary revenue, and it is well if it does not frequently exceed it. The amassing of treasure can no longer be expected, and when extraordinary exigencies require extraordinary expences, he must necessarily call upon his subjects for an extraordinary aid. The present and the late king of Prussia are the only great princes of Europe, who, since the death of Henry IV. of France in 1610, are supposed to have amassed any considerable treasure.² The parsimony which leads to accumulation has become almost as rare in republican as in monarchical governments. The Italian republics, the United Provinces of the Netherlands, are all in debt. The canton of Berne is the single republic in Europe which has amassed any considerable treasure.³ The other Swiss republics have not. The taste for some sort of pageantry, for splendid buildings, at least, and other public ornaments, frequently prevails as much in the apparently sober senate-house of a little republic, as in the dissipated court of the greatest king.

and in time of war he contracts debts

The want of parsimony in time of peace, imposes the necessity of contracting debt in time of war. When war comes, there is no money in the treasury but what is necessary for carrying on the ordinary ex-

¹ [Repeated *verbatim* from vol. i., p. 412.]

² [Above, vol. i., p. 408.]

³ [Above, p. 304.]

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

The same commercial state of society which, by the operation of moral causes, brings government in this manner into the necessity of borrowing, produces in the subjects both an ability and an inclination to lend. If it commonly brings along with it the necessity of borrowing, it likewise brings along¹ with it the facility of doing so.

A country abounding with merchants and manufacturers, necessarily abounds with a set of people through whose hands not only their own capitals, but the capitals of all those who either lend them money, or trust them with goods, pass as frequently, or more frequently, than the revenue of a private man, who, without trade or business, lives upon his income, passes through his hands. The revenue of such a man can regularly pass through his hands only once in a year. But the whole amount of the capital and credit of a merchant, who deals in a trade of which the returns are very quick, may sometimes pass through his hands two, three, or four times in a year. A country abounding with merchants and manufacturers, therefore, necessarily abounds with a set of people who have it at all times in their power to advance, if they chuse to do so, a very large sum of money to government. Hence the ability in the subjects of a commercial state to lend.

Commerce and manufactures can seldom flourish long in any state which does not enjoy a regular administration of justice, in which the people do not feel themselves secure in the possession of their property, in which the faith of contracts is not supported by law, and in which the authority of the state is not supposed to be regularly em-

The same causes which make borrowing necessary make it possible

Merchants and manufacturers are able to lend,

and also willing

¹ [Ed. 5 omits 'along,' doubtless by a misprint.]

ployed in enforcing the payment of debts from all those who are able to pay. Commerce and manufactures, in short, can seldom flourish in any state in which there is not a certain degree of confidence in the justice of government. The same confidence which disposes great merchants and manufacturers, upon ordinary occasions, to trust their property to the protection of a particular government; disposes them, upon extraordinary occasions, to trust that government with the use of their property. By lending money to government, they do not even for a moment diminish their ability to carry on their trade and manufactures. On the contrary, they commonly augment it. The necessities of the state render government upon most occasions willing to borrow upon terms extremely advantageous to the lender. The security which it grants to the original creditor, is made transferable to any other creditor, and, from the universal confidence in the justice of the state, generally sells in the market for more than was originally paid for it. The merchant or monied man makes money by lending money to government, and instead of diminishing, increases his trading capital. He generally considers it as a favour, therefore, when the administration admits him to a share in the first subscription for a new loan. Hence the inclination or willingness in the subjects of a commercial state to lend.

A government dispenses itself from saving if it knows it can borrow,

whereas if there is no possibility of borrowing, it feels it must save.

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

In a rude state of society there are no great mercantile or manufacturing capitals. The individuals, who hoard whatever money they can save, and who conceal their hoard, do so from a distrust of the justice of government, from a fear that if it was known that they had a hoard, and where that hoard was to be found, they would quickly be plundered. In such a state of things few people would be able, and no body would be willing, to lend their money to government on extraordinary exigencies. The sovereign feels that he must provide for such exigencies by saving, because he foresees the absolute impossibility of borrowing. This foresight increases still further his natural disposition to save.

Nations have begun to borrow without special security and have afterwards mortgaged

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

when this resource has failed them, they have gone on to borrow upon assignments or mortgages of particular funds.

What is called the unfunded debt of Great Britain, is contracted in the former of those two ways. It consists partly in a debt which bears, or is supposed to bear, no interest, and which resembles the debts that a private man contracts upon account; and partly in a debt which bears interest, and which resembles what a private man contracts upon his bill or promissory note. The debts which are due either for extraordinary services, or for services either not provided for, or not paid at the time when they are performed; part of the extraordinaries of the army, navy, and ordnance, the arrears of subsidies to foreign princes, those of seamen's wages, &c. usually constitute a debt of the first kind. Navy and Exchequer bills, which are issued sometimes in payment of a part of such debts and sometimes for other purposes, constitute a debt of the second kind; Exchequer bills bearing interest from the day on which they are issued, and navy bills six months after they are issued. The bank of England, either by voluntarily discounting those bills at their current value, or by agreeing with government for certain considerations to circulate Exchequer bills, that is, to receive them at par, paying the interest which happens to be due upon them, keeps up their value and facilitates their circulation, and thereby frequently enables government to contract a very large debt of this kind. In France, where there is no bank, the state bills (*billets d'état*¹) have sometimes sold at sixty and seventy per cent. discount. During the great re-coinage in King William's time, when the bank of England thought proper to put a stop to its usual transactions, Exchequer bills and tallies are said to have sold from twenty-five to sixty per cent. discount;² owing partly, no doubt, to the supposed instability of the new government established by the Revolution, but partly too to the want of the support of the bank of England.

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

particular funds.

The unfunded debt of Great Britain is contracted in the first way

Mortgages of particular branches of revenue are either for a term of years, when money is said to be raised by

¹See *Examen des Reflexions politiques sur les Finances*. [P. J. Duverney, *Examen du livre intitulé Reflexions politiques sur les finances et le commerce* (by Du Tot), tom. i., p. 225.]

²[James Postlethwayt, *History of the Public Revenue*, 1759, pp. 14, 15, mentions discounts of 25 and 55 per cent. The discount varied with the priority of the tallies and did not measure the national credit in general, but the probability of particular taxes bringing in enough to pay the amounts charged upon them.]

anticipation, or in perpetuity, when it is said to be raised by funding.

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

The annual land and malt taxes are always anticipated

In Great Britain the annual land and malt taxes are regularly anticipated every year, by virtue of a borrowing clause constantly inserted into the acts which impose them. The bank of England generally advances at an interest, which since the Revolution has varied from eight to three per cent. the sums for which those taxes are granted, and receives payment as their produce gradually comes in. If there is a deficiency, which there always is, it is provided for in the supplies of the ensuing year. The only considerable branch of the public revenue which yet remains unmortgaged is thus regularly spent before it comes in. Like an improvident¹ spendthrift, whose pressing occasions will not allow him to wait for the regular payment of his revenue, the state is in the constant practice of borrowing of its own factors and agents, and of paying interest for the use of its own money.

Under William III and Anne anticipations gave rise to deficiencies,

In the reign of king William, and during a great part of that of queen Anne, before we had become so familiar as we are now with the practice of perpetual funding, the greater part of the new taxes were imposed but for a short period of time (for four, five, six, or seven years only), and a great part of the grants of every year consisted in loans upon anticipations of the produce of those taxes. The produce being frequently insufficient for paying within the limited term the principal and interest of the money borrowed, deficiencies arose, to make good which it became necessary to prolong the term.

and the term of the mortgage taxes was prolonged in 1697.

In 1697, by the 8th of William III. c. 20. the deficiencies of several taxes were charged upon what was then called the first general mortgage or fund, consisting of a prolongation to the first of August, 1706, of several different taxes, which would have expired within a shorter term, and of which the produce was accumulated into one general fund. The deficiencies charged upon this prolonged term amounted to 5,160,459 *l.* 14 *s.* 9 $\frac{1}{4}$ *d.*²

in 1701

In 1701, those duties, with some others, were still further prolonged for the like purposes till the first of August, 1710, and were called the

¹[Ed. 1 reads 'unprovident,' as do all editions below, p. 400.]

²[Postlethwayt, *op. cit.*, p. 38. Ed. 5 misprints '9 $\frac{1}{4}$ d.']

second general mortgage or fund.¹ The deficiencies charged upon it amounted to 2,055,999 *l.* 7 *s.* 11½ *d.*

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

in 1707,

In 1708, those duties were all (except the old subsidy of tonnage and poundage, of which one moiety only was made a part of this fund, and a duty upon the importation of Scotch linen, which had been taken off by the articles of union) still further continued, as a fund for new loans, to the first of August, 1714, and were called the fourth general mortgage or fund.² The sum borrowed upon it was 925,176 *l.* 9 *s.* 2¼ *d.*³

in 1708,

In 1709, those duties were all (except the old subsidy of tonnage and poundage, which was now left out of this fund altogether) still further continued for the same purpose to the first of August, 1716 and were called the fifth general mortgage or fund.⁴ The sum borrowed upon it was 922,029 *l.* 6 *s.* 0 *d.*

in 1709,

In 1710, those duties were again prolonged to the first of August, 1720, and were called the sixth general mortgage or fund.⁵ The sum borrowed upon it was 1,296,552 *l.* 9 *s.* 11¾ *d.*

and in 1710

In 1711, the same duties (which at this time were thus subject to four different anticipations), together with several others, were continued for ever, and made a fund for paying the interest of the capital of the South Sea company, which had that year advanced to government, for paying debts and making good deficiencies, the sum of 9,177,967 *l.* 15 *s.* 4 *d.* ;⁶ the greatest loan which at that time had ever been made.

In 1711 the taxes were continued for ever and made into a fund for paying the interest on £9,177,968.

Before this period, the principal, so far as I have been able to observe, the only taxes which in order to pay the interest of a debt had been imposed for perpetuity, were those for paying the interest of the money which had been advanced to government by the Bank and East India Company, and of what it was expected would be advanced, but which was never advanced, by a projected land bank. The bank fund at this time amounted to 3,375,027 *l.* 17 *s.* 10½ *d.* for which was paid an annuity or interest of 206,501 *l.* 13 *s.* 5 *d.*⁷ The East India fund amounted to 3,200,000 *l.* for which was paid an annuity or interest of 160,000 *l.* ;⁸ the bank fund being at six per cent.,⁹ the East India fund at five per cent. interest.

The only earlier taxes imposed in perpetuity to pay interest on debt were those for paying interest on the advances of the Bank and East India Company.

¹[Postlethwayt, *op. cit.*, p. 40.]

²[*Ibid.*, p. 59.]

³[*Ibid.*, pp. 63, 64.]

⁴[*Ibid.*, p. 68.]

⁵[*Ibid.*, p. 71.]

⁶[*Ibid.*, p. 311.]

⁷[*Ibid.*, pp. 301-303, and see above, vol. i., p. 302.]

⁸[*Ibid.*, pp. 319, 320.]

⁹[The odd £4,000 of the £206,501 13s. 5d. was for expenses of management. See above, vol. i., p. 302.]

In 1715 several taxes were accumulated into the Aggregate Fund.

In 1715, by the first of George I. c. 12. the different taxes which had been mortgaged for paying the bank annuity, together with several others which by this act were likewise rendered perpetual, were accumulated into one common fund called The Aggregate Fund, which was charged, not only with the payments¹ of the bank annuity, but with several other annuities and burdens of different kinds. This fund was afterwards augmented by the third of George I. c. 8. and by the fifth of George I. c. 3. and the different duties which were then added to it were likewise rendered perpetual.²

and in 1717 several others into the General Fund.

In 1717, by the third of George I. c. 7.³ several other taxes were rendered perpetual, and accumulated into another common fund, called The General Fund, for the payment of certain annuities, amounting in the whole to 724,849 *l. 6 s. 10½ d.*

Thus most of the anticipated taxes were made into a fund for paying interest only

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

When once become familiar, perpetual funding is preferred to anticipation

Had money never been raised but by anticipation, the course of a few years would have liberated the public revenue, without any other attention of government besides that of not overloading the fund by charging it with more debt than it could pay within the limited term, and of not anticipating a second time before the expiration of the first anticipation. But the greater part of European governments have been incapable of those attentions. They have frequently overloaded the fund even upon the first anticipation; and when this happened not to be the case, they have generally taken care to overload it, by anticipating a second and a third time before the expiration of the first anticipation. The fund becoming in this manner altogether insufficient for paying both principal and interest of the money borrowed upon it, it became necessary to charge it with the interest only, or a perpetual annuity equal to the interest, and such unprovident anticipations necessarily gave birth to the more ruinous practice of perpetual funding. But though this practice necessarily puts off the liberation of the public revenue from a fixed period to one so indefinite that it is not very likely ever to arrive; yet as a greater sum can in all cases be raised by this new practice than by the old one of anticipations, the former, when men have once become familiar with it, has in the

¹[Ed. 1 reads 'payment,' perhaps correctly.]

²[Postlethwayt, *History of the Public Revenue*, p. 305.]

³[This Act belongs to 1716, not 1717.]

great exigencies of the state been universally preferred to the latter. To relieve the present exigency is always the object which principally interests those immediately concerned in the administration of public affairs. The future liberation of the public revenue, they leave to the care of posterity.

During the reign of queen Anne, the market rate of interest had fallen from six to five per cent., and in the twelfth year of her reign five per cent. was declared to be the highest rate which could lawfully be taken for money borrowed upon private security.¹ Soon after the greater part of the temporary taxes of Great Britain had been rendered perpetual, and distributed into the Aggregate, South Sea, and General Funds, the creditors of the public, like those of private persons, were induced to accept of five per cent. for the interest of their money,² which occasioned a saving of one per cent. upon the capital of the greater part of the debts which had been thus funded for perpetuity, or of one-sixth of the greater part of the annuities which were paid out of the three great funds above mentioned. This saving left a considerable surplus in the produce of the different taxes which had been accumulated into those funds, over and above what was necessary for paying the annuities which were now charged upon them, and laid the foundation of what has since been called the Sinking Fund. In 1717, it amounted to 323,434 *l.* 7 *s.* 7½ *d.*³ In 1727, the interest of the greater part of the public debts was still further reduced to four per cent.;⁴ and in 1753⁵ and 1757, to three and a half and three per cent.; which reductions still further augmented the sinking fund.

A sinking fund, though instituted for the payment of old, facilitates very much the contracting of new debts. It is a subsidiary fund always at hand to be mortgaged in aid of any other doubtful fund, upon which money is proposed to be raised in any exigency of the state. Whether the sinking fund of Great Britain has been more frequently applied to the one or to the other of those two purposes, will sufficiently appear by and by.

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

¹[Above, vol. 1., pp. 90, 91.]

²[In 1717, under the provisions of 3 Geo. I., c. 7. Postlethwayt, *History of the Public Revenue*, pp. 120, 145.]

³[Anderson, *Commerce*, A.D. 1717.]

⁴[*Ibid.*, A.D. 1727.]

⁵[This should be 1750. Anderson, *Commerce*, A.D. 1749.]

A fall in the market rate of interest led to a saving, which gave rise to the Sinking Fund

A sinking fund facilitates the contraction of new debt

Money is also borrowed by terminable and life annuities

Under William III. and Anne large sums were borrowed on annuities for terms of years

During the reigns of king William and queen Anne, large sums were frequently borrowed upon annuities for terms of years, which were sometimes longer and sometimes shorter. In 1693, an act was passed for borrowing one million upon an annuity of fourteen per cent.,¹ or of 140,000 *l.* a year, for sixteen years. In 1691, an act was passed for borrowing a million upon annuities for lives, upon terms which in the present times would appear very advantageous. But the subscription was not filled up. In the following year² the deficiency was made good by borrowing upon annuities for lives at fourteen per cent., or at little more than seven years purchase. In 1695, the persons who had purchased those annuities were allowed to exchange them for others of ninety-six years, upon paying into the Exchequer sixty-three pounds in the hundred; that is, the difference between fourteen per cent. for life, and fourteen per cent. for ninety-six years, was sold for sixty-three pounds, or for four and a half years purchase. Such was the supposed instability of government, that even these terms procured few purchasers. In the reign of queen Anne, money was upon different occasions borrowed both upon annuities for lives, and upon annuities for terms of thirty-two, of eighty-nine, of ninety-eight, and of ninety-nine years. In 1719, the proprietors of the annuities for thirty-two years were induced to accept in lieu of them South Sea stock to the amount of eleven and a half years purchase of the annuities, together with an additional quantity of stock equal to the arrears which happened then to be due upon them.³ In 1720, the greater part of the other annuities for terms of years both long and short were subscribed into the same fund. The long annuities at that time amounted to 666,821 *l.* 8 *s.* 3½ *d.* a year.⁴ On the 5th of January, 1775, the remainder of them, or what was not subscribed at that time, amounted only to 136,453 *l.* 12 *s.* 8 *d.*

But little money was so borrowed in the wars of the middle of the eighteenth century, most people preferring a perpetual annuity.

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

¹[5 and 6 W. and M., c. 7.]

³[Anderson, *Commerce*, A.D. 1719.]

²[4 W. and M., c. 3.]

⁴[*Ibid.*, A.D. 1720.]

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

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

Annuities for lives have occasionally been granted in two different ways; either upon separate lives, or upon lots of lives, which in French are called Tontines, from the name of their inventor. When annuities are granted upon separate lives, the death of every individual annuitant disburthens the public revenue so far as it was affected by his annuity. When annuities are granted upon tontines, the liberation of the public revenue does not commence till the death of all the annuitants comprehended in one lot, which may sometimes consist of twenty or thirty persons, of whom the survivors succeed to the annuities of all those who die before them; the last survivor succeeding to the annuities of the whole lot. Upon the same revenue more money can always be raised by tontines than by annuities for separate lives. An annuity, with a right of survivorship, is really worth more than an equal annuity for a separate life, and from the confidence which every man naturally has in his own good fortune, the principle upon which is founded the success of all lotteries, such an annuity generally sells for something more than it is worth. In countries where it is usual for government to raise money by granting annuities, tontines are upon this account generally preferred to annuities for separate lives. The expedient which will raise most money, is almost always preferred to that which is likely to bring about in the speediest manner the liberation of the public revenue.

In France a much greater proportion of the public debts consists in annuities for lives than in England. According to a memoir presented by the parliament of Bourdeaux to the king in 1764, the whole public debt of France is estimated at twenty-four hundred millions of livres; of which the capital for which annuities for lives had been granted, is supposed to amount to three hundred millions, the eighth part of the

and annuities for terms and for lives were only given as premiums.

Tontines are preferred to annuities on separate lives, though they do not liberate the public revenue so quickly.

In France a much greater proportion of the whole debt is in life annuities than in England

whole public debt. The annuities themselves are computed to amount to thirty millions a year, the fourth part of one hundred and twenty millions, the supposed interest of that whole debt. These estimations, I know very well, are not exact, but having been presented by so very respectable a body as approximations to the truth, they may, I apprehend, be considered as such. It is not the different degrees of anxiety in the two governments of France and England for the liberation of the public revenue, which occasions this difference in their respective modes of borrowing. It arises altogether from the different views and interests of the lenders.

the difference is due to the fact that in England the lenders are merchants.

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

whereas in France they are persons engaged in the farming and collection of the taxes, who are chiefly bachelors.

In France the seat of government not being in a great mercantile city, merchants do not make so great a proportion of the people who advance money to government. The people concerned in the finances, the farmers general, the receivers of the taxes which are not in farm, the court bankers, &c. make the greater part of those who advance their money in all public exigencies. Such people are commonly men of mean birth, but of great wealth, and frequently of great pride. They are too proud to marry their equals, and women of quality disdain to marry them. They frequently resolve, therefore, to live bachelors, and having neither any families of their own, nor much regard for those of their relations, whom they are not always very fond of acknowledging, they desire only to live in splendour during their own time, and are not

unwilling that their fortune should end with themselves. The number of rich people, besides, who are either averse to marry, or whose condition of life renders it either improper or inconvenient for them to do so, is much greater in France than in England. To such people, who have little or no care for posterity, nothing can be more convenient than to exchange their capital for a revenue, which is to last just as long,¹ and no longer than they wish it to do.

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

The return of peace, indeed, seldom relieves them from the greater part of the taxes imposed during the war. These are mortgaged for the interest of the debt contracted in order to carry it on. If, over and above paying the interest of this debt, and defraying the ordinary expence of government, the old revenue, together with the new taxes, produce some surplus revenue, it may perhaps be converted into a sinking fund for paying off the debt. But, in the first place, this sinking fund, even supposing it should be applied to no other purpose, is generally altogether inadequate for paying, in the course

The system of perpetual funding prevents the people from feeling distinctly the burden of war.

Their burdens are not reduced on the conclusion of peace

¹ [Ed. 1 reads 'just as long as'.]

of any period during which it can reasonably be expected that peace should continue, the whole debt contracted during the war; and, in the second place, this fund is almost always applied to other purposes.

The new taxes were imposed for the sole purpose of paying the interest of the money borrowed upon them. If they produce more, it is generally something which was neither intended nor expected, and is therefore seldom very considerable. Sinking funds have generally arisen, not so much from any surplus of the taxes which was over and above what was necessary for paying the interest or annuity originally charged upon them, as from a subsequent reduction of that interest. That of Holland in 1655, and that of the ecclesiastical state in 1685, were both formed in this manner.¹ Hence the usual insufficiency of such funds.

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

¹[Anderson, *Commerce*, mentions these reductions under their dates, and recalls them in reference to the British reduction in 1717.]

Any new taxes imposed are rarely sufficient to do more than pay the new interest. Sinking funds arise generally from reductions of interest.

and are constantly misapplied.

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

On the 31st of December 1697, the public debts of Great Britain, funded and unfunded, amounted to 21,515,742 *l.* 13 *s.* 8 $\frac{1}{2}$ *d.* A great part of those debts had been contracted upon short anticipations, and some part upon annuities for lives; so that before the 31st of December 1701, in less than four years, there had partly been paid off, and partly reverted to the public, the sum of 5,121,041 *l.* 12 *s.* 0 $\frac{3}{4}$ *d.*; a greater reduction of the public debt than has ever since been brought about in so short a period of time. The remaining debt, therefore, amounted only to 16,394,701 *l.* 1 *s.* 7 $\frac{1}{2}$ *d.*

In the war which began in 1702, and which was concluded by the treaty of Utrecht, the public debts were still more accumulated. On the 31st of December 1714, they amounted to 53,681,076 *l.* 5 *s.* 6 $\frac{1}{2}$ *d.* The subscription into the South Sea fund of the short and long¹ annuities increased the capital of the public debts, so that on the 31st of December 1722, it amounted to 55,282,978 *l.* 1 *s.* 3 $\frac{5}{8}$ *d.* The reduction of the debt began in 1723, and went on so slowly that, on the 31st of December 1739, during seventeen years of profound peace, the whole sum paid off was no more than 8,328,354 *l.* 17 *s.* 11 $\frac{3}{4}$ *d.* the capital of the public debt at that time amounting to 46,954,623 *l.* 3 *s.* 4 $\frac{7}{12}$ *d.*

The Spanish war, which began in 1739, and the French war which soon followed it, occasioned a further increase of the debt, which, on the 31st of December 1748, after the war had been concluded by the treaty of Aix la Chapelle, amounted to 78,293,313 *l.* 1 *s.* 10 $\frac{3}{4}$ *d.* The most profound peace of seventeen years continuance had taken no more than 8,328,354 *l.* 17 *s.* 11 $\frac{3}{4}$ *d.* from it. A war of less than nine years continuance added 31,338,689 *l.* 18 *s.* 6 $\frac{1}{8}$ *d.* to it.²

During the administration of Mr. Pelham, the interest of the public debt was reduced, or at least measures were taken for reducing it, from four to three per cent.;³ the sinking fund was increased, and some part of the public debt was paid off. In 1755, before the breaking out of the late war, the funded debt of Great Britain amounted to 72,289,673 *l.*⁴ On the 5th of January 1763, at the conclusion of the

The British debt had its origin in the war of 1688-97,

which left a debt of twenty-one and a half millions. This was reduced by five millions in 1697-1701

From 1702 to 1722 the increase was thirty-nine millions, and from 1722 to 1739 the reduction was only eight and one-third millions.

From 1739 to 1748 the increase was thirty-one and one-third millions.

During the peace of 1748-55 the reduction was six millions, and the seven years' war added more than seventy-five.

¹[Ed. 1 reads 'long and short'.]

²See James Postlethwaite's history of the public revenue. [Pp. 42, 143-145, 147, 224, 300. The reference covers the three paragraphs in the text above.]

³[Above, p. 401.]

⁴[*Present State of the Nation* (above, vol. i, p. 409), p. 28.]

peace, the funded debt amounted to 122,603,336 *l.* 8 *s.* 2½ *d.*¹ The unfunded debt has been stated at 13,927,589 *l.* 2 *s.* 2 *d.* But the expence occasioned by the war did not end with the conclusion of the peace;² so that though, on the 5th of January 1764, the funded debt was increased (partly by a new loan, and partly by funding a part of the unfunded debt)³ to 129,586,789 *l.* 10 *s.* 1¾ *d.*⁴ there still remained (according to the very well informed author of the *Considerations on the trade and finances of Great Britain*⁵) an unfunded debt which was brought to account in that and the following year, of 9,975,017 *l.* 12 *s.* 2¼ *d.* In 1764, therefore, the public debt of Great Britain, funded and unfunded together, amounted, according to this author, to 139,561,807 *l.* 2 *s.* 4 *d.*⁶ The annuities for lives too, which had been granted as premiums to the subscribers to the new loans in 1757, estimated at fourteen years purchase, were valued at 472,500 *l.*; and the annuities for long terms of years, granted as premiums likewise, in 1761 and 1762, estimated at 27½ years purchase, were valued at 6,826,875 *l.*⁷ During a peace of about seven years continuance, the prudent and truly patriot administration of Mr. Pelham, was not able to pay off an old debt of six millions. During a war of nearly the same continuance, a new debt of more than seventy-five millions was contracted.

In the eleven years of peace before January 1775 the reduction was only ten and a half millions, and most of this was due to reductions of interest.

On the 5th of January 1775, the funded debt of Great Britain amounted to 124,996,086 *l.* 1 *s.* 6½ *d.* The unfunded, exclusive of a large civil list debt, to 4,150,236 *l.* 3 *s.* 11⅞ *d.* Both together, to 129,146,322 *l.* 5 *s.* 6 *d.* According to this account the whole debt paid off during eleven years profound peace amounted only to 10,415,474 *l.* 16 *s.* 9⅞ *d.* Even this small reduction of debt, however, has not been all made from the savings out of the ordinary revenue of the state. Several extraneous sums, altogether independent of that ordinary revenue, have contributed towards it. Amongst⁸ these we may reckon an additional shilling in the pound land tax for three years; the two millions received from the East India company, as indemnification for

¹ [Anderson, *Commerce*, postscript *ad init.*]

² [But the expenses of the war did not cease with its operations.—*Considerations* (see a few lines below), p. 4.]

³ [*Ibid.*, p. 5.]

⁴ [The account is given in the Continuation of Anderson's *Commerce*, A.D. 1764, vol. iv., p. 58, in ed. of 1801. The '½d.' should be '¼d.']

⁵ [*Considerations on the Trade and Finances of this Kingdom and on the measures of administration with respect to those great national objects since the conclusion of the peace*, by Thomas Whatley, 1766 (often ascribed to George Grenville), p. 22.]

⁶ [This is the amount obtained by adding the two items mentioned, and is the reading of ed. 1. Eds. 2-5 all read '£139,516,807 2s. 4d.' which is doubtless a misprint. The total is not given in *Considerations*.]

⁷ [*Considerations*, p. 4.]

⁸ [Ed. 1 reads 'Among'.]

their territorial acquisitions; and the one hundred and ten thousand pounds received from the bank for the renewal of their charter. To these must be added several other sums which, as they arose out of the late war, ought perhaps to be considered as deductions from the expences of it. The principal are,

	<i>l.</i>	<i>s.</i>	<i>d.</i>
The produce of French prizes	690,449	18	9
Composition for French prisoners	670,000	0	0
What has been received from the sale of the ceded islands ¹	95,500	0	0
Total,	<u>1,455,949</u>	<u>18</u>	<u>9</u>

If we add to this sum the balance of the earl of Chatham's and Mr. Calcraft's accounts, and other army savings of the same kind, together with what has been received from the bank, the East India company, and the additional shilling in the pound land tax; the whole must be a good deal more than five millions. The debt, therefore, which since the peace has been paid out of the savings from the ordinary revenue of the state, has not, one year with another, amounted to half a million a year. The sinking fund has, no doubt, been considerably augmented since the peace, by the debt which has been paid off, by the reduction of the redeemable four per cents. to three per cents., and by the annuities for lives which have fallen in, and, if peace were² to continue, a million, perhaps, might now be annually spared out of it towards the discharge of the debt. Another million, accordingly, was paid in the course of last year; but, at the same time, a large civil list debt was left unpaid, and we are now involved in a new war which, in its progress, may prove as expensive as any of our former wars.³ The new debt which will probably be contracted before the end of the next campaign, may perhaps be nearly equal to all the old debt which has been paid off from the savings out of the ordinary revenue of the state. It would be altogether chimerical, therefore, to expect that the public debt should ever be completely discharged by any savings which are likely to be made from that ordinary revenue as it stands at present.

The public funds of the different indebted nations of Europe, particularly those of England, have by one author been represented as the accumulation of a great capital superadded to the other capital of the

The opinion
that the
national
debt is an
additional

¹ [Above, p. 80, note 3.]

² [Eds. 1-3 read 'was'.]

³ It has proved more expensive than any of our former wars; and has involved us in an additional debt of more than one hundred millions. During a profound peace of eleven years, little more than ten millions of debt was paid; during a war of seven years, more than one hundred millions was contracted. [This note appears first in ed. 3.]

capital is
altogether
erroneous

country, by means of which its trade is extended, its manufactures multiplied, and its lands cultivated and improved much beyond what they could have been by means of that other capital only.¹ He does not consider that the capital which the first creditors of the public advanced to government, was, from the moment in which they advanced it, a certain portion of the annual produce turned away from serving in the function of a capital, to serve in that of a revenue; from maintaining productive labourers to maintain unproductive ones, and to be spent and wasted, generally in the course of the year, without even the hope of any future reproduction. In return for the capital which they advanced they obtained, indeed, an annuity in the public funds in most cases of more than equal value. This annuity, no doubt, replaced to them their capital, and enabled them to carry on their trade and business to the same or perhaps to a greater extent than before; that is, they were enabled either to borrow of other people a new capital upon the credit of this annuity, or by selling it to get from other people a new capital of their own, equal or superior to that which they had advanced to government. This new capital, however, which they in this manner either bought or borrowed of other people, must have existed in the country before, and must have been employed as all capitals are, in maintaining productive labour. When it came into the hands of those who had advanced their money to government, though it was in some respects a new capital to them, it was not so to the country; but was only a capital withdrawn from certain employments in order to be turned towards others. Though it replaced to them what they had advanced to government, it did not replace it to the country. Had they not advanced this capital to government, there would have been in the country two capitals, two portions of the annual produce, instead of one, employed in maintaining productive labour.

When
necessary
expenditure
is met by
taxes, it only
diverts un-
productive
labour from
one unpro-
ductive
employment
to another.

When for defraying the expence of government a revenue is raised within the year from the produce of free or unmortgaged taxes, a certain portion of the revenue of private people is only turned away from maintaining one species of unproductive labour, towards maintaining another. Some part of what they pay in those taxes might no doubt have been accumulated into capital, and consequently employed in maintaining productive labour; but the greater part would probably have been spent and consequently employed in maintaining unpro-

¹[Garnier's note, *Recherches etc.*, tom. iv., p. 501, is 'Pinto: *Traité de la Circulation et du Crédit*, a work published in 1771 ('Amsterdam'), 'par l'auteur de l'essai sur le luxe,' of which see esp. pp. 44, 45, 209-211. But an English essay of 1731 to the same effect is quoted by Melon, *Essai Politique sur le Commerce*, chap. xxiii., ed. of 1761, p. 290, and Melon seems to be referred to below, p. 412. Cp. *Lectures*, p. 210.]

ductive labour. The public expence, however, when defrayed in this manner, no doubt hinders more or less the further accumulation of new capital ; but it does not necessarily occasion the destruction of any actually existing capital.

When the public expence is defrayed by funding, it is defrayed by the annual destruction of some capital which had before existed in the country ; by the perversion of some portion of the annual produce which had before been destined for the maintenance of productive labour, towards that of unproductive labour. As in this case, however, the taxes are lighter than they would have been, had a revenue sufficient for defraying the same expence been raised within the year ; the private revenue of individuals is necessarily less burdened, and consequently their ability to save and accumulate some part of that revenue into capital is a good deal less impaired. If the method of funding destroy¹ more old capital, it at the same time hinders less the accumulation or acquisition of new capital, than that of defraying the public expence by a revenue raised within the year. Under the system of funding, the frugality and industry of private people can more easily repair the breaches which the waste and extravagance of government may occasionally make in the general capital of the society.

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

When it is met by borrowing, it diverts labour from productive to unproductive employment, and the only advantage is that people can continue to save more during the war.

which advantage disappears immediately peace is concluded. Under the other system, too, wars would be shorter and periods of peace longer.

¹ [Eds. 1-3 read the indicative, 'destroys'.]

Moreover funding at length burdens the revenue so greatly that the ordinary peace expenditure exceeds that which would under the other system have been sufficient in war

When funding, besides, has made a certain progress, the multiplication of taxes which it brings along with it sometimes impairs as much the ability of private people to accumulate even in time of peace, as the other system would in time of war. The peace revenue of Great Britain amounts at present to more than ten millions a year. If free and unmortgaged, it might be sufficient, with proper management and without contracting a shilling of new debt, to carry on the most vigorous war. The private revenue of the inhabitants of Great Britain is at present as much encumbered in time of peace, their ability to accumulate is¹ as much impaired as it would have been in the time of the most expensive war, had the pernicious system of funding never been adopted.

The fact of part or the whole of the debt being held at home makes no difference

In the payment of the interest of the public debt, it has been said, it is the right hand which pays the left.² The money does not go out of the country. It is only a part of the revenue of one set of the inhabitants which is transferred to another; and the nation is not a farthing the poorer. This apology is founded altogether in the sophistry of the mercantile system, and after the long examination which I have already bestowed upon that system, it may perhaps be unnecessary to say any thing further about it. It supposes, besides, that the whole public debt is owing to the inhabitants of the country, which happens not to be true; the Dutch, as well as several other foreign nations, having a very considerable share in our public funds. But though the whole debt were owing to the inhabitants of the country, it would not upon that account be less pernicious.

Land and capital, the two original sources of all revenue, are managed by landlords and owners of capital

Land and capital stock are the two original sources of all revenue both private and public. Capital stock pays the wages of productive labour, whether employed in agriculture, manufactures, or commerce. The management of those two original sources of revenue belongs to two different sets of people; the proprietors of land, and the owners or employers of capital stock.

Taxation may diminish or destroy the landlord's ability to improve his land.

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

¹ [Misprinted 'it' in ed. 5.]

² [Les Dettes d'un Etat sont des dettes de la main droite à la main gauche, dont le corps ne se trouvera point affaibli, s'il a la quantité d'aliments nécessaires, et s'il sait les distribuer. — Melon, *Essai politique sur le Commerce*, chap. xxiii., ed. of 1761, p. 296.]

veniences of life, that diminished revenue may be rendered of so little real value, that he may find himself altogether unable to make or maintain those expensive improvements. When the landlord, however, ceases to do his part, it is altogether impossible that the tenant should continue to do his. As the distress of the landlord increases, the agriculture of the country must necessarily decline.

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

To transfer from the owners of those two great sources of revenue, land and capital stock, from the persons immediately interested in the good condition of every particular portion of land, and in the good management of every particular portion of capital stock, to another set of persons (the creditors of the public, who have no such particular interest), the greater part of the revenue arising from either, must, in the long-run, occasion both the neglect of land, and the waste or removal of capital stock. A creditor of the public has no doubt a general interest in the prosperity of the agriculture, manufactures, and commerce of the country; and consequently in the good condition of its lands, and in the good management of its capital stock. Should there be any general failure or declension in any of these things, the produce of the different taxes might no longer be sufficient to pay him the annuity or interest which is due to him. But a creditor of the public, considered merely as such, has no interest in the good condition of any particular portion of land, or in the good management of any particular portion of capital stock. As a creditor of the public he has no knowledge of any such particular portion. He has no inspection of it. He can have no care about it. Its ruin may in some ¹ cases be unknown to him, and cannot directly affect him.

and induce the owners of capital to remove it from the country.

The transference of the sources of revenue from the owners of particular portions of them to the creditors of the public must occasion neglect of land and waste or removal of capital.

¹[Ed. 1 reads 'most'.]

The practice of funding has always enfeebled states

The practice of funding has gradually enfeebled every state which has adopted it. The Italian republics seem to have begun it. Genoa and Venice, the only two remaining which can pretend to an independent existence, have both been enfeebled by it. Spain seems to have learned the practice from the Italian republics, and (its taxes being probably less judicious than theirs) it has, in proportion to its natural strength, been still more enfeebled. The debts of Spain are of very old standing. It was deeply in debt before the end of the sixteenth century, about a hundred years before England owed a shilling. France, notwithstanding all its natural resources, languishes under an oppressive load of the same kind. The republic of the United Provinces is as much enfeebled by its debts as either Genoa or Venice. Is it likely that in Great Britain alone a practice, which has brought either weakness or desolation into every other country, should prove altogether innocent?

The superiority of the British system of taxation will not enable Britain to support an unlimited burden.

The system of taxation established in those different countries, it may be said, is inferior to that of England. I believe it is so. But it ought to be remembered, that when the wisest government has exhausted all the proper subjects of taxation, it must, in cases of urgent necessity, have recourse to improper ones.¹ The wise republic of Holland has upon some occasions been obliged to have recourse to taxes as inconvenient as the greater part of those of Spain. Another war begun before any considerable liberation of the public revenue had been brought about, and growing in its progress as expensive as the last war, may, from irresistible necessity, render the British system of taxation as oppressive as that of Holland, or even as that of Spain. To the honour of our present system of taxation, indeed, it has hitherto given so little embarrassment to industry, that, during the course even of the most expensive wars, the frugality and good conduct of individuals seem² to have been able, by saving and accumulation, to repair all the breaches which the waste and extravagance of government had made in the general capital of the society. At the conclusion of the late war, the most expensive that Great Britain ever waged, her agriculture was as flourishing, her manufacturers as numerous and as fully employed, and her commerce as extensive, as they had ever been before. The capital, therefore, which supported all those different branches of industry, must have been equal to what it had ever been before. Since the peace, agriculture has been still further improved, the rents of houses have risen in every town and village of the country, a proof of the increasing wealth and revenue of the people; and the annual amount of the greater part of the old taxes, of the principal

¹ [Above, p. 390.]

² [Eds. 1 and 2 read 'seems'.]

branches of the excise and customs in particular, has been continually increasing, an equally clear proof of an increasing consumption, and consequently of an increasing produce, which could alone support that consumption. Great Britain seems to support with ease, a burden which, half a century ago, nobody believed her capable of supporting. Let us not, however, upon this account rashly conclude that she is capable of supporting any burden; nor even be too confident that she could support, without great distress, a burden a little greater than what has already been laid upon her.

When national debts have once been accumulated to a certain degree, there is scarce, I believe, a single instance of their having been fairly and completely paid. The liberation of the public revenue, if it has ever been brought about at all, has always been brought about by a bankruptcy; sometimes by an avowed one, but always by a real one, though frequently by a pretended payment.¹

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

Bankruptcy is always the end of great accumulation of debt.

Raising the coin has been the usual method of disguising bankruptcy though this expedient has much worse consequences than open bankruptcy

¹[Raynal says 'L'évidence autorise seulement à dire que les gouvernements qui pour le malheur des peuples ont adopté le détestable système des emprunts doivent tôt ou tard l'abjurer : et que l'abus qu'ils en ont fait les forcera vraisemblablement à être infidèles.'—*Histoire philosophique*, Amsterdam, 1773, tom. iv., p. 274.]

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

It has been adopted by many states, including ancient Rome,

Almost all states, however, ancient as well as modern, when reduced to this necessity, have, upon some occasions, played this very juggling trick. The Romans, at the end of the first Punic war, reduced the *As*, the coin or denomination by which they computed the value of all their other coins, from containing twelve ounces of copper to contain only two ounces: that is, they raised two ounces of copper to a denomination which had always before expressed the value of twelve ounces. The republic was, in this manner, enabled to pay the great debts which it had contracted with the sixth part of what it really owed. So sudden and so great a bankruptcy, we should in the present times be apt to imagine, must have occasioned a very violent popular clamour. It does not appear to have occasioned any. The law which enacted it was, like all other laws relating to the coin, introduced and carried through the assembly of the people by a tribune, and was probably a very popular law. In Rome, as in all the other ancient republics, the poor people were constantly in debt to the rich and the great, who, in order to secure their votes at the annual elections, used to lend them money at exorbitant interest, which, being never paid, soon accumulated into a sum too great either for the debtor to pay, or for any body else to pay for him. The debtor, for fear of a very severe execution, was obliged, without any further gratuity, to vote for the candidate whom the creditor recommended. In spite of all the laws against bribery and corruption, the bounty of the candidates, together with the occasional distributions of corn, which were ordered

by the senate, were the principal funds from which, during the latter¹ times of the Roman republic, the poorer citizens derived their subsistence. To deliver themselves from this subjection to their creditors, the poorer citizens were continually calling out either for an entire abolition of debts, or for what they called New Tables; that is, for a law which should entitle them to a complete acquittance, upon paying only a certain proportion of their accumulated debts. The law which reduced the coin of all denominations to a sixth part of its former value, as it enabled them to pay their debts with a sixth part of what they really owed, was equivalent to the most advantageous new tables. In order to satisfy the people, the rich and the great were, upon several different occasions, obliged to consent to laws both for abolishing debts, and for introducing new tables; and they probably were induced to consent to this law, partly for the same reason, and partly that, by liberating the public revenue, they might restore vigour to that government of which they themselves had the principal direction. An operation of this kind would at once reduce a debt of a hundred and twenty-eight millions to twenty-one millions three hundred and thirty-three thousand three hundred and thirty-three pounds six shillings and eight-pence. In the course of the second Punic war the As was still further reduced, first, from two ounces of copper to one ounce; and afterwards from one ounce to half an ounce; that is, to the twenty-fourth part of its original value.² By combining the three Roman operations into one, a debt of a hundred and twenty-eight millions of our present money, might in this manner be reduced all at once to a debt of five millions three hundred and thirty-three thousand three hundred and thirty-three pounds six shillings and eight-pence. Even the enormous debt of Great Britain might in this manner soon be paid.

By means of such expedients the coin of, I believe, all nations has been gradually reduced more and more below its original value, and the same nominal sum has been gradually brought to contain a smaller and a smaller quantity of silver.

Nations have sometimes, for the same purpose, adulterated the standard of their coin; that is, have mixed a greater quantity of alloy in it. If in the pound weight of our silver coin, for example, instead of eighteen penny-weight, according to the present standard, there was mixed eight ounces of alloy; a pound sterling, or twenty shillings of such coin, would be worth little more than six shillings and eight-

and has led to the universal reduction of the value of the coin

Another expedient is to adulterate the coin,

¹ [Eds. 1 and 2 read 'later'; cp. above, p. 364.]

² [This chapter of Roman history is based on a few sentences in Pliny, *H.N.*, lib. xxxiii., cap. iii. Modern criticism has discovered the facts to be not nearly so simple as they are represented in the text.]

ponce of our present money. The quantity of silver contained in six shillings and eight-pence of our present money, would thus be raised very nearly to the denomination of a pound sterling. The adulteration of the standard has exactly the same effect with what the French call an augmentation, or a direct raising of the denomination of the coin.

but this is a treacherous fraud which occasions such indignation that it usually fails.

An augmentation, or a direct raising of the denomination of the coin, always is, and from its nature must be, an open and avowed operation. By means of it pieces of a smaller weight and bulk are called by the same name which had before been given to pieces of a greater weight and bulk. The adulteration of the standard, on the contrary, has generally been a concealed operation. By means of it pieces were issued from the mint of the same denominations, and, as nearly as could be contrived, of the same weight, bulk, and appearance, with pieces which had been current before of much greater value. When king John of France,¹ in order to pay his debts, adulterated his coin, all the officers of his mint were sworn to secrecy. Both operations are unjust. But a simple augmentation is an injustice of open violence; whereas an adulteration is an injustice of treacherous fraud. This latter operation, therefore, as soon as it has been discovered, and it could never be concealed very long, has always excited much greater indignation than the former. The coin after any considerable augmentation has very seldom been brought back to its former weight; but after the greatest adulterations it has almost always been brought back to its former fineness. It has scarce ever happened that the fury and indignation of the people could otherwise be appeased.

It has been tried in England, Scotland and most other countries.

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

For the paying off or reduction of the British debt a very considerable increase of revenue or

That the public revenue of Great Britain can ever² be completely liberated, or even that any considerable progress can ever be made towards that liberation, while the surplus of that revenue, or what is over and above defraying the annual expence of the peace establishment, is so very small, it seems altogether in vain to expect. That liberation,

¹ See Du Cange Glossary, voce Moneta; the Benedictine edition. [This gives a table of the alterations made in the coin and refers to Le Blanc, *Traité historique des Monnoyes de France*, 1792, in which the fact that the officers were adjured by their oaths to keep the matter secret is mentioned on p. 218, but the adjuration is also quoted in the more accessible Melon, *Essai politique sur le Commerce*, chap. xiii., ed. of 1761, p. 177.]

² [Misprinted 'never' in eds. 2-5.]

it is evident, can never be brought about without either some very considerable augmentation of the public revenue, or some equally considerable reduction of the public expence.

diminution
of expence is
necessary.

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

Alterations
in taxation
might
increase the
revenue con-
siderably,
but not
sufficiently.

By extending the British system of taxation to all the different provinces of the empire inhabited by people of either¹ British or European extraction, a much greater augmentation of revenue might be expected. This, however, could scarce, perhaps, be done, consistently with the principles of the British constitution, without admitting into the British parliament, or if you will into the states-general of the British empire, a fair and equal representation of all those different provinces, that of each province bearing the same proportion to the produce of its taxes, as the representation of Great Britain might bear to the produce of the taxes levied upon Great Britain. The private interest of many powerful individuals, the confirmed prejudices of great bodies of people seem, indeed, at present, to oppose to so great a change such obstacles as it may be very difficult, perhaps altogether impossible, to surmount. Without, however, pretending to determine whether such a union be practicable or impracticable, it may not, perhaps, be improper, in a speculative work of this kind, to consider how far the British system of taxation might be applicable to all the different provinces of the empire; what revenue might be expected from it if so applied, and in what manner a general union of this kind might be likely to affect the happiness and prosperity of the different provinces comprehended within it. Such a speculation can at worst be regarded but as a new Utopia, less amusing certainly, but not more useless and chimerical than the old one.

An exten-
sion of
taxation to
Ireland and
the colonies
would afford
a larger
increase

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

¹ [Ed. 1 reads 'either of'.]

The land-tax could well be extended to Ireland, America and the West Indies

Ireland is certainly as able, and our American and West Indian plantations more able to pay a land-tax than Great Britain. Where the landlord is subject neither to tithe nor poors rate, he must certainly be more able to pay such a tax, than where he is subject to both those other burdens. The tithe, where there is no modus, and where it is levied in kind, diminishes more what would otherwise be the rent of the landlord, than a land-tax which really amounted to five shillings in the pound. Such a tithe will be found in most cases to amount to more than a fourth part of the real rent of the land, or of what remains after replacing completely the capital of the farmer, together with his reasonable profit. If all moduses and all impropriations were taken away, the complete church tithe of Great Britain and Ireland could not well be estimated at less than six or seven millions. If there was no tithe either in Great Britain or Ireland, the landlords could afford to pay six or seven millions additional land-tax, without being more burdened than a very great part of them are at present. America pays no tithe, and could therefore very well afford to pay a land-tax. The lands in America and the West Indies, indeed, are in general not tenanted nor¹ leased out to farmers. They could not therefore be assessed according to any rent-roll. But neither were the lands of Great Britain, in the 4th of William and Mary, assessed according to any rent-roll, but according to a very loose and inaccurate estimation. The lands in America might be assessed either in the same manner, or according to an equitable valuation in consequence of an accurate survey, like that which was lately made in the Milanese, and in the dominions of Austria, Prussia, and Sardinia.²

Stamp duties could easily be extended.

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

The extension of the customs would be of great advantage to all, as it would be accompanied by an extension of free trade.

The extension of the custom-house laws of Great Britain to Ireland and the plantations, provided it was accompanied, as in justice it ought to be, with an extension of the freedom of trade, would be in the highest degree advantageous to both. All the invidious restraints which at present oppress the trade of Ireland, the distinction between the enumerated and non-enumerated commodities of America, would be entirely at an end.³ The countries north of Cape Finisterre would be as open to every part of the produce of America, as those south of that Cape are to some parts of that produce at present. The trade between all the different parts of the British empire would, in con-

¹[Ed. I reads 'or'.]

²[Above, pp. 313, 319, 320.]

³[Above, p. 78.]

sequence of this uniformity in the custom-house laws, be as free as the coasting trade of Great Britain is at present. The British empire would thus afford within itself an immense internal market for every part of the produce of all its different provinces. So great an extension of market would soon compensate both to Ireland and the plantations, all that they could suffer from the increase of the duties of customs.

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

Excise duties would require some variation,

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

as for example in the case of American beer

Holland; or nearly as Sir Matthew Decker proposes that all taxes upon consumable commodities should be levied in England.¹ This mode of taxation, it has already been observed, when applied to objects of a speedy consumption, is not a very convenient one. It might be adopted, however, in cases where no better could be done.

Sugar, rum and tobacco could be made subject to excise.

Sugar, rum, and tobacco, are commodities which are no where necessaries of life, which are become objects of almost universal consumption, and which are therefore extremely proper subjects of taxation. If a union with the colonies were² to take place, those commodities might be taxed either before they go out of the hands of the manufacturer or grower; or if this mode of taxation did not suit the circumstances of those persons, they might be deposited in public warehouses both at the place of manufacture, and at all the different ports of the empire to which they might afterwards be transported, to remain there, under the joint custody of the owner and the revenue officer, till such time as they should be delivered out either to the consumer, to the merchant retailer for home-consumption, or to the merchant exporter, the tax not to be advanced till such delivery. When delivered out for exportation, to go duty free; upon proper security being given that they should really be exported out of the empire. These are perhaps the principal commodities with regard to which a union with the colonies might require some considerable change in the present system of British taxation.

The increase of revenue thus obtained, if proportionate to the increased population taxed, would yield six millions and a quarter to be applied in reduction of debt, and this sum would of course be a growing one.

What might be the amount of the revenue which this system of taxation extended to all the different provinces of the empire might produce, it must, no doubt, be altogether impossible to ascertain with tolerable exactness. By means of this system there is annually levied in Great Britain, upon less than eight millions of people, more than ten millions of revenue. Ireland contains more than two millions of people, and according to the accounts laid before the congress,³ the twelve associated provinces of America contain more than three. Those accounts, however, may have been exaggerated, in order, perhaps, either to encourage their own people, or to intimidate those of this country, and we shall suppose therefore that our North American and West Indian colonies taken together contain no more than three millions; or that the whole British empire, in Europe and America, contains no more than thirteen millions of inhabitants. If upon less than eight millions of inhabitants this system of taxation

¹[Above, pp. 360-361.]

²[Eds. 1-3 read 'was'.]

³[Given in the Continuation of Anderson's *Commerce*, A.D. 1774, vol. iv., p. 178, in ed. of 1801.]

raises a revenue of more than ten millions sterling; it ought upon thirteen millions of inhabitants to raise a revenue of more than sixteen millions two hundred and fifty thousand pounds sterling. From this revenue, supposing that this system could produce it, must be deducted, the revenue usually raised in Ireland and the plantations for defraying the expence of their respective civil governments. The expence of the civil and military establishment of Ireland, together with the interest of the public debt, amounts, at a medium of the two years which ended March 1775, to something less than seven hundred and fifty thousand pounds a year. By a very exact account¹ of the revenue of the principal colonies of America and the West Indies, it amounted, before the commencement of the present² disturbances, to a hundred and forty-one thousand eight hundred pounds. In this account, however, the revenue of Maryland, of North Carolina, and of all our late acquisitions both upon the continent and in the islands, is omitted, which may perhaps make a difference of thirty or forty thousand pounds. For the sake of even numbers therefore, let us suppose that the revenue necessary for supporting the civil government of Ireland and the plantations, may amount to a million. There would remain consequently a revenue of fifteen millions two hundred and fifty thousand pounds, to be applied towards defraying the general expence of the empire, and towards paying the public debt. But if from the present revenue of Great Britain a million could in peaceable times be spared towards the payment of that debt, six millions two hundred and fifty thousand pounds could very well be spared from this improved revenue. This great sinking fund too might be augmented every year by the interest of the debt which had been discharged the year before, and might in this manner increase so very rapidly, as to be sufficient in a few years to discharge the whole debt, and thus to restore completely the at present debilitated and languishing vigour of the empire. In the mean time the people might be relieved from some of the most burdensome taxes; from those which are imposed either upon the necessaries of life, or upon the materials of manufacture. The labouring poor would thus be enabled to live better, to work cheaper, and to send their goods cheaper to market. The cheapness of their goods would increase the demand for them, and consequently for the labour of those who produced them. This increase in the demand for labour, would both increase the numbers and improve the circumstances of the labouring poor. Their consumption would increase, and together with it the revenue arising

¹[Above, p. 75.]

²[Ed. 1 reads 'late'; cp. above, vol. 1., p. 462.]

from all those articles of their consumption upon which the taxes might be allowed to remain.

Some necessary deductions from this estimate would be counter-balanced by additions resulting from a few simple alterations.

The revenue arising from this system of taxation, however, might not immediately increase in proportion to the number of people who were subjected to it. Great indulgence would for some time be due to those provinces of the empire which were thus subjected to burthens to which they had not before been accustomed, and even when the same taxes came to be levied every where as exactly as possible, they would not every where produce a revenue proportioned to the numbers of the people. In a poor country the consumption of the principal commodities subject to the duties of customs and excise is very small; and in a thinly inhabited country the opportunities of smuggling are very great. The consumption of malt liquors among the inferior ranks of people in Scotland is very small, and the excise upon malt, beer, and ale, produces less there than in England in proportion to the numbers of the people and the rate of the duties, which upon malt is different on account of a supposed difference of quality. In these particular branches of the excise, there is not, I apprehend, much more smuggling in the one country than in the other. The duties upon the distillery, and the greater part of the duties of customs, in proportion to the numbers of people in the respective countries, produce less in Scotland than in England, not only on account of the smaller consumption of the taxed commodities, but of the much greater facility of smuggling. In Ireland, the inferior ranks of people are still poorer than in Scotland, and many parts of the country are almost as thinly inhabited. In Ireland, therefore, the consumption of the taxed commodities might, in proportion to the number of the people, be still less than in Scotland, and the facility of smuggling nearly the same. In America and the West Indies the white people even of the lowest rank are in much better circumstances than those of the same rank in England, and their consumption of all the luxuries in which they usually indulge themselves is probably much greater. The blacks, indeed, who make the greater part of the inhabitants both of the southern colonies upon the continent and of the West India¹ islands, as they are in a state of slavery, are, no doubt, in a worse condition than the poorest people either in Scotland or Ireland. We must not, however, upon that account, imagine that they are worse fed, or that their consumption of articles which might be subjected to moderate duties, is less than that even of the lower ranks of people in England. In order that they may work well, it is the interest of their master that they should be fed well and kept in good heart, in the same manner as it is his interest

¹ [Eds. 1 and 2 read 'West Indian'.]

that his working cattle should be so. The blacks accordingly have almost every where their allowance of rum and of melasses or spruce beer, in the same manner as the white servants; and this allowance would not probably be withdrawn, though those articles should be subjected to moderate duties. The consumption of the taxed commodities, therefore, in proportion to the number of inhabitants, would probably be as great in America and the West Indies as in any part of the British empire. The opportunities of smuggling indeed, would be much greater; America, in proportion to the extent of the country, being much more thinly inhabited than either Scotland or Ireland. If the revenue, however, which is at present raised by the different duties upon malt and malt liquors, were¹ to be levied by a single duty upon malt, the opportunity of smuggling in the most important branch of the excise would be almost entirely taken away: And if the duties of customs, instead of being imposed upon almost all the different articles of importation, were confined to a few of the most general use and consumption, and if the levying of those duties were subjected to the excise laws, the opportunity of smuggling, though not so entirely taken away, would be very much diminished. In consequence of those two, apparently, very simple and easy alterations, the duties of customs and excise might probably produce a revenue as great in proportion to the consumption of the most thinly inhabited province, as they do at present in proportion to that of the most populous.

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

The Americans have little gold and silver

The present scarcity of gold and silver money in America is not the effect of the poverty of that country, or of the inability of the people there to purchase those metals. In a country where the wages of labour are so much higher, and the price of provisions so much lower than in England, the greater part of the people must surely have wherewithal to purchase a greater quantity, if it were² either necessary or convenient for them to do so. The scarcity of those metals therefore, must be the effect of choice, and not of necessity.

but this is the effect of choice, not necessity.

¹[Eds. 1-3 read 'was' here and five lines below.]

²[Eds. 1-3 read 'was'.]

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

Paper is more convenient to the Americans for home trade.

The domestic business of every country, it has been shewn in the second book of this Inquiry,¹ may, at least in peaceable times, be transacted by means of a paper currency, with nearly the same degree of conveniency as by gold and silver money. It is convenient for the Americans, who could always employ with profit in the improvement of their lands a greater stock than they can easily get, to save as much as possible the expence of so costly an instrument of commerce as gold and silver, and rather to employ that part of their surplus produce which would be necessary for purchasing those metals, in purchasing the instruments of trade, the materials of clothing, several parts of household furniture, and the iron-work necessary for building and extending their settlements and plantations; in purchasing, not dead stock, but active and productive stock. The colony governments find it for their interest to supply the² people with such a quantity of paper-money as is fully sufficient and generally more than sufficient for transacting their domestic business. Some of those governments, that of Pennsylvania particularly, derive a revenue from lending this paper-money to their subjects at an interest of so much per cent. Others, like that of Massachusetts's Bay, advance upon extraordinary emergencies a paper-money of this kind for defraying the public expence, and afterwards, when it suits the conveniency of the colony, redeem it at the depreciated value to which it gradually falls. In 1747³ that colony paid, in this manner, the greater part of its public debts, with the tenth part of the money for which its bills had been granted. It suits the conveniency of the planters to save the expence of employing gold and silver money in their domestic transactions; and it suits the conveniency of the colony governments to supply them with a medium, which, though attended with some very considerable disadvantages, enables them to save that expence. The redundancy of paper-money necessarily banishes gold and silver from the domestic transactions of the colonies, for the same reason that it has banished those metals from the greater part of the domestic transactions in⁴ Scotland; and in both countries it is not the poverty, but the enterprizing and projecting spirit of the people, their desire of employing all the stock which they can get as active and productive stock, which has occasioned this redundancy of paper-money.

¹ [Above, vol. i., pp. 275-280.]

² [Ed. 1 omits 'the'.]

³ See Hutchinson's Hist. of Massachusetts's Bay, Vol. II., page 436 & seq. [*History of the Colony of Massachusetts Bay*, 2nd ed., 1765-8.]

⁴ [Ed. 1 reads 'of'.]

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

In the commerce between Great Britain and the tobacco colonies, the British goods are generally advanced to the colonists at a pretty long credit, and are afterwards paid for in tobacco, rated at a certain price. It is more convenient for the colonists to pay in tobacco than in gold and silver. It would be more convenient for any merchant to pay for the goods which his correspondents had sold to him in some other sort of goods which he might happen to deal in, than in money. Such a merchant would have no occasion to keep any part of his stock by him unemployed, and in ready money, for answering occasional demands. He could have, at all times, a larger quantity of goods in his shop or warehouse, and he could deal to a greater extent. But it seldom happens to be convenient for all the correspondents of a merchant to receive payment for the goods which they sell to him, in goods of some other kind which he happens to deal in. The British merchants who trade to Virginia and Maryland happen to be a particular set of correspondents, to whom it is more convenient to receive payment for the goods which they sell to those colonies in tobacco than in gold and silver. They expect to make a profit by the sale of the tobacco. They could make none by that of the gold and silver. Gold and silver, therefore, very seldom appear in the commerce between Great Britain and the tobacco colonies. Maryland and Virginia have as little occasion for those metals in their foreign as in their domestic commerce. They are said, accordingly, to have less gold and silver money than any other colonies in America. They are reckoned, however, as thriving, and consequently as rich, as any of their neighbours.

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

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

while for their external trade they use as much gold and silver as is necessary.

In the trade between Great Britain and Virginia and Maryland tobacco is a more convenient currency than gold and silver.

The northern colonies generally find the gold and silver necessary to pay the balance on their trade with Great Britain.

The sugar colonies generally find the gold and silver necessary to pay the

balance to Great Britain which arises from the sugar planters being absentees

send out every year a very large balance in money, and the trade to the West Indies would, by a certain species of politicians, be considered as extremely disadvantageous. But it so happens, that many of the principal proprietors of the sugar plantations reside in Great Britain. Their rents are remitted to them in sugar and rum, the produce of their estates. The sugar and rum which the West India merchants purchase in those colonies upon their own account, are not equal in value to the goods which they annually sell there. A balance therefore must necessarily¹ be paid to them in gold and silver, and this balance too is generally found.

Any difficulties have not been proportionate to the size of the balances due.

The difficulty and irregularity of payment from the different colonies to Great Britain, have not been at all in proportion to the greatness or smallness of the balances which were respectively due from them. Payments have in general been more regular from the northern than from the tobacco colonies, though the former have generally paid a pretty large balance in money, while the latter have either paid² no balance, or a much smaller one. The difficulty of getting payment from our different sugar colonies has been greater or less in proportion, not so much to the extent of the balances respectively due from them, as to the quantity of uncultivated land which they contained; that is, to the greater or smaller temptation which the planters have been under of over-trading, or of undertaking the settlement and plantation of greater quantities of waste land than suited the extent of their capitals. The returns from the great island of Jamaica, where there is still much uncultivated land, have, upon this account, been in general more irregular and uncertain, than those from the smaller islands of Barbadoes, Antigua, and St. Christophers, which have for these many years been completely cultivated, and have, upon that account, afforded less field for the speculations of the planter. The new acquisitions of Grenada, Tobago, St. Vincents, and Dominica,³ have opened a new field for speculations of this kind; and the returns from those islands have of late been as irregular and uncertain as those from the great island of Jamaica.

and have arisen from unnecessary and excessive enterprise

It is not, therefore, the poverty of the colonies which occasions, in the greater part of them, the present scarcity of gold and silver money. Their great demand for active and productive stock makes it convenient for them to have as little dead stock as possible; and disposes them upon that account to content themselves with a cheaper, though less commodious instrument of commerce than gold and silver. They are thereby enabled to convert the value of that gold and silver into the

¹ [Ed. 1 reads 'must generally'.]

³ [Above, p. 80, note 3.]

² [Ed. 1 reads 'paid either'.]

instruments of trade, into the materials of clothing, into household furniture, and into the iron work necessary for building and extending their settlements and plantations. In those branches of business which cannot be transacted without gold and silver money, it appears, that they can always find the necessary quantity of those metals; and if they frequently do not find it, their failure is generally the effect, not of their necessary poverty, but of their unnecessary and excessive enterprize. It is not because they are poor that their payments are irregular and uncertain; but because they are too eager to become excessively rich. Though all that part of the produce of the colony taxes, which was over and above what was necessary for defraying the expence of their own civil and military establishments, were to be remitted to Great Britain in gold and silver, the colonies have abundantly wherewithal to purchase the requisite quantity of those metals. They would in this case be obliged, indeed, to exchange a part of their surplus produce, with which they now purchase active and productive stock, for dead stock. In transacting their domestic business they would be obliged to employ a costly instead of a cheap instrument of commerce; and the expence of purchasing this costly instrument might damp somewhat the vivacity and ardour of their excessive enterprize in the improvement of land. It might not, however, be necessary to remit any part of the American revenue in gold and silver. It might be remitted in bills drawn upon and accepted by particular merchants or companies in Great Britain, to whom a part of the surplus produce of America had been consigned, who would pay into the treasury the American revenue in money, after having themselves received the value of it in goods; and the whole business might frequently be transacted without exporting a single ounce of gold or silver¹ from America.

It is not contrary to justice that both Ireland and America should contribute towards the discharge of the public debt of Great Britain. That debt has been contracted in support of the government established by the Revolution, a government to which the protestants of Ireland owe, not only the whole authority which they at present enjoy in their own country, but every security which they possess for their liberty, their property, and their religion; a government to which several of the colonies of America owe their present charters, and consequently their present constitution, and to which all the colonies of America owe the liberty, security, and property which they have ever since enjoyed. That public debt has been contracted in the defence, not of

It is justice that Ireland and America should contribute to the discharge of the British debt

¹ [Ed. 1 reads 'gold and silver'.]

Great Britain alone, but of all the different provinces of the empire ; the immense debt contracted in the late war in particular, and a great part of that contracted in the war before, were both properly contracted in defence of America.

By a union with Great Britain, Ireland would gain, besides the freedom of trade, other advantages much more important, and which would much more than compensate any increase of taxes that might accompany that union. By the union with England, the middling and inferior ranks of people in Scotland gained a complete deliverance from the power of an aristocracy which had always before oppressed them. By an union with Great Britain, the greater part of the people of all ranks in Ireland would gain an equally complete deliverance from a much more oppressive aristocracy ; an aristocracy not founded, like that of Scotland, in the natural and respectable distinctions of birth and fortune ; but in the most odious of all distinctions, those of religious and political prejudices ; distinctions which, more than any other, animate both the insolence of the oppressors and the hatred and indignation of the oppressed, and which commonly render the inhabitants of the same country more hostile to one another than those of different countries ever are. Without a union with Great Britain, the inhabitants of Ireland are not likely for many ages to consider themselves as one people.

No oppressive aristocracy has ever prevailed in the colonies. Even they, however, would, in point of happiness and tranquillity, gain considerably by a union with Great Britain. It would, at least, deliver them from those rancorous and virulent factions which are inseparable from small democracies, and which have so frequently divided the affections of their people, and disturbed the tranquillity of their governments, in their form so nearly democratical. In the case of a total separation from Great Britain, which, unless prevented by a union of this kind, seems very likely to take place, those factions would be ten times more virulent than ever. Before the commencement of the present disturbances, the coercive power of the mother-country had always been able to restrain those factions from breaking out into any thing worse than gross brutality and insult. If that coercive power were¹ entirely taken away, they would probably soon break out into open violence and bloodshed. In all great countries which are united under one uniform government, the spirit of party commonly prevails less in the remote provinces than in the centre of the empire. The distance of those provinces from the capital, from the principal seat of

¹[Eds. 1-3 read 'was'.]

Union would deliver Ireland from an oppressive aristocracy founded on religious and political prejudices

The colonies would be delivered from rancorous factions which are likely to lead to bloodshed in case of separation from Great Britain.

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

The territorial acquisitions of the East India company, the undoubted right of the crown, that is, of the state and people of Great Britain, might be rendered another source of revenue more abundant, perhaps, than all those already mentioned. Those countries are represented as more fertile, more extensive; and, in proportion to their extent, much richer and more populous than Great Britain. In order to draw a great revenue from them, it would not probably be necessary, to introduce any new system of taxation into countries which are already sufficiently and more than sufficiently taxed. It might, perhaps, be more proper to lighten, than to aggravate, the burden of those unfortunate countries, and to endeavour to draw a revenue from them, not by imposing new taxes, but by preventing the embezzlement and misapplication of the greater part of those which they already pay.

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

East India with lighter taxes and less corrupt administration might yield an even larger addition of revenue.

If no such augmentation of revenue can be obtained Great Britain should reduce her expenses by ridding herself of the cost of the colonies in peace and war

altogether. This constant expence in time of peace, though very great, is insignificant in comparison with what the defence of the colonies has cost us in time of war. The last war, which was undertaken altogether on account of the colonies, cost Great Britain, it has already been observed, upwards of ninety millions.¹ The Spanish war of 1739 was principally undertaken on their account; in which, and in the French war that was the consequence of it, Great Britain spent upwards of forty millions, a great part of which ought justly to be charged to the colonies. In those two wars the colonies cost Great Britain much more than double the sum which the national debt amounted to before the commencement of the first of them. Had it not been for those wars that debt might, and probably would by this time, have been completely paid; and had it not been for the colonies, the former of those wars might not, and the latter certainly would not have been undertaken. It was because the colonies were supposed to be provinces of the British empire, that this expence was laid out upon them. But countries which contribute neither revenue nor military force towards the support of the empire, cannot be considered as provinces. They may perhaps be considered as appendages, as a sort of splendid and showy equipage of the empire. But if the empire can no longer support the expence of keeping up this equipage, it ought certainly to lay it down; and if it cannot raise its revenue in proportion to its expence, it ought, at least, to accommodate its expence to its revenue. If the colonies, notwithstanding their refusal to submit to British taxes, are still to be considered as provinces of the British empire, their defence in some future war may cost Great Britain as great an expence as it ever has done in any former war. The rulers of Great Britain have, for more than a century past, amused the people with the imagination that they possessed a great empire on the west side of the Atlantic. This empire, however, has hitherto existed in imagination only. It has hitherto been, not an empire, but the project of an empire; not a gold mine, but the project of a gold mine; a project which has cost, which continues to cost, and which, if pursued in the same way as it has been hitherto, is likely to cost, immense expence, without being likely to bring any profit; for the effects of the monopoly of the colony trade, it has been shewn,² are, to the great body of the people, mere loss instead of profit. It is surely now time that our rulers should either realize this golden dream, in which they have been indulging themselves, perhaps, as well as the people; or, that they should awake from it themselves, and endeavour

¹[Above, vol. i., p. 408.]

²[Above, pp. 91-130.]

to awaken the people. If the project cannot be completed, it ought to be given up. If any of the provinces of the British empire cannot be made to contribute towards the support of the whole empire, it is surely time that Great Britain should free herself from the expence of defending those provinces in time of war, and of supporting any part of their civil or military establishments in time of peace, and endeavour to accommodate her future views and designs to the real mediocrity of her circumstances.