

A MANUAL
OF
POLITICAL ECONOMY:

NOW
FIRST EDITED FROM THE MSS.

OF
JEREMY BENTHAM.

MANUAL OF POLITICAL ECONOMY.

CONTENTS.

CHAPTER I.		§ 18. Example 9. Taxation of rival im-
Introduction,	page 33	ports, page 65
CHAPTER II.		19. ,, 10. Drawbacks on exportation, ib.
<i>Analytical Survey of the Field of Political</i>		20. ,, 11. Non-importation agree-
<i>Economy,</i>		ments, ib
35		21. ,, 12. Premiums for the importa-
CHAPTER III.		tion of foreign arts and
<i>Of Wealth.</i>		hands, ib.
§ 1. Sponte acta,	40	22. ,, 13. Fixation of prices, 66
2. Agenda,	41	23. Wealth, means of increase, ib.
3. Non-agenda,	42	
4. Broad measures —		CHAPTER IV.
Example 1. Forced frugality, 44		<i>Of Population.</i>
" 2. Increasing money, 45		1. Sponte acta, 73
" 3. Forced reduction of rate		2. Agenda, ib.
of interest, 47		3. Non-agenda, 73
7. Rates of interest — evils of fixation, . ib.		
8. Broad measures —		CHAPTER V.
Example 4. Increasing land, 52		<i>Of Finance.</i>
9. Narrow measures—General observations, 57		1. General observations, 75
10. Example 1. False encouragements, loans, 58		2. Of direct and indirect taxation, 76
11. ,, 2. Gift or gratuitous loans, 59		3. Taxes — effects on production, 78
12. ,, 3. Bounties upon production, ib.		
13. ,, 4. Exemptions from taxes on		CHAPTER VI.
production, 62		<i>Operation of a Sinking Fund on the pro-</i>
14. ,, 5. Bounties on exportation, ib.		<i>duction of Wealth,</i>
15. ,, 6. Prohibition of rival produc-		60
tions, 63		
16. ,, 7. Prohibition of rival imports, 64		CHAPTER VII.
17. ,, 8. Taxation of rival branches of		<i>Nosceda,</i>
home manufactures, 65		62

CHAPTER I.

INTRODUCTION.*

POLITICAL ECONOMY is at once a *science* and an *art*. The value of the science has for its efficient cause and measure, its subserviency to the art.†

According to the principle of utility in every branch of the art of legislation, the object or end in view should be the production of the maximum of happiness in a given time in the community in question.

In the instance of this branch of the art, the object or end in view should be the production of that maximum of happiness, in so far as this more general end is promoted by the production of the maximum of wealth and the maximum of population.

The practical questions, therefore, are — How far the measures respectively suggested by these two branches of the common end agree? — how far they differ, and which requires the preference? — how far the end in view is best promoted by individuals acting for themselves? and in what cases these ends may be best promoted by the hands of government?

Those cases in which, and those measures or operations by which, the end is promoted by individuals acting for themselves, and without any special interference exercised with this special view on the part of government, beyond the distribution made and maintained, and the protection afforded by the civil and penal branches of the law, may be said to arise *sponte acta*.

What the legislator and the minister of the interior have it in their power to do towards increase either of wealth or population, is as nothing in comparison with what is done of course, and without thinking of it, by the judge, and his assistant the minister of police.

The cases in which, and the measures by which, the common end may be promoted by

* Some parts of the following work were formerly published as the fourth Book of the work entitled *Rationale of Rewards*: — they are now inserted in the places they were originally designed to occupy in Bentham's *Manual of Political Economy*. — Ed.

† To Adam Smith, the science alone has been the direct and constant object in view: the art the collateral and occasional one.

the hands of government, may be termed *agenda*.

With the view of causing an increase to take place in the mass of national wealth, or with a view to increase of the means either of subsistence or enjoyment, without some special reason, the general rule is, that nothing ought to be done or attempted by government. The motto, or watchword of government, on these occasions, ought to be — *Be quiet*.

For this quietism there are two main reasons: — 1. Generally speaking, any interference for this purpose on the part of government is *needless*. The wealth of the whole community is composed of the wealth of the several individuals belonging to it taken together. But to increase his particular portion is, generally speaking, among the constant objects of each individual's exertions and care. Generally speaking, there is no one who knows what is for your interest, so well as yourself — no one who is disposed with so much ardour and constancy to pursue it.

2. Generally speaking, it is moreover likely to be pernicious, viz. by being unproductive, or even obstructive, with reference to the attainment of the end in view. Each individual bestowing more time and attention upon the means of preserving and increasing his portion of wealth, than is or can be bestowed by government, is likely to take a more effectual course than what, in his instance and on his behalf, would be taken by government.

It is, moreover, universally and constantly pernicious in another way, by the restraint or constraint imposed on the free agency of the individual. Pain is the general concomitant of the sense of such restraint, wherever it is experienced.

Without being productive of such coercion, and thereby of such pain — in a way more or less direct — more or less perceptible, with this or any other view, the interposition of government can hardly take place. If the coercion be not applied to the very individual whose conduct is endeavoured to be made immediately subservient to this purpose, it is at any rate applied to others — indeed, to the whole community taken together.

In coercive measures, so called, it is only to the individual that the coercion is applied. In the case of measures of encouragement,

the field of coercion is vastly more extensive. Encouragements are grants of money or money's worth, applied in some shape or other to this purpose. But for this, any more than any other purpose, money is not raised but by taxes, and taxes are the produce of coercive laws applied to the most coercive purpose.

This would not be the less true, though the individual pieces of money thus applied happened to come from a source which had not been fed by any such means. In all communities, by far the greatest share of the money disposed of by government being supplied by taxes, whether this or that particular portion of money so applied, be supplied from that particular source, makes no sort of difference.

To estimate the good expected from the application of any particular mass of government money, compare it always with the mischief produced by the extraction of an equal sum of money by the most burthensome species of tax; since, by forbearing to make application of that sum of money, you might forbear levying the amount of that same sum of money by that tax, and thereby forbear imposing the mass of burthen that results from it.

It would, however, be a gross error, and an extremely mischievous one, to refer to the defalcation thus resulting from the mass of liberty or free agency, as affording a conclusive objection against the interposition of the law for this or any other purpose. Every law which does not consist in the repeal, total or partial, of a coercive law, is itself a coercive law. To reprobate as a mischief resulting from this or that law, a property which is of the very essence of all law, is to betray a degree of blindness and ignorance one should think hardly possible on the part of a mind accustomed to the contemplation of any branch of the system of laws—a total unacquaintance with what may be called the logic of the laws.

Yet so imperfect is the state of legal knowledge,—marks of this perfectly surprising, as it will one day be, as well as much to be lamented ignorance, are to be found among the most experienced pens, not to mention the most loquacious tongues.

Power, knowledge* or intelligence, and inclination: where these requisites concur on the part of him on whom the production of the desirable effect in question depends, it is produced; when any one of them is wanting, it is not produced.

When these requisites exist already in per-

* Knowledge may be considered as a branch of power. It is power so far as it depends upon the mental condition of the party whose power is in question. Power, in the narrower sense of the word, depends upon the state and condition of external objects—objects exterior with reference to him.

fection with reference to the production of any effect operating in addition to the mass of wealth on the part of the members of the community taken respectively in their individual capacities, it will be produced without the interference of the government; and as this interference is never a matter of pure indifference,—never otherwise than hurtful when it is not beneficial, these cases are among the cases in which that interference is not desirable.

In the cases where any one of these requisites is deficient, inasmuch that for want of it the effect cannot be produced,—in such case the interposition of government may be desirable or not, according to the state of the account—according as the inconveniences attached to the measures in which the interposition of government consists, preponderate or fail of preponderating over the advantage attached to the effect which it is proposed should be produced.

If the effect fail of being produced without the interposition of government for want of any one or more of these requisites, it is by the supply of the requisite or requisites so wanting that the action of government may display itself. Thence, on every such occasion, these questions present themselves for consideration:—

1. Whether the effect in question fail of being produced in the degree in which it might be produced?

2. To the want of what requisite or requisites such failure is to be ascribed?

3. What are the means by which such failure may be supplied by government at the least expense?

4. When reduced to its least dimensions, is the expense necessary for the purpose in question such that the advantage will preponderate over the expense?

In a general view of the three requisites, inclination appears least apt to be deficient on the part of individuals. The general mass of national wealth is composed of the particular masses appertaining to individuals. On the part of the individual there is seldom any deficiency in respect of inclination to make addition to the amount of that particular mass of wealth which has fallen to his share.

It is in respect to the two other requisites, power and intelligence, that deficiency is much more apt to take place.

To these deficiencies the abilities of government are happily adapted. Inclination it could not give—it has not power to give it in the great mass of cases:—not by punishments, on account of the expensiveness, and in such cases the comparative inefficiency of such means;—not by reward, for want of a sufficient stock of that scarce and valuable matter which is not to be extracted but by taxes—that is, by punishments.

Intelligence and power may be administered by government at a much cheaper rate. A mite of reward, skilfully applied, is often sufficient to produce an immensity of intelligence. In many instances, it frequently requires nothing more than the removal of coercion from one hand to another, or even the repeal of it altogether, in order to confer the sort and degree of requisite power;* the operation, in either case, not being attended, in the shape of pain, with any perceptible effect.

The two most extensive descriptions of the cases in which it is necessary or expedient to interfere for the purpose of regulating the exertions of individuals in respect to the increase of wealth, are those in which it is necessary to regulate the pursuit of the several objects in view, according to the order of their importance:—in giving to the matter of wealth that modification which adapts it to the several purposes of subsistence and defence—security in respect of subsistence, and security in respect of defence—in preference to that which adapts it to the mere purpose of enjoyment.

With few exceptions, and those not very considerable ones, the attainment of the maximum of enjoyment will be most effectually secured by leaving each individual to pursue his own maximum of enjoyment, in proportion as he is in possession of the means. Inclination in this respect will not be wanting on the part of any one. Power, the species of power applicable to this case—viz. wealth, pecuniary power—could not be given by the hand of government to one, without being taken from another; so that by such interference there would not be any gain of power upon the whole.

The gain to be produced in this article by the interposition of government, respects principally the head of knowledge. There are cases in which, for the benefit of the public at large, it may be in the power of government to cause this or that portion of knowledge to be produced and diffused, which, without the demand for it produced by government, would either not have been produced, or would not have been diffused.

We have seen above the grounds on which the general rule in this behalf—*Be quiet*—rests. Whatever measures, therefore, cannot be justified as exceptions to that rule, may be considered as *non agenda* on the part of government.† The art, therefore, is reduced

* Supplying capital is supplying power. Capital might be supplied in England by taking off, *quoad hoc*, the restraints imposed on the accumulation of capital by partnership.

† Among these several classes, *agenda*, *sponte acta*, and *non-agenda*, the distribution of the imaginable stock of institutions will differ in a very considerable degree, according to the dif-

within a small compass: *security* and *freedom* are all that industry requires. The request which agriculture, manufactures, and commerce present to governments, is modest and reasonable as that which *Diogenes* made to Alexander: "*Stand out of my sunshine.*" We have no need of favour—we require only a secure and open path.

CHAPTER II.

ANALYTICAL SURVEY OF THE FIELD OF POLITICAL ECONOMY.

For the *genesis* of the matter of wealth—the causes and mode of its production under its several modifications—reference may for the present be made to Adam Smith, who has not left much to do, except in the way of method and precision.

The following are the first steps in an analytical survey of the field of political economy, showing how to draw a circle round the subject, and how to invent or discover what remains to be invented or discovered in this quarter of the field of human knowledge.

On the part of the individuals by whom increase of wealth is produced, the production of it is either purely *spontaneous*, or (with or without design directed to the increase of it) either promoted or obstructed by the operations of government. The correspondent practical division of acts and operations, the effect of which is to exert an influence on the quantity of the *national*, to which may be added the *mundane* stock of the matter of wealth, is—1. *Sponte acta*; 2. *Agenda*; 3. *Non-agenda*.

In the track of political economy as in any other, whatever is done towards the attainment of the object, must be by creating inclination, or by bestowing power.

Inclination can only be operated upon by inducements, as—

1. By applications of a coercive or obligatory nature,—which are either injunctions or prohibitions.

ferent circumstances of the several political communities. In regard to defalcations from general opulence for the security of subsistence, an arrangement of that sort which in one country may be at once *needful* and *practicable*, may in another be either *not needful*, or, what is more apt to be the case, *not practicable*. The greater the degree of opulence, the greater the list of *sponte acta*—the less, therefore, that of *agenda*. In England, abundance of useful things are done by individuals, which in other countries are done either by government, or not at all. Docks, harbours, canals, roads; institutions for relief against misfortune in a variety of shapes, and from a variety of causes—bodily affliction, death of friends, fire, hostile captures, and criminal depredation. In Russia, under Peter the Great, the list of *sponte acta* being a blank, that of *agenda* was proportionally abundant.

2. By applications of an invitative nature, or encouragements, — which are either direct or indirect.

Power may to this purpose be distinguished into—1. Legal; 2. Physical; 3. Intellectual, or knowledge.

1. Legal power may be conferred—1. By forbearing to impose on the party proposed to be assisted coercion of any kind; 2. By coercing others in such a manner as to prevent them from obstructing his making use of the power of the preceding kind; 3. By compelling them to afford him assistance. In the two first of these cases, *power* is no more than *liberty*.

2. Physical power is conferred by giving to a party the physical instruments requisite to the attainment of the end proposed;—viz. money, or something that is to be had for money. This can only be done by legal power of one or other of the three kinds above mentioned.

3. Intellectual power is either—1. Active power; or, 2. Knowledge. If active power be given by law, it can only be in some indirect way, through physical and thence through legal power.

Knowledge is either—1. Of the modes of operating towards the end proposed;—viz. which are good, which bad— which worst, and which best; or, 2. Of matters of fact;— which may be conducive to this end, either—1. By pointing out inducement; 2. By pointing out legal power; 3. By conducting to physical power or to intellectual power— either as leading to knowledge of the modes of operating, or to other matters of fact more immediately leading to such knowledge.

Encouragements may be distinguished into—1. Direct; and, 2. Indirect. Direct consist of rewards, commonly called in this instance *bounties*, given to him who shall exercise his industry in such or such a way. Indirect, consist in discouragements opposed in the way of others, in the view of restraining them from exercising their industry in such or such a way; i. e. in such a way as shall prevent his exercising his in the way desired. If discouragements thrown in the way of A, answer the purpose of encouragement to B, it is because A's acting in the track he is thus discouraged from would have tended to discourage B from acting in the track he is meant to be encouraged to act in, by diminishing the reward, natural or factitious, he would have got in some way by acting in it.

To the head of encouragements may also be added operations the tendency of which is to confer power, and in particular physical power; such as the giving or lending money or money's worth, to be employed in the shape of a capital towards the carrying on a branch of industry meant to be encouraged.

In whichever of the above ways aid is

applied, it must be either—1. With a view of increasing the quantity of industry in general; or, 2. With a view of increasing the relative quantity of a particular branch of industry.

The causes of wealth, or say rather the matter of wealth,* are—

1. Final—well-being.

2. Material—matter considered in respect of its possessing, or being capable of possessing *value*—viz. subservency to *well-being*, the *final* cause.

3. Efficient—viz. motion.

The modifications of well-being, ranged in the order of their importance, are—

1. Subsistence, present.

2. Security in respect of defence—viz. against the evils to which human nature is exposed, particularly from the action of agents exterior to a man's body. Security in respect of future subsistence.

3. Enjoyment—viz. mere enjoyment, distinct from the maintenance of subsistence and the contemplation of security.

Matter, considered with reference to the final cause,—well-being, may be termed (such parts of it as by the use made of them become subservient to well-being, the final cause) matter of wealth.†

* The compound term, "matter of wealth," is employed to prevent ambiguity: it carries with it a reference to quantity. There are many things which may constitute part of the matter of wealth, which when taken separately, or in small quantities, would hardly be called wealth. Thus the wealth of a stationer may consist in rags, a small portion of which lying on a dung-hill few would call wealth; none, however, could deny that they might constitute part of the matter of wealth.

Opulence, though so nearly of kin to wealth,—and the rather for that very reason—requires to be distinguished from it. Opulence is relative wealth, relation being had to population. Quantity of wealth being given, the degree of opulence is therefore not *directly*, but *inversely*, as the population; i. e. as the degree of populousness—as the number of those who are to share in it; the fewer the sharers, the larger each one's share.

† Wealth, considered as arising at successive periods, is called *income*. That portion of it which is employed for the purpose of giving increase to its amount, is called *capital*.

An individual who would in any manner employ himself in the accumulation of wealth, ought to possess—1. Materials on which to work; 2. Tools wherewith to work; 3. A place in which to work; 4. Necessaries for his subsistence while at work. All these objects are comprised under the name of *capital*.

In the order of history, labour precedes capital: from land and labour everything proceeds. But in the actual order of things there is always some capital already produced, which is united with land and labour in the production of new values.

When an article of the produce of land or labour, in place of being consumed or kept for

The term, matter of wealth, is applicable in common to—

1. Articles or instruments of subsistence;
2. Instruments of defence;
3. Instruments of enjoyment.

Articles of subsistence are either of constant or occasional use.

Articles of constant use are—

1. Articles of nourishment—viz. food and drink, i. e. liquid or solid; the distinction between which is at their point of nearest approach undeterminable.

2. Articles serving for the regulation of temperature and state of the air in respect of moisture. These are—either lodging or clothing.

3. Articles of occasional use, are articles of medicine.

The evils to which defence bears reference may be considered as having their source in the agency of irrational agents or rational agents.

Defence against evils apprehended from the agency of irrational agents, is defence against calamities.

Among rational agents, those from whose agency evil is apprehended, are either considered as members of the community in question, or not: in the first case, the defence is against delinquency; in the other case, against hostility.

A modification of the matter of wealth may be referred to that one of the above three heads to which it is conducive in the greatest degree;—for the same article which is principally subservient to one, may occasionally be subservient to either or both of the two others.*

Enjoyment being in a manner inseparable from the application of articles of subsistence

the use of him who has made it or caused it to be made, is offered in exchange, it then becomes an article of commerce—it is merchandise.

In all civilized societies, a class of persons is found, who purchase of the manufacturer, that they may sell to the consumer.

The whole of the operations of manufacture and of sale may be described by the general terms of production and trade.

* Thirty years after the conclusion of the seven years' war, some ammunition bread that had been baked for the Prussian army at the time of that war, was found in such a state as to have been eatable; a piece of it was eaten for curiosity's sake by a person whom I knew. In default of stones, which have sometimes for want of iron been used as cannon balls, this ammunition bread might have been applied to the purpose of defence.

Iron is the best material for knives and hatchets, though in Otahete and elsewhere they are made of stones. A person whom I knew, once cut his finger (as he told me) with a piece of Suffolk cheese.

Hammocks, articles of subsistence (or rather of customary luxury, not indispensably necessary to subsistence, for a Russian often sleeps upon a bench, or upon the floor.)—articles of subsist-

to their use, all articles of subsistence are instruments of enjoyment likewise. The distinction is, therefore, not between articles of subsistence and instruments of enjoyment, but between articles of subsistence and instruments of mere enjoyment—viz. that by their application to use contribute nothing to *subsistence* any more than to defence.†

The practice of exchange being established, each modification of the matter of wealth, to whichever of the above-mentioned divisions it belongs, is in virtue of that practice convertible with more or less facility and certainty into every other.‡ The richer a community, the better secured it is thereby against hostility and famine.

A stock of instruments of mere enjoyment presupposes, on the part of each individual, a preassured stock of the articles of subsistence. The stock of articles of subsistence capable of being produced and kept up in a country, in any other view than that of exchange, has its limits: it can never extend much beyond the stock necessary for the subsistence of the inhabitants—the stock of instruments of mere enjoyment is without limit.

It is only in respect and in virtue of the quantity of the stock of instruments of mere enjoyment, that one country can exceed another country in wealth. The quantity of wealth is as the quantity of its instruments of enjoyment.

In cases where, two articles of subsistence contributing in an equal degree to that end, one contributes in a greater degree to enjoyment (as is testified by the greater price given for it,) it may be considered as possessed of a compound value, which by analysis may be resolved as it were into two values;

ence of a middle nature between clothing and lodging, are frequently applied to the purpose of defence on shipboard, being stowed in such manner as to deaden the stroke of the shot.

† Instances of instruments of mere enjoyment are abundant:—tobacco and perfumes may be sufficient for illustration.

‡ It is in consequence of the interconvertibility above mentioned—wealth in one shape being convertible into every other—that every instrument of mere enjoyment is a pledge of security, and that national power, so far as depends upon wealth, is in proportion not to absolute, but only to relative opulence—not to the absolute quantity of the matter of wealth in a nation, but to its ratio to the mass of the population. For of the aggregate value of the aggregate mass of the matter of wealth in a nation, the part dedicated to enjoyment is the only part applicable to the purpose of defence. What is necessary to subsistence must be applied to subsistence, or the man must starve. Hence the reason why France, so much superior to Britain, not only in population, but in absolute wealth, is yet inferior in power, except with relation to countries so near that the expense of invading them may be more or less defrayed by the contributions raised in them.

one belonging to it in its capacity of an article of subsistence, the other in its capacity of an article of mere enjoyment.*

It is out of the fund for enjoyment that the portion of wealth allotted to *defence*, and the portion, if any, allotted to security in respect of subsistence, must be taken: for out of the portion allotted to subsistence none can be spared.

But though security increase in proportion as opulence increases, and inequality be an inseparable accompaniment of opulence, security does not increase in proportion as inequality increases. Take away all the ranks in respect of opulence, between the highest and the lowest — the inequality will be increased, but the degree of security will be diminished.

Luxury is not only an inseparable accompaniment to opulence, but increases in proportion to it. As men rise one above another in the scale of opulence, the upper one may, without excess, give into expenses which those below cannot give into without prodigality. It is therefore no more desirable that luxury should be repressed, than it is that opulence should be repressed — that is, that security should be diminished. If it were desirable that luxury should be repressed, it could be done no otherwise than either by depriving the more opulent classes of a part of their property in this view, or coercing them in the use of it. It would be less unreasonable to restrain prodigality wherever it is to be found, than to restrain the highest imaginable pitch of luxury on the part of those whose expense does not exceed their income.

The mass of that matter which is the material cause of wealth, has for its sources —

1. Land — *i. e.* dry land uncovered with water.

2. Water — *i. e.* land covered with water.

The matter of wealth considered in respect of its modifications, may be distinguished, in the first place, into matter in an unimproved state — in the state in which it comes out of the hands of nature; and matter in an improved state, *i. e.* modified by human labour,

* In the character of an article of subsistence, a pound of potatoes and a pound of pine-apples may stand pretty nearly upon the same level; — but a single pound of pine-apples may sell for the same price as one hundred pounds of potatoes, — the pound of potatoes selling for a halfpenny, and the pound of pine-apples for one hundred halfpence. This being the case, out of the hundred halfpence, which is the price and value of the pound of pine-apples, one halfpenny goes to subsistence, and the remaining ninety-nine to mere enjoyment. It is the same thing as if the halfpenny had been employed in the purchase of another pound of potatoes, and the remaining ninety-nine in the purchase of perfumed powder for the hair, instead of being put into the mouth for nourishment.

for the purpose of its being adapted to whatever uses it may be designed for.

Any distinguishable portion of the matter of wealth may be either an article of immediate or of subservient use.

It is an article of immediate use, when it is itself applicable to any one of the three above-mentioned ends, *viz.* subsistence, security, or enjoyment.

It is an article of subservient use, when, though it contribute to some one or more of those ends, it does so not by any immediate application of its powers to any one of the above three ends, but by the instrumentality of some other article which is of immediate use, and which it renders, or contributes or tends to render, subservient to that use.

The operations by which an increase of the matter of wealth is produced or promoted, may be enumerated under the following principal heads, *viz.* —

1. Discovery — *viz.* of the source of the raw material, or portion of matter of wealth in an unimproved state.

2. Discovery of this or that portion of land, considered as the source from which portions of matter in an unimproved state are extracted.

3. Extraction — *viz.* of the raw material from the portion of land which is its source.

When an increase of wealth to any given amount takes place, it is either by means of an increase of labour, or without any increase.

When it takes place without any increase in the quantity of labour, it takes place by means of an increase in the effect, or say, efficiency of the quantity of labour employed.

The degree of efficiency in the quantity of labour employed being given, the increase of wealth produced by the labour will be as the quantity of it.

If the quantity of wealth which, before the increase of efficiency, required a year's labour of two thousand men, be now produced by a year's labour of one thousand, there remains the year's labour of one of the sets of a thousand men, which, when employed in the same way, or with the same degree of efficiency as that of the first set, will produce a fresh mass of wealth equal to the original one.

Reducing by one-half the number of men employed about an individual mass of work, the quantity of the work done not being diminished by such reduction, is therefore the same thing in effect as doubling the number of men employed with the same degree of efficiency as before.

But this supposes that the number of hands thus rendered unnecessary with regard to the production of the given quantity of work, are employed with the same degree of efficiency, or at any rate are employed. If not

employed at all, no increase in the quantity of wealth will be brought about by the increase in the efficiency of the mass of labour which continues to be employed: — if employed, but employed with a less degree of efficiency, then the fresh quantity of wealth thus produced by the expelled hands will fail of being equal to the quantity produced by the hands retained, in a degree proportioned to the difference in the degree of efficiency.

If by means of the introduction of machinery, or improvement in the machinery in use, a manufacturer be enabled with one thousand hands to perform the same quantity of work as that which before the improvement required two thousand hands, it might seem at first sight, from this statement, that the natural effect of the improvement would be the retaining the same quantity of hands employed in that branch of manufacture, and thence the doubling the quantity of goods manufactured in the time. But without an addition to the mass of pecuniary capital, which is a circumstance accidental and not belonging to the case, the retaining of the same number of hands so employed would in no instance be possible; for the production and keeping up of the machinery or other auxiliary means would always require a considerable quantity of labour, the payment of which would be attended with a proportionable mass of expense, by which a proportionable part of the capital would be absorbed.

If the hands employed on the machinery should be paid at a higher rate than the hands employed in the manufacture, the capital being the same after the improvement as before, the number of manufacturing hands would be still further decreased on this account.

Hence it follows, that increase of wealth by saving of labour is not so great as increase of wealth by increase of quantity of labour; and that, consequently, opposition to machinery is well grounded, if no care be taken to provide immediate employment for the discharged hands. At first, the temporary distress will outweigh the temporary enjoyment; but, so far as depends on increase of wealth, the increase of enjoyment is perpetual.

The quantity of wealth, or matter of wealth, existing in a community at the end of a given space of time (say forty years,) will be as the quantity of wealth existing therein at the commencement of the period — *plus* the quantity of wealth that has come into it, *minus* the quantity that has gone out of it.

Hence two modes of increasing the quantity of wealth: — 1. The direct and positive mode, increasing the quantity that *comes in*; 2. The indirect and negative mode, diminishing the quantity that *goes out*.

Wealth has two sources, to which correspond two modes of coming into a community: — 1. Home production; 2. Importation.

It has in like manner two correspondent modes of going out: — 1. Consumption; 2. Exportation.

In the case of importation, the increase is only *relative*, relation being had to the community in question: importation alone being considered, by so much as the wealth of this community is increased, by so much is the wealth of some other community decreased.

In the like manner, in the case of exportation, the decrease is only *relative*: exportation alone being considered, by so much as the wealth of this community is decreased, that of some other is increased: in relation to the world at large, the quantity suffers not in either case any change.

In general, import, in respect of one portion of wealth, does not take place, but *export*, in respect to another and correspondent portion, a portion generally regarded as being of equal value takes place at nearly the same time; the transfer or self-deprivation having the acquisition, for what in the language of English law is called its consideration, and in the language of general logic, its final cause. But between community and community, as between individuals, from matters of fear, animosity, or remote personal interest, it will sometimes happen that export from this community shall take place without a correspondent import into it from that — import into this country without export from it into that; though import into this cannot take place (unless it be from spots occupied in common by the two, such as the greater part of the sea, and some unappropriated parts of the land) without export from that.

Consumption, again, takes place in either of two ways: — 1. Purposely, in the way of use; or, 2. Undesignedly, in the way of deperition without use.

Deperition is either total or partial: partial, is deterioration.

Deperition is in strictness no otherwise true of any portion of matter than in as far as it respects *form*, and *value* as resulting from that form — *value, i. e.* subserviency to use.

An act whereby deperition is produced, is called *destruction*. An act whereby deterioration is produced, may be termed *deterioration* (the word being used in the active sense) or *endamagement*.

Acts whereby destruction or deterioration is produced, and thereby loss without preponderant benefit, it is the province of the non-penal branch of the law to define, and of the penal to prevent.

Preservation may be either *total* or *partial*:

it can only be partial in cases where decrease to a greater or less amount is indispensable, as in case of *taxes*.

Taxes may be imposed either to furnish means for *future* expenditure, or to afford compensation to those who in times past have furnished the means for expenditure which *then* was future: in other words, for growing expenses, or for discharge of debts.

The amount of taxes imposed for growing expenses, takes from the amount of national wealth in certain ways, and adds to it in other ways, more or less, according as it is employed. It takes from the means or instruments of enjoyment, present or future, immediate or more or less remote, according as it would have been spent, lent out, or hoarded, had it not been for the tax. It adds to the security of the whole, in proportion as it is employed for the purpose of national *security*, in the way of national defence and otherwise. It adds to the subsistence and enjoyment of a part, in proportion as it is applied to those purposes, by those among whom it is distributed in consideration of the services by which they have respectively contributed to that end.

The amount of taxes imposed in discharge of debt, of itself neither adds to nor takes from the mass of national wealth, but is the necessary result of measures of expense, necessary or unnecessary, avoidable or unavoidable, beneficial or pernicious, by which in former times a decrease in the mass of national wealth was produced. But when, and in so far as, the money produced by these taxes is actually employed in discharge of debt, it adds to capital, and thereby to growing wealth.

Finance is an appendix and inseparable accompaniment to political economy. Taxes are sacrifices made of wealth and opulence at the expense of enjoyment, to security, in respect of defence, and security in respect of subsistence.

Taxes and other means of supply for the expenses of government, — wars with their taxes and their devastations, are means by which, of necessity, in a certain degree, and too often beyond the extent of the necessity, decrease in the amount of wealth and population is produced. In this way the field of *political economy* includes within it the field of *finance*.

A tax, in as far as the thing taxed is abstained from, operates as a prohibition — as a discouragement to that branch of trade or production to which the thing belongs, and as an encouragement to rival branches; that is, more or less to all other branches. Hence another head of connexion between finance and political economy in its narrower sense. The same illusion which has recommended

the encouragement of particular branches of wealth as a means of increase to the whole, has led to the exaggeration of the bad effect of taxes in this point of view.

Hence the care taken by governments to throw the weight of taxes upon *imports* and *home productions*, rather than upon exports; that is, upon their own subjects, rather than upon foreigners.

Under the above heads may be reduced, without violence, everything that can be said on the subject of political economy, including finance.

CHAPTER III. OF WEALTH.

§ 1. *Sponte Acta*.

THE national wealth is the sum of the particular masses of the matter of wealth belonging respectively to the several individuals of whom the political community — the nation — is composed. Every atom of that matter, added by any one such individual to his own stock, without being taken from that of any other individual, is so much added to the stock of national wealth.

To add to his own particular stock, and to add in each portion of time more than by use or otherwise is taken from it in that same portion of time, is, with a very few exceptions, the constant aim and occupation of every individual in every civilized nation. Enjoyment is the offspring of wealth, — wealth of labour. What men want from government is, not incitement to labour, but security against disturbance — security to each for his portion of the matter of wealth, while labouring to acquire it, or occupied in enjoying it.

For the purpose of increasing wealth, individuals require neither to be forced to labour, nor allured. The want of that which is not to be had without labour is sufficient force: the assurance of being able to enjoy it, is sufficient allurements. Leave men to themselves: each man is occupied either in the acquisition of wealth (the instrument of enjoyment,) or in some actual enjoyment, which, in the eyes of the only competent judge, is of more value. If idleness be to be discouraged, it is not because it is the non-acquisition of wealth, but because it is the source of crimes.

Whoever takes upon him to add to national wealth by coercive, and thence vexatious measures, stands engaged to make out two propositions: — 1. That more wealth will be produced by the coercion than would have been produced without it; 2. That the *comfort* flowing from the extra wealth thus produced, is more than equivalent to whatever

vexation may be found attached to the measure by which it was produced.

§ 2. *Agenda*.

The application of the matter of wealth to its several purposes, in the character of an instrument of general *security*, is evidently of anterior and superior importance to the increase of it. But this class of operations belongs to other heads — to legislation and administration in general — to the establishment of laws distributive and laws penal; and the institution, collation, and exercise of powers military, fiscal, judicial; and of police.

The operations coming under the head of *Agenda* — viz. on the part of government, — may be described as those which are conducive either to the increase of the national stock of the matter of wealth, or to the application of it in the most efficient mode, to any of its three uses, viz. subsistence, security, and enjoyment; and which not being attended with preponderant vexation, are not to be expected to be performed by the spontaneous exertions of individuals: of the three conditions requisite for the production of this or any other effect, viz. *inclination*, *power*, and *knowledge*, some one or more being wanting on the part of individuals.*

* Examples: Establishments for the propagation of knowledge; viz. on the subject of those *arts* on which the augmentation or preservation of the matter of wealth, in any of its shapes, depends. In England — 1. The Board of Agriculture; 2. The Royal Institution; 3. The Veterinary school; 4. The Royal Academy: viz. to a certain degree, if considered in this point of view.

In each of these several instances, the amount of profit reasonably to be expected is beyond calculation; while the individuals, among whom it may come to be shared, are equally out of the reach of conjecture. On the other hand, in the character of a source of profit, there is no limited assemblage or class of individuals, to whom the establishment of any one of these institutions would at the same time have been practicable, and have afforded a reasonable expectation of payment for the expense.

5. An illustrious and more useful example — because more *needful*, as well as more *extensive*, than all these English ones put together, supposing the execution to correspond with the design — is afforded by the universities and other education-establishments now setting on foot in the Russian empire (1801.)

6. France, on the same supposition, may be referred to for another.

The justification of the communication from sea to sea through Scotland by the Caledonian canal, is to be sought for in the same principles, though the preponderance of profit over expense can scarcely be expected to prove equally considerable. Of the profit, part, though to an unassignable amount, will distribute itself among a limited, and perhaps individually assignable description of individuals: other part, in portions altogether unassignable, among individuals more clearly unassignable; viz. among the community

A particular case for the interference of government in this view, is where *inclination* and *knowledge*, both adequate to the purpose, and even *power* (so far as depends on the possession of the matter of wealth,) being pre-existent on the part of individuals, nothing but an allotment of *political* power of an *appropriate* kind, requires to be supplied on the part of government. Such is the case where *corporate* powers are requisite for the management of a *common stock*; and thereby for enabling individuals spontaneously associated for the purpose, to give a more effectual combination to their exertions in the pursuit of a common end.

Whenever *non-agenda* have been *acta*, the doing away of these *male acta* may form so many additions to the catalogue of *agenda*.

To this head belong those operations which consist in the removal of obstructions to *sponte acta*.†

From the catalogue of *agenda*, having for their object the increase of the national stock of the matter of wealth in all its three shapes together, must be distinguished any such measures, the aim of which is confined to the increasing of it in any one of those shapes, at the expense of either of the two others. Measures of this tendency will, so far as they are justifiable, find their justification in the same considerations which prescribe the application of the matter of wealth to its several uses.

In this way, if a sacrifice be made of the matter of wealth in the most agreeable of its shapes, to the same matter in one or other of the two necessary ones — of the matter of *enjoyment* to the matter of *subsist-*

at large. On this supposition, it seems, it is that the expense was divided between the aggregate of these private purses and the public purse. Had the profit to the local proprietor and other neighbouring inhabitants been adequate, and a fund adequate to the whole expense been obtainable from that source, the propriety of a contribution at the public expense would have fallen to the ground.

† Examples: 1. Facilitating the conversion of inter-community of occupation of land into separate ownership.

2. Abolition or modification of those laws by which land is vested inalienably in a line of natural successors, how much sower by impoverishment disabled from causing increase, or even preventing decrease, in the value of its produce.

3. Abolition or modification of laws, which give the like perpetuity to obligations attached to property in land, in the case where those obligations are attended with greater *burthen* (viz. in the way of obstruction of increase,) to the party on whom they are imposed, than *profit* to the party in whose favour they were imposed. Such is the case with many of the obligations termed (with reference to the party favoured by them) *feudal rights*.

4. Gradual abolition and intermediate modification of those personal obligations which come under the head of *slavery*.

ence, or the matter of defence;—if the assumed necessity be real, the transformation belongs, by the supposition, to the catalogue of *agenda*.

If in any nation, for the use of the whole or any part of such nation, government were to establish, in the character of *security funds*, magazines of the matter of subsistence, not to be drawn upon but in times of extraordinary scarcity,—an institution of this sort would hardly be thought of, much less be regarded as beneficial and desirable, under the notion of its producing a clear addition to the aggregate mass of the national stock of the matter of wealth, in all its shapes taken together. In the catalogue of *agenda* it could not be placed in any other character than as a sacrifice of enjoyment to *subsistence*.

If the nature of the case be such, that the aggregate of the security-funds laid up in the country in question by dealers, may at all times be safely depended upon as sufficient, the establishment of such funds by government, on its own account, will be plainly indefensible: being pregnant with loss instead of gain (as, in the business of buying and selling, trust-management will naturally be, when compared with interested management.) it would disturb the operations of individual dealers, and be prejudicial rather than conducive to the end aimed at;—viz. national security in respect of subsistence.

If, on the other hand, in that same country, seasons are continually liable to recur in which the aggregate of these private security-funds cannot with safety be depended upon, the proposition is reversed: government need not scruple to insure its subjects in this way, against loss and distress by scarcity.

In each country the establishment of such security-funds is an affair of calculation. For the meridian of England, a very considerable stock of data have already been furnished by experience. But what is shorter than calculation, is the reflection that the world is wide, and should the country ever receive another visit from famine (a visit too unpleasant to be thought of,) what is not to be had *here*, may perhaps be to be got elsewhere.

In a similar manner, sacrifices may be made of enjoyment to national defence. An example of this kind was found in the English navigation act. It operated in diminution, rather than in augmentation, of the aggregate mass of the matter of wealth. It made England pay more for freight than she would otherwise; and *pro tanto* drove the foreign nations in question from this line of industry into some less profitable one. This loss, whatever was the amount of it, was the price paid by England for whatever addition it thus made to its stock of the matter of defence; viz. for a sort of *navy of reserve*, for an extra portion of possible marine force—convertible

into actual at pleasure. The measure could only be deemed eligible by assuming the necessity for the maintenance of the sort of security-fund thus kept up; i. e. for that part of the national stock of maritime skill which owed its production and maintenance to this measure.*

Another example may be found in the allowances in money given for the encouragement of certain fisheries. The object was the same as in the former case; the mode of encouragement being, not as in that case *indirect*, but *direct*,—the money being given at the expense of national wealth, and thence of national enjoyment. If without this encouragement the trade would not have been beneficial enough to be carried on, the quantity of the matter of wealth thus bestowed upon it was so much taken from enjoyment and given to defence,—and thence, if not necessary to defence, thrown away. If the trade would have been beneficial, the result of the measure is, besides the transfer of so much of the matter of wealth from the account of enjoyment to the account of defence, a net addition to the quantity of the whole. But it is only in the supposed necessity of it for the purpose of defence, that such sacrifice of national enjoyment can receive its justification. Take away the necessity, there remains wealth, purchased at the expense of justice—enjoyment given to one man, at the expense of enjoyment taken from another. A case conceivable, and perhaps realized, is,—that as to part, the allowance may fall under one of the above suppositions; as to another part, under the other.

§ 3. Non-Agenda.

Whatever is not *sponte actum* on the part of individuals, falls thereby into the class of *non-agenda* on the part of government. Coercion, the inseparable accompaniment, precedent, concomitant, or subsequent of every act of government, is in itself an *evil*: to be anything better than a pure evil, it requires to be followed by some more than equivalent good. Spontaneous action excludes it: action on the part of government, and by impulse from government, supposes it.

Among *non-agenda*, therefore, must be reckoned the attempting to give birth or increase to this or that particular branch of industry productive of wealth, under the notion of giving an increase thereby to the aggregate of the national mass of wealth.

* Considered as a measure of *special* encouragement, having for its object the increase of the aggregate mass of wealth, it would belong to the head of *non-agenda*. Operating by discouragement applied to a rival branch of industry—viz. the same occupation in the hands of foreigners,—operating in this way, and not by grants of money, it made no addition to the general wealth in the way of forced frugality.

No kind of productive labour of any importance can be carried on without capital. Hence it follows, that the quantity of labour applicable to any object is limited by the quantity of capital which can be employed on it.

If I possess a capital of £10,000, and two species of trade, each yielding twenty per cent. profit, but each requiring a capital of £10,000 for carrying them on, are proposed to me, it is clear that I may carry on the one or the other with this profit, so long as I confine myself to one; but that, in carrying on the one, it is not in my power to carry on the other; and that if I seek to divide my capital between them both, I shall not make more than twenty per cent.; but I may make less, and even convert my profit into a loss. But if this proposition be true in the case of one individual, it is true for all the individuals in a whole nation. Production is therefore limited by capital.

There is one circumstance which demonstrates that men are not sensible of this truth, apparently so obvious. When they recommend the encouragement of particular branches of trade, they do not pretend that they are more profitable than others;—but that they are branches of trade, and they cannot possess too many. In a word, they would encourage trade in general,—as if all trade did not yield its own reward—as if an unprofitable trade deserved to be encouraged—and as if a profitable trade stood in need of encouragement; as if, indeed, by these capricious operations, it were possible to do any other thing than transfer capital from one branch of trade to another.

The quantity of capital being given, the increase of wealth will, in a certain period, be in proportion to the good employment of this capital—that is to say, of the more or less advantageous direction which shall have been given to it.

The advantageous direction of capital depends upon two things:—1. The choice of the undertaking; 2. The choice of the means for carrying it on.

The probability of the best choice in both these respects will be in proportion to the degree of interest which the undertaker has in its being well made, in connexion with the means he has of acquiring the information relative to his undertaking.

But knowledge itself depends in a great measure upon the degree of interest which the individual has in obtaining it: he who possesses the greatest interest will apply himself with the greatest attention and constancy to obtain it.

The interest which a man takes in the concerns of another, is never so great as he feels in his own.

If we consider everything necessary for the most advantageous choice of an under-

taking, or the means of carrying it on, we shall see that the official person, so fond of intermeddling in the detail of production and trade, is in no respect superior to the individuals he desires to govern, and that in most points he is their inferior.

A prime minister has not so many *occasions* for acquiring information respecting farming as a farmer—respecting distillation as a distiller—respecting the construction of vessels as a shipbuilder—respecting the sale of commodities, as those who have been engaged in it all their lives.

It is not probable that he should either have directed his *attention* to these objects for so long a time, or with the same degree of energy, as those who have been urged on by such powerful motives. It is therefore probable, that in point of information relative to these professions, he is inferior to those who follow them.

If by chance a minister should become informed of any circumstance which proves the superior advantage of a certain branch of trade, or of a certain process, it would not be a reason for employing authority in causing its adoption. Publicity alone would produce this effect: the more real the advantage, the more superfluous the exercise of authority.

To justify the regulatory interference of government in the affairs of trade, one or other of these two opinions must be maintained:—that the public functionary understands the interests of individuals better than they do themselves; or that the quantity of capital in every nation being infinite, or that the new branches of trade not requiring any capital, all the wealth produced by a new and favourite commerce is so much clear gain, over and above what would have been produced, if these advantages had not been conferred on this trade.

These two opinions being contrary to the truth, it follows that the interference of government is altogether erroneous—that it operates rather as an obstacle than a means of advancement.

It is hurtful in another manner. By imposing restraints upon the actions of individuals, it produces a feeling of uneasiness: so much liberty lost—so much happiness destroyed.

Divide the aggregate mass of profit-seeking industry into any number of branches: each calls, or at least has an equal right to call upon government for encouragement—for encouragement at the expense of the public purse; that is, of all the other branches. Gratify all alike,—there is, as between them at least, no injustice on the one hand, no profit on the other. Gratify any number short of the whole— injustice is certain—profit questionable.

The measures which present themselves in the character of *non-agenda*, may be dis-

tinguished into *broad measures* and *narrow measures*:—*broad measures* having for their effect, or their object, the augmentation of wealth in all its shapes without distinction: *narrow measures* having for their object the augmentation of wealth by the increase of profit-seeking industry in this or that particular branch in preference to others, under the notion of its producing more wealth in that than in others. We shall proceed more particularly to consider some of the measures which have been so employed.

§ 4. *Non-agenda* — *Broad measures*.

Example 1. Forced frugality.

By raising money as other money is raised, by taxes (the amount of which is taken by individuals out of their expenditure on the score of maintenance,) government has it in its power to accelerate to an unexampled degree the augmentation of the mass of real wealth.

By a proportionable sacrifice of present comfort, it may make any addition that it pleases to the mass of future wealth; that is, to the increase of comfort and security. But though it has it in its power to do this, it follows not that it ought to exercise this power — to compel the community to make this sacrifice.

To a certain degree — to a degree which in the ordinary course of things is quite sufficient for the purpose, the community makes this sacrifice of itself. This voluntary sacrifice is, at least in the ordinary state of things, amply sufficient for the purpose — for every purpose; and as the impulse is spontaneous, so far all is right.

On the other hand, the application of money raised by taxes in the shape of capital to the endeavour to promote national opulence, can only be carried into effect at the expense of justice. In the first place, it operates unjustly by forcing a man to labour, though it were for his own benefit, when he wishes to enjoy. It operates unjustly in the second place, by forcing one man to labour for the sake of increasing the enjoyments of another man — increasing his enjoyments, or rather the stock of the instruments of enjoyment in his hands; for all that government can do in behalf of enjoyment, otherwise than by security, is to increase the quantity of the mass of instruments of enjoyment: — application of these instruments in such manner as to produce actual enjoyment, depending altogether upon the individual, and being an effect altogether out of the reach of government.*

* To the opulence of the Prussian empire Frederick the Great made some real additions, and some imaginary ones. The imaginary ones consisted in encouragements given to this and that branch of profit-seeking industry: the real ones consisted in money given on condition of being

The effect of forced frugality is produced by paying off national debts. In this case, the production of the effect is not only unexceptionable, but necessary: it is a collateral result, and that a very advantageous one, from a necessary act of justice.

On the *buying-in* or *paying-off* of the *government annuities* in which the debt in Great Britain consists, the money raised by taxes — of which the whole mass, with a trifling exception or two, bears not upon *capital* but upon income, passes into the hands of the *expelled annuitants*; who to make it afford them an income, as before, must employ it *themselves* in the shape of *capital*, or lend it to *others*, who will employ it in that shape.

If the sum of money paid by government to such annuitants on the redemption of their annuities be greater than the sum received by government on the creation of those same annuities, the quantity of the sum thus raised by forced frugality, and poured into the money market, receives a proportionable increase.

The effect of forced frugality is also produced by the creating of paper money by government, or the suffering the creation of paper money on the part of individuals.

employed in the shape of capital. But to be given to Peter, it must have been taken from Paul and his brethren. This he scrupled not to do: his object being — the increase of his own power and grandeur, not the preservation of the means of enjoyment in the hands of his subjects: he was content to purchase opulence at the expense of justice. At a similar expense, Egypt not only was, but continues to be, enriched — enriched with pyramids and temples.

Perhaps, having placed himself in a state of perpetual insecurity by injustice towards his neighbours, he found himself under a sort of necessity of increasing his means of security by this injustice towards his subjects. On this supposition, the injustice consisted — not in the taxes for defence, and the taxes for the production of national wealth as a fund for defence, which the perpetually impending danger had rendered necessary, — but in the wars of rapacity by which the perpetually impending danger had been produced.

Among the largesses bestowed by the same monarch, we may find another class which does not come under either head of reprobation. These consist in money given in reparation of damage done by war. Largesses of this class are not only unexceptionable, but useful: being consistent as well with the interests of justice as with those of national opulence. Their utility rests on the same basis as that of insurance against loss by calamities purely physical.

As to the largesses given under the notion of *special encouragement* (encouragement to a particular branch of trade in preference to others,) though the addition set down as made on this score by each sum of money so bestowed was imaginary, yet from that same sum of money flowed a real addition, though on a different score; viz. on the score of *forced frugality*, as above explained.

In this case, the effect is produced by a species of indirect taxation, which has hitherto passed almost unnoticed.

§ 5. *Non-agenda* — *Broad measures*.

Example 2. Increasing money.

Labour, and not money, is the real source of wealth. All hands being employed, and employed in the most advantageous manner, wealth, real wealth, could admit of no further increase: — but money would be increasable *ad infinitum*.*

The effect of every increase of money (understand, of the ratio of the quantity of money employed in the purchase of things vendible, to the quantity of things vendible for money,) is to impose an unprofitable *income tax* upon the incomes of fixed incomeists.†

* To this head belongs the investigation of the influence of money on *real wealth* — or say, for shortness, *wealth*. Money may well be put in contradistinction to everything else which is ever called *wealth*: — which is ever considered as a modification of the matter of wealth: for *money*, so long as it is kept in the shape of money, and in the same hands, is of no kind of use. In that shape no man can ever make any kind of use of it but, by parting with it, or at least standing engaged to part with it. What value it has, is in the way of *exchange*: value in the way of use it has none. When out of that shape the materials are thrown into other shapes, then indeed they have their value, but for which they would have had none in the way of exchange. Paper money, not having in respect of its materials any value in the way of use, has no value but in the way of exchange: nor in that way, but on the supposition of its being capable of being exchanged for that money, or an equivalent for that money, of which it contains and conveys the promise.

† The following is an indication of the indirect income tax resulting from increase of money: — In Britain (anno 1801) money is about £72,000,000; income about £216,000,000 — (72 : 216 : 1 : 3.) — Each million added to money, adds therefore three millions for ever to *pecuniary income*; and this (setting aside the 15 per cent. for ever (£150,000) for profit on the million if employed in the shape of capital) without addition to real income. If in every year, £2,000,000 be added to money (*plus* £300,000 for an equivalent to the addition made as above to real wealth) in 36 years (anno 1837) the nominal or pecuniary amount of a mass of real income equal to the amount of 1801, will be doubled, *i. e.* become £432,000,000; to which will be added £10,800,000 for an equivalent to the intermediate addition to real wealth (£300,000 × 36.) But the £432,000,000 of 1837 being worth no more than the £216,000,000 of 1801, each £100 of the £432,000,000 will be worth but £50 of the £216,000,000; that is, the income of each *fixed incomeist* will by that time have been subjected to an indirect income tax of 50 per cent. He whose pecuniary income in 1837 is double what it is in 1801, will in point of *wealth* be neither a *gainer* nor a *loser* by the change. *Not so in point of comfort*. For by so much as he is a *gainer* in *wealth* in the one way, by so much he is a *loser*

If on the introduction of the additional money into the circulation, it pass in the first instance into hands which employ it in the way of unproductive expenditure,‡ the suffering from this tax remains altogether uncompensated: — if before it come into any hands of that description, it have come into hands by which it has been employed in the shape of capital,§ the suffering by the income tax is partly reduced and partly compensated. It is reduced, by the mass of things vendible produced by means of it: — a mass, by the amount of which, were it not for the correspondent increase in the mass of money, the value of the mass of money would *pro tanto* have been increased, and the prices of things vendible decreased. It is in a certain degree, though in a very inadequate degree, compensated for § by the same means; — viz. by the amount of the addition made to the quantity of sensible wealth — of wealth possessing a value in the way of use.¶ Here, as in the above case of forced frugality, national wealth is increased at the expense of national comfort and national justice.

On those who receive no share of the fresh addition to money — on those whose sole income consists in an unincreasing sum of money, the income tax bears with all its pressure; whilst those who receive a share of the fresh money equal to the amount of the depreciation, receive beforehand a compensation adequate (in money at least, howsoever it may be in regard to feelings) to their loss by the indirect tax.

In this case, the measure coincides with the one already reprobated, — the increasing the mass of real capital by money raised by taxes. The difference is, that the mode in which the

— in the *other*: and by the nature and constitution of the human frame, sum for sum, enjoyment from *gain* is never equal to suffering from loss.

‡ As if a proprietor of a mine of gold or silver, living solely on the income yielded to him from his mine, and spending his whole income, as income is spent by non-labouring hands, were to receive an increase of such his rent in the shape of gold or silver ready coined, and spend the whole of it as above; — or as if a government should issue paper money in discharge of its debts, or for defraying the consumptive part of its expenditure.

§ As in the case of paper money issued by a banker to a borrowing customer, agriculturist, miner, fisher, manufacturer, or merchant, to be employed in trade, &c.

¶ The compensation, besides being inadequate in quantity, is in its application unbecoming to justice, being shared in larger proportion by the mercantile man, for whose benefit the tax has been imposed, than by the public on whom it has been imposed.

¶ Money, inasmuch as while it remains in the same hands it possesses not any value in the way of *physical use*, has no other value than what at the instant of its passing from hand to hand it possesses in the way of exchange.

money is raised is disadvantageous to a degree of usuriousness much beyond anything ever exemplified under that name; — the money being raised at an interest of 300 per cent., payable for ever by the possessors of fixed incomes — subject to a small deduction as an equivalent for the goods produced in each year by the addition made to the mass of real capital.

No sooner, however, does such additional sum of money pass on from the hands by which it is employed in the shape of capital, into those hands by which it is employed in adding to unproductive expenditure, than its operation in the way of making an addition to real wealth is at an end. No sooner does it go in addition to money employed in the purchase of articles for consumption, than its power of producing an addition to the mass of the matter of real wealth is at an end: — thenceforward and for ever it keeps on contributing by its whole amount to the increase of prices, in the same manner as if from the mines it had come in the first instance into an unproductive hand, without passing through any productive one.

In all cases where the addition thus made to wealth is not illusory *in toto*, it is so as to part, and that by far the greater part. Of the proportion between the illusory and the real part of the supposed addition to real wealth, the rise of prices in a country where no fresh money has been poured into unproductive hands, without first passing through a productive hand, is at once a demonstration and a *measure*. So much of the added wealth as *hath not* been accompanied by a counter-vailing addition to wealth, whether it have contributed anything to that addition or no, is over and above that portion which has been solely employed in producing the rise of prices.

Supposing that within the last half century, in the whole commercial world together, wealth has received an increase to the amount of one-fourth, and at the same time prices have doubled, — it follows, that of the money now existing in that world, nearly half has to a certainty been worse than thrown away, having been employed in the imposition of the unproductive income tax above described: — and as to the addition to wealth, it is a matter of uncertainty what part, and even whether any part, has been produced by the addition to money, since without any such addition it might have been produced as well as by it.

In respect of the *ratio* of money to things vendible — of the aggregate of the one, to the aggregate of the other, — the state of things most desirable is — that it should continue the same at all times — no increase at any one time, no decrease at any other.

The tendency of a decrease, if sudden, and to a certain degree considerable, is to produce general bankruptcy: the mass of pecuniary engagements entered into within any given period of time, being grounded of course on the existing ratio of money to things vendible at that time, and not on the supposed suddenly supervening, or any inferior *ratio*. If at any time, the mass of things vendible not being in the same proportion decreased, out of the quantity of money of all kinds habitually in circulation, a portion of any sort, in the supposed degree considerable, be suddenly defalcated, the deficiency must be supplied by some portion of another sort, or something that will be accepted as equivalent, or the supposed general bankruptcy follows of course.*

The tendency of the like decrease, in so far as it is permanent, but too gradual to be productive of general bankruptcy, is — to impose an unproductive income tax, parallel to that above mentioned, but upon a different set of parties — upon all parties charged with annuities, or other fixed payments, on the ground of contracts to which it is not in their power to put an end.

As to an increase in the ratio of money to things vendible, the tendency of it in respect of the unprofitable income tax, by increase of prices of things vendible — by depreciation of money — has been shown above.

So far as addition to money is made in the shape of metallic money, the mischief producible by it is confined to that of the depreciation, as above. So far as it is made in the shape of paper money — consisting in promises of metallic money — the amount of which promises is accordingly exigible in the shape of metallic money, — to the actual mischief of depreciation, is superadded the contingent mischief of general bankruptcy.

When governments add to money by paper money, it is commonly in a non-commercial way: when individuals, singly, or in association, make the like addition, it is most commonly in a commercial way; — though, in a non-commercial way, it is natural that these coiners of money at the public expense — these uncommissioned sovereigns, or unpunishable and irreproachable robbers (for they may be called both or either,) should put off as much of it as they can get anybody to take.

Whether by governments or individuals, it may now be seen at what expense the profit is acquired, and at how much cheaper a rate the end, whatever it be, would be accomplished without any such addition by money drawn out of the old stock.

* This is what governments should consider, when they engage to make payments of money in large masses at once to governments or individuals in foreign countries.

§ 6. *Non-agenda — Broad measures.*

Example 3. Forced reduction of the rate of interest.

Of reducing the rate of interest allowed to be given by individuals for money borrowed of individuals, the principal mischief consists in another sort of unproductive income tax, imposed upon all such individuals whose income arises out of a mass of money lent out at interest to individuals; — the produce of which tax, instead of being paid in to the public treasury for the service of the public, and in lieu of the burthen which would otherwise be to be imposed to the same amount in some other shape, is made over gratis to those whose circumstances oblige them to borrow money, or enable them to borrow it with a profit.

It imposes not, as in the former case, an indirect unproductive income tax, but a direct one. It is not, as in the case of the increase of money, gradual, and in its amount in some measure uncertain and questionable, but sudden and determinate. Reduction from 5 to 4 per cent. would be a tax of exactly 4s. in the pound.

As to the effect in the way intended, it would be purely illusory. To the proportion of money employed in the shape of capital it would make no addition: if by impoverishment it forced some who, by anterior opulence, had been either withholden from trade or withdrawn from it, to embark in trade so much capital as they thus embarked in a trade of their own, so much would they withdraw from the trade of those other traders, to whom otherwise it would have been lent.

Instead of adding to, it would defalcate from the aggregate mass of wealth. Being a tax on money, lent in the shape of capital within the country, it would in effect be a prohibition — prohibiting the keeping it there, and under penalty equal to the amount of the tax. It would have the effect of a bounty on the exportation of it — on the exportation of it to any country where any rate of interest higher than the reduced rate would be to be had.

The expectation that the reduction of interest would produce an addition to the aggregate mass of wealth, is an illusion which has its source in another illusion. Increase of wealth, though not the effect, is apt to be an accompaniment of a reduction in the rate of interest. As capital increases, wealth increases; — and as capital increases, if the effectual demand for capital (for money in the shape of capital) do not increase in so great a proportion, men will not give so high a price for the use of it as they did before. The reduction in this case is the result of *freedom*; and though it do not itself increase wealth, it cannot take place any further than as wealth is increased by other causes. The reduction here contended against is the product of *coercion*: and whenever the illusion prevails, it may be carried into effect at any time, in the

poorest country as well as the richest, in the most declining as well as the most prosperous, accelerating and aggravating the decline.*

The mischief that would be produced by a reduction in the rate of lawful interest, is over and above the constant mischief produced by the fixation of that rate.

§ 7. *Rates of interest — evils of fixation.*

If it be reasonable for legislators to encourage inventive industry by fictitious rewards, it is much more reasonable that they should not oppose obstacles to the productiveness of natural rewards.

The natural reward of inventions, when carried into effect, is the profit to be derived from them in the way of trade. But all trade requires capital. If the inventor have it of his own, it is well; if not, he must seek it from others. Many circumstances, however, conspire to hinder his obtaining it.

Does he endeavour to borrow it, upon what conditions can he hope to find a lender? Upon the ordinary conditions, it is naturally impossible that he should find one. A new undertaking cannot fail of being hazardous, if it were only because it is new. It is therefore necessary to grant to the lender an advantage proportionate to the apparent degree of risk. There are two methods of granting this advantage: the English laws proscribe them both. One method consists in granting interest at a rate superior to the ordinary rate: but this is prohibited by the laws fixing the rate of interest. This prohibition is partly inefficacious, and partly pernicious; that it was altogether useless, would be its greatest eulogium.†

The second method consists in granting a variable interest, proportioned to the profits of the undertaking.‡

* In Ireland, in 1788 or thereabouts, the reduction of the rate of interest from 6 to 5 per cent. was proposed in Parliament as a means of increasing wealth: but though proposed by the administration there, was rejected after a hard struggle. "*The Defence of Usury*," which I sent over at the time, contributed to throw out the measure, as Parnell, then Chancellor of the Exchequer, very good-humouredly acknowledged to me.

† For the proof of these positions, the reader is referred to Mr. Bentham's "*Defence of Usury*," showing the impolicy of the legal restraints upon pecuniary bargains.‡ Inconsistency is the natural companion of laws dictated by narrow views: it is lawful to lend or borrow at any rate of interest in maritime enterprises; as if the pretended dangers and pretended abuses, which render the indefinable evil named usury so much the object of dread, could only exist upon dry land, and depended upon the solidity or fluidity of the element upon which the enterprises were carried on.

‡ In England, a capitalist cannot employ any portion of his capital in trade, without being considered a trader, and, consequently, responsible in the whole extent of his fortune. There is not statute law to this effect, but it is said to be a rule of common law.

In France, there is one branch of commerce at least, in which it is possible to limit the portion of property that one is willing to risk. It is in the business of banking. The sum employed in this manner is said to be *en commandite*. If this liberty be useful in this branch of commerce, why should it not be equally so in every other, and especially in newly-discovered branches, which have so many natural obstacles to overcome, which it is needless to increase by legal interference? This liberty, under certain restrictions for the prevention of monopolies from the unrestrained accumulation of capital, has been established in Ireland. When will England have the wisdom to imitate this example?*

An inventor, therefore, in want of funds can only apply to a tradesman or merchant to enter into partnership with him; but persons engaged in business are those who have the least portion of disposable capital; and as they are enabled to make their own terms, inventive industry is often stifled or oppressed.

Were it lawful for every one to engage in commercial undertakings for a limited amount, how many facilities would be afforded to men of genius! All classes of society would furnish assistance to inventive industry: those who wished to risk only a small sum—those who could annually dispose of a certain sum, would be enabled to engage in this species of lottery, which promised to yield them an interest above the ordinary rate. The most elevated classes might find an amusement in descending into the territories of industry, and there staking a small part of that wealth which they risk upon games of chance. The spirit of gaming, diverted from its pernicious direction, might serve to increase the productive energy of commerce and art.

There are some who are natural enemies to merit of every kind: every conquest achieved by industry in the career of invention, is a loss to them—every discovery an injury. Common-place men have a common interest, which they understand but too well: it is, that all should be common-place like themselves. It is to be regretted that Adam Smith, in his "Wealth of Nations,"—a work which will rise in public estimation in proportion as genius shall be held in honour—should have furnished arms which the adversaries of genius may direct against that work itself. It is to be regretted that, under the odious name of projects, a name applied to the most useful enterprises, even to the moment when they receive the sanction of success, they may there be seen indiscriminately stamped with the seal of opprobrium, and indiscriminately enveloped with contempt.

* This has been partially accomplished by 7 W. IV. & 1 Vict. c. 73, which empowers the crown to limit by patent the responsibility of the partners of trading companies. — *Ed.*

It is not only that he may prevent prodigals from obtaining money, but that he may prevent its reaching the hands of projectors, whom he places with them upon the same level, that he approves of the fixing of the rate of interest upon the footing upon which he found it. "If the legal rate of interest in Great Britain, for example, were fixed so high as 8 or 10 per cent., the greater part of the money which was to be lent, would be lent to prodigals and projectors, who alone would be willing to give this high interest. Sober people, who will give for the use of money no more than a part of what they are likely to make by the use of it, would not venture into the competition. A great part of the capital of the country would thus be kept out of the hands which were most likely to make a profitable and advantageous use of it, and thrown into those which were most likely to waste and destroy it. Where the legal rate of interest, on the contrary, is fixed but a very little above the lowest market rate, sober people are universally preferred as borrowers, to prodigals and projectors. The person who lends money gets nearly as much interest from the former as he dares to take from the latter, and his money is much safer in the hands of the one set of people, than in those of the other."†

This is not the only passage in which this author attacks projectors (see b. i. ch. iv. ;) but it is here that he attacks them more directly; whilst as to *prodigals*, it has been elsewhere shown that it is not to them that money is lent, or that any are willing to lend at extraordinary interest. Friends will either not lend at all, or will lend at the ordinary rate. Strangers will only lend, to those who are without industry, upon security. But he who has security to offer, has no need to give a halfpenny more, because he is a prodigal: it is upon his security that the money will be lent, and not upon his character. Whether the security offered be present or future, certain or contingent, produces no difference: a future or contingent security, by means of a valuation, becomes as good a pledge as if it were present or certain. In a word, if money be lent upon the industry of the borrower, it is lent not to a prodigal, but to a projector. It is therefore upon the latter class alone, that the burthen of these prohibitory laws presses.

An opinion which derives all its force from the authority of the individual who publishes it, cannot be better combated than by that authority itself.

1. The prosperity of England has been progressive, ever since the number of projectors has been not only in an uninterrupted, but in an accelerated state of increase; — 2. The

† Wealth of Nations, b. ii. ch. 4.

aggregate of the good economy has always been greater than the aggregate of the bad; — 3. With respect to commerce, each individual is a better judge of his own interests than government can be for him; — and 4. General laws must be much more defective with respect to commercial regulations. The members of a government may take notice of particular cases, but general laws can never regard them.

These are the general propositions of the work of Adam Smith; — truths precious and irrefragable, which no one has more successfully laboured to unfold than this illustrious politician. But if these principles are followed out, no laws ought to exist for the restraint of projectors, and for preventing them from obtaining loans of the capital of which they stand in need.

The censure which condemns projectors, falls upon every species of new industry. It is a general attack upon the improvement of the arts and sciences. Everything which is *routine* to-day was originally a *project*;* every manufacture, how *old* soever it may be, was once *new*; and when new, it was the production of that *mischievous* and bold race who ought to be destroyed—the race of projectors!

I know not what can be replied to this, unless it be said that the past projects have been useful, but that all future projects will not be so. Such an assertion would, however, require proof, strong in proportion to its opposition to general opinion. In every career, experience is considered as worth something. The warning to be derived from past failures may contribute to future security, if not to success.

Were it even proved that no projector ever engaged in a new branch of industry without being ruined, it would not be proper to conclude that the spirit of invention and of projects ought to be discouraged. Each projector, in ruining himself, may have opened a new path, by which others may have attained to wealth. So soon as a new die, more brilliant or more economical than the old ones, a new machine, or a new practice in agriculture,—has been discovered, a thousand dyers, ten thousand mechanicians, a hundred thousand agriculturists, may reap the benefit: and then—though the original author of the invention have been ruined in the bringing the discovery to perfection—as it respects the national wealth, of what consequence is this, when considered as the price of so much gain?

That restrictions of this nature are inefficacious, has been successfully shown by Adam Smith himself.* But if inefficacious, this is sufficient reason for their condemnation: unless they effect the purpose designed, they are positively mischievous.

They tend, in the first place, to drive away

* See b. i. ch. ix.

useful projectors. I do not say that they drive away all: had that been the case, we should not have attained our present degree of prosperity. But they drive away a part: unhappily, we cannot know what part, nor how great a part of their number. The talent required for operating upon matter, or directing the powers of nature, is extremely different from that required for operating upon the mind—the talent of meditating in a study, and thereby making discoveries, from that requisite for making known those discoveries to the world. The chance of success in the career of invention is in proportion to the talent of the individual; the chance of obtaining a loan of capital from another to make an invention productive, is in proportion to his reputation. But this latter, far from being in direct, is naturally in inverse proportion with the former. The more unaccustomed an individual is to society, the greater his dread of mingling in it, the less is he at his ease—the less is he master of his faculties, when he is obliged to mingle with it. The effect produced upon the mind of the individual who has, or who supposes that he has, made a great discovery, is a mixture of pride and timidity, both which feelings concur in alienating the minds of men, and diminishing the probability of success in every enterprise, inasmuch as it may depend upon the degree in which such individual succeeds in rendering himself and his projects estimable in the eyes of others. This pride has for its cause the superiority which he believes himself to possess above them; this timidity is caused by the faint hope he possesses of making them sensible of this superiority. But though pride united with courage is one of the most powerful means of subjugating men, pride united with timidity is one of the most certain causes of exposure to their aversion and contempt. That disposition, which under the name of modesty is so much praised as a companion well adapted to the introduction of true merit, and which is so necessary when inferiority of situation will not allow the employment of boldness in the service, is not true timidity, but skill which has learnt to assume this appearance; it is skill, which to strength, and consciousness of that strength, unites the knowledge of when, and how, and in what sense, and in what proportion, this strength ought to be displayed, for the most favourable exhibition of its pretensions; and when, and how, and in what sense, it ought to be hidden, that the protector whose assistance is desired, may enjoy the feeling of his own superiority. If ever timidity has effected anything at the expense of that assurance which assumes its appearance, it has been when allied with beauty, which causes everything to be forgiven, and which nothing can resist. Separated from this powerful protec-

trix, it labours in grief, in darkness, in awkwardness, embarrassment, and false shame—the bugbears of love and of esteem, but the frequent and afflictive companions, and most cruel enemies, of merit and solitary genius.

Not to speak of the obstacles which oppose the progress of an inventor incumbered with his projects and his wants, before he reaches the anti-chamber of the rich, or the noble, whom it may be necessary to persuade—suppose these obstacles overcome, and that he is admitted to their presence; how will the poor inventor, the necessitous man of genius, behave when he has arrived there? Oftentimes he will lose his presence of mind, forget what he was about to say, stammer out some unconnected propositions; and finding himself despised, indignant that his merit should be thus treated, he will retire, resolving never again to expose himself to such an adventure. And even when he is not devoid of courage, there is nothing more different, though in certain points the connexion may appear most intimate, than the talent of conceiving new ideas of certain kinds, and the talent of developing these same ideas. Altogether occupied with the idea itself, the inventor is most frequently incapable of directing his attention to all the accessories which must be re-united before his invention can be understood and approved: his attention being entirely occupied with what is passing in his own mind, he is incapable of attending to what passes in the minds of others—in capable of arranging and directing his operations, so that he may make the most favourable impression upon them.

Thus the ingenious philosopher, who has delivered the most excellent instructions respecting the art of developing the thoughts of others, and who possessed in so perfect a degree the talent of developing his own, well knew how necessary it was, that in every career of inventor—except that of eloquence, minds should be attended by an accoucheur. How many difficulties did not Diderot experience in effecting this development—he who possessed this talent in so excellent a degree—where the two parties were agreed, had a common interest, and were equally well disposed! How numerous were the difficulties experienced by the ingenious artists of every description to whom he applied, in making him comprehend the fruits of their studies, when they had for their interpreter the man the most capable and the best disposed to understand them! How much more difficult would they have found it, had they been applicants for the assistance necessary to render their projects available to a rich ignoramus, filled with the idea of the necessity which existed for his assistance, and puffed up with that pride which commonly accompanies wealth, when unattended by that politeness

which education teaches, and full of that distrust which a poor projector cannot fail to inspire in the mind of an individual favoured with the gifts of fortune!

Should the inventor succeed in making his plan understood, he will still find it difficult to make the interest of the capitalist accord with his desires: it is in this respect that the prohibition displays its mischievous qualities. How shall the poor inventor dare to propose a loan at the ordinary rate of interest? This rate may at all times be obtained without risk: where, then, would be the advantage to the capitalist in such a bargain? Is it possible that it could be otherwise than disadvantageous to him? A loan at the ordinary rate of interest cannot be hoped for; it is only to a most intimate friend that such a loan would be granted. Deprived of this resource, how shall he dare to propose to the individual whose assistance he seeks, to expose himself to the rigour of the laws? Scarcely daring to ask for the assistance he needs, upon the most secure and unexceptionable conditions, how shall he propose conditions which the laws consider criminal? Whilst there are laws against usury, it may be said, there will still be usury. Yes, and whilst there are laws against theft, there will still be thieves: does it follow that the laws which forbid theft are without effect, and that theft is as common as if these laws did not exist?

In the same proportion as the tendency of these prohibitory laws is unfavourable to true merit in the career of invention, is it favourable to the cheat which assumes the appearance of merit, were it only by the advantage given to imposture, by preventing merit from entering into the competition. The essential requisite is not merit, but the gift of persuasion: this gift most naturally belongs to the superficial man, who knows the world, half enthusiast and half rogue; and not to the studious and laborious individual, who is only acquainted with the abstract subjects of his studies. It is true, that at all times truth possesses powerful advantages; but these advantages are less in proportion as the career to which it relates is more removed from the ordinary routine, respecting which ordinary minds are capable of forming a judgment upon what is presented to them. It has therefore happened, that of all projectors, those have been treated with the greatest confidence, whose projects are now known to have been founded upon no basis of truth. Were it possible to ascertain the amount furnished under the existing laws against usury by capitalists, to the authors of useful and practicable projects, it would most probably be found less than the amount which in the same space of time has been drawn by the professors of alchemy from the avaricious credulity of the ignorant or half learned.

Truth possesses, however, this advantage over error of every kind: it will ultimately prevail, how frequent or how deplorable soever may have been the disgraces it has undergone. This error respecting prohibitory laws is nearly discredited—this source of delusion is nearly closed for ever. As the world advances, the snares, the traps, the pitfalls, which inexperience has found in the path of inventive industry, will be filled up by the fortunes and the minds of those who have fallen into them and been ruined. In this, as in every other career, the ages gone by have been the forlorn hope, which has received for those who follow them the blows of fortune. There is not one reason for hoping less well of future projects than of those which are passed; but here is *one* for hoping better.

The more closely the reasons, on account of which Adam Smith would have desired to discourage projectors, are examined, the more astonishing it appears that he should have so widely deviated from the principles he had himself laid down. It is probable that his imagination had been pre-occupied with the idea of certain incautious or dishonest projectors, the history of whose proceedings had fallen under his own observation, and that he had a little too promptly taken these few individuals as exact models of the whole race. To preserve himself from the error of too hasty and indiscriminate generalizations, never to allow any proposition to escape without having made all the reservations necessary to confine it within the limits of the exact truth, is the last boundary, and even now the ideal boundary, of human wisdom.*

Nothing would more contribute to the preliminary separation of useless from useful projects, and to secure the labourers in the hazardous routes of invention from failure, than a good treatise upon projects in general. It would form a suitable appendix to the judicious and philosophical work of the Abbé Condillac upon Systems. What this is in matters of theory, the other would be in matters of practice. The execution of such a work might be promoted by the proposal of a liberal reward for the most instructive work of this kind.

A survey might be made of the different branches of human knowledge; and what each presents as most remarkable in this respect might be brought to view. Chemistry has its philosopher's stone; medicine its universal panacea; mechanics its perpetual motion;

* Adam Smith, after having read the letter upon *Projects*, which was addressed to him, and printed at the end of the first edition of "*The Defence of Usury*," declared to a gentleman, the common friend of the two authors, that he had been deceived. With the tidings of his death, Mr. Bentham received a copy of his works, which had been sent to him as a token of esteem,

politics, and particularly that part which regards finance, its method of liquidating, without funds and without injustice, national debts. Under each head of error, the insuperable obstacles presented by the nature of things to the success of any such scheme, and the illusions which may operate upon the human mind to hide the obstacles, or to nourish the expectation of seeing them surmounted, might be pointed out.

Above all, dishonest projectors, impostors of every kind, ought to be depicted;—the qualities of mind and character which they possess in common should be described; their volubility, their rapidity; that lightness, natural or affected, with which they treat the arguments opposed to them; that manner which they have, and which for the accomplishment of their ends it is necessary they should have, of declaiming, instead of analyzing and reasoning—of flying off in tangents when they are pressed—of giving birth to incidents—of pretending to be tired with the species of opposition they experience—of attaching themselves to the manner in which questions and doubts, or arguments, are proposed to them, instead of to the foundations of things themselves—of complaining of the prejudices which they pretend are experienced against them—and in quitting the ground under those circumstances, in which, if they were sincere, it would be most proper for them to maintain themselves there.

But throughout the whole work, that tone of malignity which seems to triumph in the disgraces of genius, and which seeks to envelope wise, useful, and successful projects, in the contempt and ridicule with which useless and rash projects are justly covered, should be guarded against. Such is the character, for example, of the works of the splenetic Swift. Under the pretence of ridiculing projectors, he seeks to deliver up to the contempt of the ignorant, the sciences themselves. They were hateful in his eyes on two accounts: the one, because he was unacquainted with them; the other, because they were the work, and the glorious work, of that race which he hated ever since he had lost the hope of governing part of it.

The projectors who seek to deceive ought to be unmasked—those who are deceived, to be instructed: the interests of science and justice equally demand that they should be distinguished. I cannot discern what purpose ridicule can serve, if it be not to conform the distinction between useless and useful projectors.

In conclusion, some general counsels might be added for the use of those who, little versed in the fundamental sciences in which the respective projects take their rise, may find themselves in a situation to be addressed by the author of a project, with the design of

obtaining their assistance. In effect, it is true that the whole work would be a collection of more or less approved counsels; but in making the recapitulation, some general remarks might be added, which would not have been suitable elsewhere, but which might be particularly useful here. They might, for example, be advised to apply to those learned individuals who would be able to supply their ignorance; the class of learned men who ought to be found competent judges in each department might be pointed out; instructions might be furnished, to enable them to judge of the counsels of the judges themselves, by warning them of the interests and prejudices, to the seduction of which these judges may themselves be exposed.

§ 8. *Non-agenda — Broad measures.*

Example 4. Increasing land — viz. by colonization.

Land is worth nothing, but in proportion as labour is applied to it. Land at a distance is worth less than land at home, by the amount of all the distance. Of the mass of labour which is employed in adding to real wealth, no inconsiderable portion is employed in lessening the expense of carriage — in reducing the expense of carriage from a great distance, to a level with the expense of carriage from a less distance. If it could be done without destruction to existing capital, and above all without vexation, and destruction of security of property, wealth might be increased by taking the existing population, and transplanting it from greater distances with reference to the metropolis, to lesser distances.

Land newly acquired, especially in the way of colonization, is acquired at a greater distance. The foundation of a colony is an introductory expense, — the government of it a continual standing expense, — war for the defence of it an occasional one. All this requires money: and money is not to be had for these expenses but from taxes. To the mother-country, the positive profit from a colony is equal to 0; the negative profit, the loss — the defalcation from national wealth — is equal to the amount of such taxes.*

* When, at the expense of a war which has cost a hundred millions of money, and in which a hundred thousand lives have been sacrificed, England has got a new colony, — whatever portion of wealth in the shape of capital is transferred to the new spot, the Englishman considers as created. For a few negative hundred thousands a-year, he looks upon the positive hundred millions as well bestowed. On the strength of this negative increase in opulence, the Englishman increases in insolence; the German envies him; the Frenchman would devour him; — and thus it is that wars are never to have an end.

It is true, that by the export of capital, a check is applied to the virtual income tax imposed upon fixed incomists by the reduction effected in the rate of interest by the continually

When an excess of population in relation to territory exists or is foreseen, colonization is a very proper measure. As a means of increasing the general wealth of a country, or of increasing the revenue of the mother-country, it is a very improper measure. All the common ideas upon this subject are founded in illusions.

That colonies add to the general wealth of the world, is what cannot be doubted; for if labour be necessary to production, land is no less so. The soil also of many colonies, independently of what it annually produces, is rich in raw materials, which only require that they should be extracted and carried away, to give them value. But this wealth belongs to the colonists — to those who occupy the land, and not to the mother country.

When first established, colonies are not in a condition to pay taxes: in the end, they will not pay them. In order to establish them — to protect them — to keep them in dependence, expense is required; — and all these expenses must be discharged by taxes levied upon the mother-country.

Colonization requires an immediate expense — an actual loss of wealth, for a future profit — for a contingent gain. The capital which is carried away for the improvement of the land in the colonies, had it been employed in the mother-country, would have added to its increasing wealth, as well as to its population, and to the means of its defence; whilst, as to the produce of the colonies, only a small part ever reaches the mother-country.

If colonization be a folly when employed as a means of enrichment, it is at least an agreeable folly. New enjoyments, inasmuch as enjoyments depend upon the novelty and variety of objects, result from it. The substitution of sugar for honey — of tea, coffee, and chocolate, for the beer and meat which composed the breakfast of maids of honour in the reign of Elizabeth — the indigo which varies our dyes — the cochineal which furnishes the most brilliant scarlet — the mahogany which ornaments our apartments — the vessels of gold and silver which decorate our tables, — are all sources of enjoyment, and the pleasure which results from these objects of luxury is in part the profit of colonization; whilst the medicinal and nutritive plants which have been received from the colonies, in particular bark and potatoes, are possessed of much superior utility.

Novelty and variety, in respect of means of enjoyment, add nothing to the quantity of wealth, which remains as it was, if the old

increasing ratio of that part of the mass of money which is employed in the shape of *capital*, to the remainder which is employed in the shape of expenditure of income, but this is a good which is effected without being intended to be done.

productions are supplanted by the new ones. It is thus also with new fruits, new flowers, new colours, new clothes, new furniture, if the new supplant the old. But as novelty and variety are sources of pleasure, in proportion as they are increased, wealth increases also, if not in quantity, at least in value. And if these new wants are incentives to new labour, a positive increase of real wealth results from them.

These advantages, such as they are, can only be derived from a colony situated in a climate whose productions cannot be naturalized in the mother-country; whilst, as to the mines of Mexico and Potosi, their effect has been to add to the quantity of vessels composed of the precious metals, and to the quantity of coin. The addition to the vessels increases the amount of real wealth — the addition to the coin has all been lost: the new mass of gold and silver has had no other effect than to depreciate the old, and to diminish, in the same proportion, the value of all pecuniary revenues, without adding to the amount of real capital or future wealth.

However, in taking all interests into the calculation, it is certain that the welfare of mankind has been increased by the establishment of colonies. There can be no doubt on this subject, in respect to the nations who by degrees have become established there, and who owe their existence to colonization. The mother-countries also have themselves gained in happiness in another point of view. Let us take England, for example. According to the progress which population has made during the last century, it may be supposed that it would soon have attained its extreme limits — that is to say, that it would have exceeded the ordinary means of subsistence, if the superabundance had not found means of discharging itself in these new countries. But a long time before population has reached these limits, there will be a great diminution of relative opulence, a painful feeling of general poverty and distress, a superabundance of men in all the laborious classes, and a mischievous rivalry in offering their labour at the lowest price.

For the benefit of mankind at large, it is desirable that the offsets which are to be employed as new plants should be taken from the most healthy stocks and the most flourishing roots; that the people who go forth to colonize unoccupied lands, should go forth from the nation whose political constitution is most favourable to the security of individuals; that the new colonies should be swarms from the most industrious hive; and that their education should have formed them to those habits of frugality and labour which are necessary to make transplanted families succeed.

It may often be advantageous for colonies to remain a long time under the government

of the mother-country, provided always that such government be what it ought to be.

It would, without doubt, have been advantageous to Egypt to have remained under the government of Great Britain — a government which would have bestowed upon it peace, security, the fine arts, and the enjoyment of the magnificent gifts which nature has lavished upon it. But in respect to wealth, the possession of Egypt, far from being advantageous to England, would have proved only a burthen.

I hear a universal cry raised against this paradox. So many profound politicians, divided upon every other point, are unanimous upon the importance of colonies, — are they only agreed that they may fall into an error? So many merchants, — have they deceived themselves in so simple a calculation as that of the profit or loss of colonial commerce? The experience of two or three centuries, — has it not opened the eyes of governments? would it not be extraordinary that they should still obstinately sustain the enormous weight of these distant establishments, if their advantages were not clear and manifest?

I might reply, that a long train of alchemists, after all the misfortunes of their predecessors, long continued obstinately to seek after the philosopher's stone, and that this great work yet has its partisans; — I might reply, that many nations in the East have, during many ages, been governed by astrology; — I might enumerate a long list of errors which have misled both governments and people. But a question of this nature ought not to be obscured by declamation. He who alleges the number of partisans by which a system is supported, instead of supporting it by proofs, desires to intimidate, and not to convince his adversary. Let us examine all the arguments by which the advantages of colonies, in respect of wealth, have been endeavoured to be proved: we shall not find a single one which is not in opposition to the most firmly established principles of political economy.

I. The wealth of the colonies is poured into the mother-country: it is brought thither by commerce; it consequently animates manufactures, and they support the large towns: the prosperity of Bordeaux, for example, is one proof; its wealth depends upon its trade with the West Indies.

This reasoning proves nothing in favour of a system of colonies: there is no necessity for governing or possessing any island, in order that we may sell merchandise there. The inhabitants of the Antilles stand in need of the productions of England and France: were they independent states, it would still be necessary that they should buy them: during their state of dependence, what can they do more? They will not give their sugars to the

mother-country; they exchange them for corn and cloth. Those who supply these commodities, if they had not sold them to these parties, would have sold them to others. Suppose that the inhabitants of St. Domingo, in place of buying their corn in France, were to buy it in England; France would lose nothing, because, on the whole, the consumption of corn would not be less: England having supplied St. Domingo, would not be able to supply other countries, which would be obliged to supply themselves from France.

Trade is in proportion to capital. This is the principle: the total amount of trade in each country is always in proportion to the capital which each country possesses. I am a merchant;—I have a capital of £10,000 employed in commerce. Suppose Spanish America were opened to me, could I, with my £10,000, carry on a greater trade than I do at present? Suppose the West Indies were shut against me, would my £10,000 become useless in my hands? should I not be able to apply them to some other foreign trade, or to make them useful in the interior of the country, or to employ them in some enterprise of domestic agriculture? It is thus that capital always preserves its value: the trade to which it gives birth may change its form or its direction, may flow in different channels, may be directed upon one manufacture or another, upon foreign or domestic undertakings; but the final result is, that these productive capitals always produce; and they produce the same quantity, the same value, or at least the difference does not deserve attention.

It is therefore the *quantity of capital* which determines the quantity of trade, and not the *extent of the market*, as has been generally believed. Open a new market,—the quantity of trade will not, unless by some accidental circumstance, be increased: shut up an old market,—the quantity of trade will not be diminished, unless by accident, and only for a moment.

Should the new market be more advantageous than the old ones, in this case the profit will be greater—the trade may become more extended; but the existence of this extra profit is always supposed but never proved.*

The mistake consists in representing all

* Bryan Edwards, in his *History of the West Indies*, even in exaggerating the utility of colonies, does not suppose the rate of profit upon capitals employed in the plantations greater than seven per cent., whilst it is fifteen per cent. upon capital employed in the mother-country.*

* This fifteen per cent. was taken from one of the finance pamphlets of Treasury Secretary Rose. Some years before, to a question put by me to the late Sir Francis Baring, the answer was, six per cent. This meant, of course, over and above interest, then at five per cent.—*Communicated by the Author.*

the profit of a new trade as so much added to the amount of national profit, without considering that the same capital employed in any other branch of trade would not have been unproductive. People suppose themselves to have created, when they have only transferred. A minister pompously boasts of certain new acquisitions, certain establishments upon far distant shores; and if the adventures which have been made have yielded a million of profit, for example, he does not fail to believe that he has opened a new source of national wealth; he supposes that this million of profit would not have existed without him, whilst he may have occasioned a loss: he will have done so, if the capital employed in this new trade have only yielded ten per cent., and that employed in the ordinary trade have yielded twelve.

The answer to this first objection may be reduced to two points:—1. That the possession of colonies is not necessary to the carrying on of trade with them; 2. That even when trade is not carried on with the colonies, the capital which such trade would have required, will be applied as productively to other undertakings.

II. The advocates of the colonial system would consider the above answer extremely weak: they see in this commerce two circumstances which render it more advantageous than that which is carried on with free nations.

“We established,” say they, “a double monopoly against the colonist: first, the monopoly of their productions, which we permit them to sell to us alone, and which we thus obtain from them at the lowest price;—secondly, the monopoly of their purchases, which we oblige them to make among ourselves, so that we are able to sell our produce and manufactures to them at a dearer rate than we could to a free people, among whom, other nations would enter into competition with us.”

Let us examine the effect of these two monopolies separately.

1. You prevent your colonies from selling their productions to any but yourselves; but you cannot oblige them to cultivate their lands, or to manufacture at a loss. There is a natural price for every commodity, determined by the average rate of profit in commerce in general. If the cultivator cannot obtain this natural price, he will not continue to cultivate; he will apply his capital to other undertakings. The monopoly may produce a forced reduction of price for a time; but the colonist will not continue to cultivate sugar, if he lose by its cultivation instead of gaining. It is therefore impossible for this monopoly to produce a constant reduction of the price of commodities below their natural price; whilst free competition is sufficient to reduce them; and keep them at this natural price. The

high price which you wish to remedy by the monopoly is an evil which will cure itself. Large profits in any one branch of trade will draw thither a large number of competitors: all merchants are rivals, and their rivalry naturally produces a reduction of price, till the rate of profit in each particular branch of trade be upon a level with all others.

2. You may oblige your colonist to buy everything of you; but the advantage you expect to derive from this exclusive commerce is deceptive.

If it respect commodities and manufactures, which, owing to a natural superiority, you are enabled to furnish of better quality and at a lower price than foreigners, it is clear that, without monopoly, your colonists would rather buy them of you than of others. The monopoly will not enable you to sell them at a higher price; your merchants, being all in a state of competition with each other, naturally seek to supplant each other by offering their goods at the lowest price possible.

While as to the productions and other articles which you are not able to furnish them upon terms equally favourable with foreigners, it is certain that, without the monopoly, your colonists will not buy them of you. Ought we to conclude, that the monopoly will be advantageous to you? Not in the least: the nation in general will gain nothing. It will only follow, that a species of industry will be cultivated among you, which does not naturally suit you; that bad commodities will be produced, and bad manufactures carried on.

The monopoly is similar to a reward bestowed by government for the maintenance of manufactures inferior to those of other nations. If this monopoly did not exist, the same capital would be applied to other species of industry in which you have a decided advantage. Instead of losing by this arrangement, you will gain a more stable prosperity; since the manufactures which cannot be maintained but by forced means are exposed to a thousand vicissitudes. Observe further, that this monopoly is burthened with a counter-monopoly. It is not permitted to you to purchase productions similar to those of your colonies, when you find them elsewhere at a lower price: in compensation for the restraint you impose upon your colonies, you impose one upon yourselves. If they can buy only of you, you can buy only of them. How many inconveniences result from this! When the harvest has been deficient in your colonies, you are not able to supply yourselves from those places where the season has been more favourable; in the midst of abundance, you are suffering from dearth. The monopoly has no effect in lowering the price of commodities; but the counter-monopoly is certain occasionally to produce extraordinarily high prices.

III. The partisans of the colonial system consider colonies under another point of view—the advantage they produce to the revenue. *The taxes levied upon the commerce of the colonies, whether upon importation or upon exportation, produce a revenue which would cease, or be much diminished, if they were independent.*

The taxes levied upon the commerce with the colonies may produce a considerable amount. But if they were free, would they carry on no commerce? Could not this commerce be taxed?—could it not be taxed as heavily as smuggling would permit? England levies taxes upon its commerce with France; France levies taxes upon its commerce with England. The possession of colonies is not necessary to the levying of taxes upon the commerce carried on with them.

I do not repeat here, that your taxes upon the articles of their production, and upon those of your importation from the colonies, are taxes of which you pay every farthing yourself: this has already been demonstrated. What you make the colonies to pay, are only the taxes upon your exportations to them.

I allow that you may thus gain more from your colonies than you would be able to gain from foreign nations; since the foreigners can quit your market when they please, if they cannot obtain among you certain articles so cheap as from others: you are therefore obliged to humour them. But your own subjects, obliged to supply themselves from you, are obliged to submit: you keep them in a prison, and you can put what price you please upon their existence.

An advantage, however, of this nature can only be deceptive. When you have made a prison of your colonies, it is necessary to keep all the doors carefully shut: you have to strive against the Proteus of smuggling; fleets are necessary to blockade their ports, armies to restrain a discontented people, courts of justice to punish the refractory. How enormous are the expenses to be deducted, before this forced commerce will yield a net revenue!

To the amount of the expenses of peace, add that of a single armament—of a single war, and you will perceive, that dependent colonies cost much to the mother-country, and never yield an equal return; that, far from contributing to the strength of a state, they are always its weak and vulnerable points; that they keep up among maritime nations continual jealousy; and that thus the people in France, and in England, are subjected to heavy taxes, which have no other effect than to render the productions of the colonies dearer than if they were free.

To these considerations opposed to the colonial system, drawn from political economy, many others may be added, derived from justice and humanity. This system is

often mischievous to the people submitted to it; government is almost always, as it respects them, in a state either of jealousy or indifference: they are either neglected or pillaged—they are made places of banishment for the reception of the vilest part of society, or places to be pillaged by minions and favourites, whom it is considered desirable suddenly to enrich. The sovereign, at two thousand leagues distance from his subjects, can be acquainted neither with their wants, their interests, their manners, nor their character. Their most legitimate and weighty complaints, weakened by reason of distance, stripped of everything which might excite sensibility—of the pride of power, are delivered without defence into the cabinet of the prince, to the most insidious interpretations, to the most unfaithful representations: the colonists are still too happy, if their demand of justice be not construed into a crime, and if their most moderate remonstrances are not punished as acts of rebellion. In a word, little is cared for their affection—nothing is feared for their resentment—and their despair is contemned. The most violent procedures are easily disguised under an appearance of necessity, and the best intentions will not always suffice to prevent the sacrifice of the public to private interests.

If we proceed to consider the situation of colonies in detail, we shall not fail to be struck with its disadvantages. Have the colonists any lawsuits in their mother-country? Their witnesses must cross the seas; they are at the mercy of their agents; years glide away, and the expenses of justice continually accumulate. Is there danger of a revolt? are they threatened by an enemy? Succours arrive when the mischief is done: the remedy oftentimes proves an additional calamity. Do they want food? Famine has laid waste the country before the mother-country has been apprised of their necessities.

These are not mere assertions: they are borne out by a faithful summary of the history of every colony. It is tragical, even to horror! The evils suffered in these establishments, from the ignorance, the weakness, or the insensibility of European governments, exceed everything which can be imagined. When we consider the multitude of men destroyed, the fleets lost, the treasures swallowed up, the establishments pillaged—we are astonished to hear colonies spoken of as a means of enrichment. The natural development of their fruitfulness, and of their industry, has been retarded for ages; they have been covered a thousand times with ruins; nations have impoverished themselves, that they might hold them in servitude, when they might have been sharers in their wealth by leaving to them the enjoyment of the benefits of liberty.

There are many arguments which prove the inutility of their dependence. North America presents a striking fact which ought to enlighten Europe. Has the trade of England diminished, since her former subjects became free? Since she lost these immense possessions, has she exhibited any symptoms of decay?—has she had fewer sailors?—has her maritime power been weakened? She has found a new source of wealth in the independence of the United States. The emancipation of this great country has carried thither a greater number of men, more capital, and more industry. Great Britain, relieved from the expense of defence and government, has carried on a more advantageous commerce with a more numerous and wealthy people; and it is thus that everything concurs in proving, that the prosperity of a nation is a benefit in which all others participate, every one in proportion to his means; and that the colonial system is hurtful to Europeans, only because it is hurtful to the colonies.

Let us, however, see the consequences which we ought to draw from these data.

1. Ought we not to form any colonial establishment? Certainly not with the intention of enriching the mother-country: it is always a certain expense, for a contingent and far distant profit. But we have seen that, as a means of relieving the population—of preventing its excess, by providing a vent for those who find themselves overburthened upon their native soil, colonization offers an advantageous resource; and when it is well conducted, and free from any regulations which may hinder its prosperity, there may result from it a few people, with whom we shall possess all the connexions of language, of social habits, of natural and political ties.

2. Ought colonies already possessed to be emancipated? Yes, certainly; if we only consider the saving of the expenses of their government, and the superior advantages of a free commerce. But it is necessary to examine what is due to colonial establishments—to a family which has been created, and which ought not to be abandoned. Can they maintain themselves? Will not their internal tranquillity be interrupted? Will not one class of the inhabitants be sacrificed to another? for example, the free men to the slaves, or the slaves to the free men? Is it not necessary that they should be protected and directed, in their condition of comparative weakness and ignorance? Is not their present state of dependence their safeguard against anarchy, murder, and pillage? Such are the points of view under which this question ought to be considered.

When we shall have ceased to consider colonies with the greedy eyes of fiscality, the greater number of these inconveniences will cease of themselves. Let governments lay

aside all false mercantile notions, and all jealousy of their subjects, and everything which renders their yoke burthensome will fall at once: there will no longer be any reason to fear hostile dispositions and wars for independence. If wisdom alone were listened to, the ordinary object of contention would be reversed—the mother-country would desire to see her children powerful, that they might become free, and the colonies which fear the loss of that tutelary authority which gave them internal tranquillity and security against external foes.

§ 9. *Non-agenda*—*Narrow measures.*

General Observations.—Given in the shape of money, encouragements (so called,) special encouragements, though they miss the good they aim at in the shape of special encouragement, produce, in the shape of general encouragement, another good which they do not aim at—the addition made, as above, by forced frugality at the expense of justice.

Given otherwise than in the shape of money—given by discouragements applied to rival branches—they make no addition to wealth: by forced frugality, and therefore make no addition at all to wealth. Discouragements to the import, and thence to the production of foreign goods, are discouragements to the export, and thence to the production, of the home goods that would have been taken by the foreigners in exchange for their goods.

Of the favour shown to home goods in comparison with foreign goods, what is the result? That, in each country, men get their commodities either not so good, or not so cheap, and thence not in such plenty as they would otherwise. Such not only is the result of all these conflicting operations, on the part of all nations taken together, but, to the extent of the operation, would be so in each, even if there were no such retaliation anywhere else.

Giving birth or increase to this or that particular branch of productive industry, under the notion of giving an increase thereby to the aggregate of the national mass of wealth, is either useless or mischievous.

The aggregate mass of money employed in the shape of productive capital, will, in all branches of industry taken together, be productive of so much per cent. upon the amount of it—say 15 per cent., or more or less, according to the average rate of profit upon stock in the country in question, which is in the inverse ratio of that portion of the mass of money in circulation, which is employed within the year in the shape of productive capital, to that portion of it which is employed, as money is employed, by a man who is said to spend his income.*

* Each being multiplied by the number of

If in one of these branches the rate of profit be greater than in others—in the one 16 per cent. for example, in the others but 15—the greater the portion of capital employed in this most productive branch, in preference to the other less productive ones, the greater the annual addition to the aggregate mass of national wealth. But so long as they do but know which of all the branches open to them is most productive, individuals that have unengaged pecuniary capital to employ, are already as completely disposed to employ it in this most profitable branch, as all the exertions that can be employed by government can make them be.†

When, by the exertions of government, a mass of capital, which otherwise would have gone into a branch of productive industry producing but 15 per cent., is directed into a branch producing 16 per cent., the profit by these exertions is not the 16 per cent., but the difference between that and the 15 per cent., viz. the one per cent. It is for the 16 per cent., however, and not the 1 per cent., that credit is commonly taken by those statesmen who go to market for glory with the merit of affording encouragement to trade: and if 10 per cent. be the profit upon stock in the new branch, the whole 10 per cent. is taken credit for as profit by the measure, though 5 per cent. less have been the real fruit of it.

It is for the encouragement or creation of particular branches of trade or industry that statesmen have founded and defended, and conquered or attempted to conquer colonies. It is for the sake of colonies, more than for anything else, that governments have been at the expense of a marine: and reciprocally for the sake of a marine that they have established or defended colonies. In Europe, those who are governed pay for the expense: in America, it is become a principle that those

times it has been employed within the year in making the purchases of which ultimate prices are composed.

† It may, however, happen in some instances, that a branch of industry, which if pursued would be more profitable than any other, requires a mass of capital of such magnitude as individuals separately taken, or in small numbers, are not able to raise. But where this happens, it can only be in consequence of positive regulation of government, which in contemplation of the mischief apprehended from overgrown masses of capital, in certain cases forbids, limits, or seeks to limit, the quantity of capital that shall be applied under one management to any branch of industry,—by limiting the number of individuals who shall be allowed to contribute to it,—or by not suffering a man to embark in trade any part of his property without embarking the whole. In giving an encouragement in this shape, government does little or nothing more than remove obstacles of its own creating, and the good it does, if any, is done at no expense.

who govern should pay the expense. It is in Hindostan alone, that men pay in wealth for that security which before they never knew: a better bargain on both sides was never made. Ambition, always blind, stumbles sometimes upon profit — sometimes upon a loss, at the command of chance. Man is always ready to govern, no matter what the terms.

Divide productive industry into any number of branches, — for instance four, as with Adam Smith: — husbandry, including mines and fishing; manufactures for home consumption; manufactures for foreign consumption; and carrying trade. Every encouragement afforded to any one of the four branches operates to the amount in discouragement of all the others. If, however, the encouragement be given in the shape of capital granted or lent, it will make an addition, to the amount of it, to the aggregate of real capital, and thence, to the amount of a per centage upon that capital, to the annual aggregate of growing wealth. But the addition thus made to wealth will depend for its magnitude, not on the choice made of the branch of industry, unless as to an extremely minute part of it, but on the addition made to the productive capital of the community at the expense of its income. A mode that would bid as fair for disposing of the money to the best advantage, would be to let a certain number of commercial men draw lots for the money, with liberty to apply it each in his own way. But what, again, would contribute in an equal degree to the same end is, if the nation has a debt, to employ the same sum in the buying in or paying off a portion of the debt; for in that case the receivers of the money, in lieu of annuities, would employ each of them his money in some branch of industry, in his own way of course, under his own management, or that of somebody to whom he lends the money.

The first course is attended with expense, the other not. In the first way, the money being levied by taxes, which whether direct or indirect bear principally upon income, is so much added to national capital at the expense of national income — in the other way, the money is so much taken from income on the same score; but by the redemption of so much capital, it extinguishes or transfers into the hands of government so much income: in the latter case, the community is exonerated from a charge upon its income — a charge to which it continues subject in the other case.

Such are the general grounds, from which it appears, that these narrow measures deserve to be reckoned among the non-agenda; — we shall proceed to examine a variety of examples of measures of these kinds more in detail.

§ 10. Non-agenda — Narrow measures.

Example 1. False encouragements — loans.

Of all the means whereby a government may give a particular direction to production, the loan of pecuniary capital to individuals, to be employed in any particular branch of trade, is the least open to objection.

It ought, however, at all times, to be free from objection with respect to justice and prudence. All the treasure of the government, whence does it arise but from taxes, and these taxes levied by constraint? To take from one portion of its subjects to lend to another, to diminish their actual enjoyments, or the amount which they would have laid up in reserve, is to do a certain evil for an uncertain good — is to sacrifice security for the hope of increasing wealth.

If loans of this nature were always faithfully repaid, their injustice would be limited to a certain period. Let us suppose that the capital thus employed is £100,000, and that the whole sum has been levied in one year — the injustice of the measure will have begun and ended in a year; and if the money thus lent has produced an increase of industry, it is an advantage to be set in opposition to the evil arising from the tax.

But these loans have a natural tendency to be ill employed, wasted, or stolen. Monarchs, and their ministers, are as liable to be deceived in the choice of individuals as in the selection of particular branches of commerce. Those who succeed with them prove only that they possess the talent of persuasion, or understand the practices of courts; but these are not the things which produce success in trade. It may be seen in the work of Mirabeau upon the Prussian Monarchy, that Frederick II., with all his vigilance and severity, was often deceived by the ignorance or dishonesty of those who obtained from his avaricious credulity loans of this nature. Thus, in the train of the first unjust tax for the formation of the capital lent, follow other taxes, rendered necessary to replace the thefts and dilapidations to which the first has been exposed.

It is also most probable, that the capital thus employed will only be applied upon branches of industry less productive than those towards which it would naturally have directed itself. What is the argument of the borrower? That the trade he wishes to establish is new, or that it is necessary to support an established trade. But why should the government intermeddle with it, if not because individuals who consider their own interests are not willing to meddle with it? The presumption is therefore against the enterprise.

Suppose even, that, by chance, this loan should take the most advantageous direction

* At least where the revenue of the government is not the produce of land, or the interest of money formed by an accumulation of rent. Of this nature is a part of the revenue of the republic of Berne.

possible, the loan is not justified by this profit: it was unnecessary. For employing capital in the most advantageous manner, it is only necessary that the most advantageous employment should be known. If it be not well employed, it is because a better employment is not known. It is knowledge which is wanted: it is proper to teach, and not to lend. If the government cannot tell which is the most advantageous employment of capital, it is still less able to employ it well; if it can tell which is the best employment, that is all it need do. If the money of government had not taken this direction, that of individuals would, had they been instructed and left free.

There are circumstances in which loans of this nature are always justifiable: when they are not employed for the encouragement of new enterprises, but only to afford support to particular branches of commerce, labouring under temporary difficulties, and which need only to be sustained for a short time till the crisis of peril or suspension is past. This is not a speculation on the part of government, but rather an assurance against a calamity, which it seeks to prevent or to lighten. In such cases of distress, individuals will not of themselves assist the merchants whose affairs are thus in danger: it is necessary, therefore, that assistance be supplied; and, when supplied, it is not in the way of regulation, but of remedy.

§ 11. Non-agenda — Narrow measures.

Example 2. Gift, or gratuitous loan.

Were we to judge from the number of instances in which it has been adopted, we should conclude that gratuitous grants of capital for the encouragement of commerce were most excellent measures.

Their inconveniences are of the same kinds as those of loans, but they greatly exceed them in degree. In case of a loan, if it be repaid, the same sum may serve the same purpose a second time; and so of the rest: the oppressive act by which the government obtained the capital need not be repeated. But if, in place of being lent, it be given, — so often as this favour is repeated, so often must the amount be levied by taxes: and upon every occasion it may be said, that the produce of the tax is lost, if we consider the use which might have been made of it in lightening the public burthens.

Sometimes capital has been lent with this view without interest — sometimes at an interest below the ordinary rate. In the first case, if it be repaid, it is not the capital which is lost, but only the interest; in the second case, it is not all the interest, but only the difference between the lower and the ordinary rate. It is still the same false policy as to its kind: all the difference is in the degree.

It may be observed, that gratuitous grants

are more likely to be wasted than loans: it may be, because in the latter case responsibility is always incurred: it may be, because money received as a gift tends to produce prodigality: as it has been obtained without labour, it seems to have the less value.

In some cases, capital has been given, not in the shape of money, but in that of goods; by advancing to a manufacturer, for example, those articles which he wants for the completion of his work.

This plan may have the good effect of insuring the employment of the articles furnished upon the intended object. Those articles, however, with which the government interferes, are ordinarily dearer, and worse in quality, than those which the individual, with the same sum of money, could have obtained at his own choice. It is not the best method of treating men worthy of confidence; and it will not succeed with those who are unworthy of trust, since, after they are put in possession of them, they can convert the articles into money, and spend the amount. There may be measures which would obviate this danger: — inspection, suretyship, &c.; but, when it regards a plan radically bad, the discussion of the comparative inconveniences of any particular scheme, whereby the risk may be diminished, is not worth the labour it would cost.

§ 12. Non-agenda — Narrow measures.

Example 3. Bounties upon production.

This mode of encouragement much exceeds the two former in the career of absurdity. In the two former cases, it was an expense, a risk, without sufficient reason for supposing it would prove successful, and even without sufficient reason in case of success. But a bounty is an expense incurred with the certainty of not obtaining the object sought, and even because it is certain that it cannot be obtained.

In the case of a bounty upon production, it is not only the end which is absurd, but the means also, which possess this particular character of contributing nothing towards the end.

It is uniformly because the trade in question is disadvantageous, that it is necessary to bestow money upon its maintenance: if it were advantageous, it would maintain itself. It is because the workman is not able to obtain from the buyer a price for his merchandise which will yield an ordinary profit, that it is necessary that he should receive from the government a bounty which shall make up the difference.

Whether the kind of product upon which it operates be advantageous or not, the bounty has no efficacy in increasing the ability of the producer to augment it. Since it follows the production — since he receives it when the thing is done, and not before, it is clear that

he has possessed other means of producing it. The bounty may have operated upon his inclination, but it cannot have contributed to his ability.

Bounties have been bestowed upon particular branches of trade for all sorts of reasons: — on account of their antiquity, on account of their novelty — because they were flourishing, because they were decaying — because they were advantageous, because they were burthensome — because there were hopes of improving them, and because it was feared they would grow worse; — so that there is no species of commerce in the world which could not, by one or other of these contrary reasons, claim this kind of favour during every moment of its existence.

It is in the case of an old branch of trade that the evil of such measures is most enormous, and in that of a new one that its efficacy is most striking. A long-established branch of trade is in general widely extended: this extent furnishes the best reason for those who solicit these favours for its support; and, to give it effect, it ought at the same time to be represented as *gaining* and *losing*, — gaining, that there may be a disposition to preserve it — losing, that there may be a disposition to assist it.*

In the case of a new branch of trade or industry, the utility of the measure is its principal feature. Here, there is no reason which carries the mask of an apparent necessity — no pompous descriptions of its extent. All which can be alleged is, that, once established, it will become great and lucrative, but what it wants is to be established. What, then, is done for its establishment? Measures are taken, which can only operate after it is established. When the trade is established, it will have such great success that it will yield, for example, fifty per cent. profit; but, to establish it, it requires such large advances, that it is doubtful if those who possess capital will make them, on account of the risks which are almost always inseparable from every new undertaking. What course does the government pursue? Does it give capital? No, this would be foolish. Does it lend capital? No, this would be to run too great risk; it will give a bounty upon the article when it shall have been made: till then, it says, we shall give no money. Thus, to the fifty per cent. you will gain by your merchandize, we will

* It is true, though it may not be worth the expense of supporting it by bounties with a view to the increase of wealth, it may be proper to assist it as a means of subsistence or defence. It is still more true, that what ought not to be done with the intention of supporting an unprofitable branch of trade, may yet be proper for preventing the ruin of the workman actually employed in such business: but these are objects entirely distinct.

add a bounty of ten per cent. Very well; and, according to this reasoning, at what time will you refuse assistance? You refuse so long as the bestowment of it will be useful — you grant it in order that something may be done, and you do not give it till it is already done by means independent of you.

Mistrust, short-sightedness, a suspicious disposition, and a confused head, are very susceptible of union. Why are bounties preferred to advance of capital? They are afraid of being deceived in the latter case. If £10,000 are given at once, nothing may perhaps be done: to avoid this risk, they give, when the thing is done, £10,000 per annum, which they will never receive again.

Instead of being beneficial, the expense to the state becomes more burthensome in proportion as the trade becomes extended. The bounty instituted for one reason, is continued on an opposite account: at first it was given in order to obtain — in the end it is continued for fear of losing, the particular branch of trade. What would have been necessary for its establishment was a trifle — what must be paid for its continuance knows no bounds.

The capital bestowed upon a new branch of industry for an experiment, is always comparatively a small sum; but what is given as a bounty is always, or at least it is always hoped that it will be, a large one; for unless a large quantity of the merchandize be manufactured and sold, and consequently, unless a large bounty be paid for its production and sale, the object is considered as unaccomplished — it is considered that the bounty has not answered its end.

When the article is one which would not have been manufactured without the bounty, all that is paid is lost; but if it be one of those which, even without the bounty, the manufacturers would have found it their interest to produce, only a portion of the bounty is lost. As it makes an addition, and that a very sensible addition to the ordinary profit of the trade, it attracts a great number of individuals towards this particular enterprise: by their competition, the article is sold at the lowest rate, and the diminution of price is in proportion to the bounty itself (allowance being made for the necessary expenses of soliciting and receiving it.) In this state of things, it would appear, at first sight, that the bounty does neither good nor harm: the public gains by the reduction of price as much as it loses by the tax, which is the effective cause of this reduction.

This would be true, if the individuals who paid the tax in the one case were the same who profited by the bounty in the other — if the measure of this profit were exactly the measure of their contribution — if they received the one at the same time that they paid the other, and if all the labour lost in these

operations had not cost anything. But all these suppositions are contrary to fact. There are not two taxes which affect all the members of the state — there is not one which affects them all equally. The tax is paid a long time before the indemnification by the reduction of price is received, and the expenses of this useless circulation are always considerable.

After all that can be said, it is clear that a bounty upon production cannot, in the long run, produce an increased abundance of the article in question, whatsoever may be the diminution of price which may result from it. The profit which the producer will obtain is not greater than before — the only difference is, that it comes to him from another hand. It is not individuals who give it him in a direct manner — it is the government. Without the bounty, those who pay for the article are those who enjoy it: with the bounty, they only pay directly a part of the price — the rest is paid by the public in general; that is to say, more or less, by those who derive no advantages from it.*

Although a bounty upon production adds nothing to the abundance of any article of general consumption, it diminishes the price to the buyer. Suppose that, in Scotland, there were a bounty upon the production of oats, and that the bounty were paid by a tax upon beer brewed from this grain, oats would not be more abundant than before; but they would be sold at a less price to the buyer, (though the merchant would make the same profit) whilst the beer brewed with this grain would be proportionally dearer: the consumer of oats would not find himself richer than before, but for the same price he would have a greater quantity of this grain in the form of food, and less in the shape of drink.

I speak here of relative abundance, in proportion to the ordinary consumption: I speak of superfluity, compared with habitual wants. The lower this commodity is in price, compared with others, the greater will be the demand for it: more will be produced in consequence of the increased demand, but more will not be produced than is demanded; the commodity, as it respects abundance, will remain upon the same footing as before. If a superfluity be required — if a quantity be required exceeding what is commonly produced, other measures must be resorted to than a bounty on production.

If a bounty upon production could be justified, it would seem that it ought to be so in the case where the article thus favoured was an article of general consumption — as corn

* Adam Smith has made a mistake in saying, that a bounty upon production was a means of abundance, on which account it was better than a bounty on exportation.

in England, oats in Scotland, potatoes in Ireland, and rice in India; but it would only appear so as a means of producing equality, and not under any other point of view. In fact, this measure does not tend to produce abundance: what it does, is to take the money out of the pockets of the rich, to put it into the pockets of the poor. A commodity of general consumption is always the most necessary of all the articles of life — it is always that of which the poor make the greatest use. The richer a man is, the more he consumes of other commodities besides this universal commodity. Suppose, then, a bounty upon the production of oats in Scotland: if nothing be consumed there but oats, or if there be only a tax upon oats, the persons who reap the advantage of the bounty would be those who bear the burthen of the tax, and that in the same proportion, inasmuch as the expense of levying the tax would be the only result of this measure. But commodities of all kinds are consumed in Scotland, and taxes are there levied upon a great variety of commodities. Oats, the commodity of the poor, being the object not of a tax but of a bounty, and the articles consumed by the rich being the object not of a bounty but of a tax, from the produce of which the bounty upon the production of oats is paid, the result will be, that the poor will obtain the commodity of which they make the greatest use at a lower price.

I agree to this: but does it follow that their condition will be bettered? Not at all. Oats will be sold to the poor at a lower price, but they will have less money wherewith to buy them. All the means of subsistence in this class resolve themselves into the wages of labour; but the wages of labour necessarily depend upon the degree of opulence which a country possesses; that is, upon the quantity of capital applicable to the purchase of labour, in connexion with the number of those whose labour is for sale. The low price resulting from the bounty will produce no advantage to the labourers whilst the wealth of the country remains the same: if the commodity be lowered in price, they will be less paid; or, what comes to the same thing, as they work for a ration of oats, they will be obliged to give more labour for this ration if oats are at a lower price.

All that relates to this mode of encouragement may be summed up in a few words: —

The natural course of things gives a bounty upon the application of industry to the most advantageous branches — a bounty of which the division will always be made in the most equitable manner. If artificial bounties take the same course as the natural, they are superfluous — if they take a different course, they are injurious.

§ 13. *Non-agenda* — *Narrow measures.*

Example 4. Exemptions from taxes on production.

An exemption from a tax capable of being imposed upon any article in the hands of the maker or seller, is a modification of a bounty upon production: it is a disguised bounty.

This kind of negative favour may be extended to every species of tax upon trade. The methods of encouragement in this way are as numerous as those of discouragement. If, of two rival manufactures, the one be weighed down by a tax, and the other free, that which is taxed is, in respect of that which is not, in the same situation as if both were free from taxes, and a bounty were bestowed upon one.

But each manufacture is a rival to every other. If this rivalry be not *special*, it is at least *general* and indirect. For what reason? Because the power of purchasing is limited, as to every individual, by his fortune and his credit. Every article which is for sale, and which he can desire, is in a state of competition with every other; the more he expends for the one, the less can he spend for the others.

Exemption from taxes upon production cannot be blamed absolutely; for it is to be wished, if the thing were possible, that there were no taxes. But, relatively, any particular exemption may be blamed, when the article exempted has nothing which justifies this particular exemption. If it were equally fit for taxation, the favour granted to it is an injury to other productions.

That an object fit for taxation be exempt, is an evil: it renders necessary some other tax, which by the supposition is less proper, or it allows some injurious tax to remain.

Whilst, as to advantage, there is none. If more of this untaxed merchandise be produced, less is produced of that which is taxed.

The evil of an unjust tax is all the difference between a more or less eligible tax, and the worst of those which exist.

§ 14. *Non-agenda* — *Narrow measures.*

Example 5. Bounties on Exportation.

In the case of *bounties upon exportation*, the error is not so palpable as in that of *bounties upon production*, but the evil is greater. In both cases, the money is equally lost: the difference is in the persons who receive it. What you pay for production, is received by your countrymen — what you pay for exportation, you bestow upon strangers. It is an ingenious scheme for inducing a foreign nation to receive tribute from you without being aware of it; a little like that of the Irishman who passed his light guinea, by cleverly slipping it between two halfpence.

As a bounty upon production may sustain

a disadvantageous trade, which would cease without it, by forming its sole profit, it is also possible that it may for a short time increase the profit of an advantageous trade, which would support itself without this aid.

Does the bounty support a disadvantageous trade? It does not produce a farthing of profit more than would have existed without it. Left to itself, this trade would have ceased and made way for a better; and the community loses the profits of a capital better employed in lucrative undertakings.

Does the bounty support an advantageous trade? The evil, in the end, will be greater, because the extra profit drawing more rivals into this career, their competition will reduce the price so low, that the bounty will constitute at last the whole profit of this trade.

However, till the price be thus reduced, the bounty is a net gain for the first undertakers; and the consumers being our fellow-countrymen, a part of this ill-employed money turns to their advantage by the low price of the commodity.

But in the case of a bounty upon exportation, the nation which pays it never receives any advantage: everything is lost, as if it were thrown into the sea, or at least as if it had been given to foreigners.

Without this bounty, the article would have been exported, or it would not: it would have been exported, if foreigners were willing to pay a price which would cover the expense of the manufacturing, of exporting, and the ordinary profit of trade; it would not have been exported, if they did not offer a sufficient price. In the first case, they would have obtained the article by paying its worth: in the second case, this disadvantageous commerce would not have been carried on.

Suppose a bounty upon exportation: what are its effects? The foreigners who heretofore had found the article too dear, become disposed to purchase it. Why? Because you pay them to induce them to do so. The more government gives to the exporter, the less need the foreigner give. But it is clear that he will not pay more than the lowest price which will satisfy the exporter: he need not give more; since, if one merchant refuse to supply him at this price, another will be quite ready to do it.

Suppose an article of our manufacture, already purchased by foreign nations without a bounty upon its exportation; what will happen if a bounty be given? Solely the lowering of its price to the foreigners. A bounty of one penny for every pound in weight is given upon an article which sold for fivepence per pound; the manufacturer would not have found it worth while to have sold it for less than fivepence per pound; he will now, however, find the same profit in selling it for fourpence, because his own government makes

up the difference. He will sell at fourpence, because, if he do not, some other will; and because, in this case, instead of selling for fivepence, it may happen that he will not sell at all. Thus the whole which government gives is a net saving to the foreigners: the effect in the way of encouragement is nothing. The whole which is exported with the bounty is neither more nor less than would be without it.*

Though a bounty do not render such a branch of trade more flourishing than it would otherwise have been, it will not render it less flourishing; but the more flourishing it becomes, the greater will be the loss to the nation.

Disadvantageous branches of trade are often spoken of. People are uneasy—they fear that certain manufactures, left to themselves, will be unprofitable. It arises from error. It is not possible that any branch of trade, left to itself, can be disadvantageous to a nation: it may become so by the interference of government, by bounties, and other favours of the same nature. It is not to the merchant himself that it can become disadvantageous; for the moment he perceives there is nothing to be gained, he will not persevere in it: but to the nation in general it may become so—to the nation, in its quality of contributor; and the amount of the bounty is the exact amount of the loss.

The Irishman who passed his light guinea was very cunning; but there have been French and English more cunning than he, who have taken care not to be imposed upon by his trick. When a cunning individual perceives you have gained some point with him, his imagination mechanically begins to endeavour to get the advantage of you, without examining whether he would not do better were he to leave you alone. Do you appear to believe that the matter in question is advantageous to you? He is convinced by this circumstance that it is proportionally disadvantageous to him, and that the safest line of conduct for him to adopt, is to be guided by your judgment. Well acquainted with this disposition of the human mind, an Englishman laid a wager, and placed himself upon the Pont-neuf, the most public thoroughfare in Paris, offering to the passengers a crown of six francs for a piece of twelve sous. During half a day he only sold two or three.

Since individuals in general are such dupes to their self-mistrust, is it strange that governments, having to manage interests which they so little understand, and of which they are so jealous, should have fallen into the

* The same effect is produced when it is endeavoured to favour the importation of corn, for example, by giving a bounty to the first importers. Its effect is to increase the price in foreign countries.

same errors? A government, believing itself clever, has given a bounty upon the exportation of an article, in order to force the sale of it among a foreign nation: what does this other nation in consequence? Alarmed at the sight of this danger, it takes all possible methods for its prevention. When it has ventured to prohibit the article, everything is done. It has refused the six-franc pieces for twelve sous. When it has not dared to prohibit it, it has balanced this bounty by a counter-bounty upon some article that it exports. Not daring to refuse the crowns of six francs for twelve sous, it has cleverly slipped some little diamond between the two pieces of money—and thus the cheat is cheated.

A strife of this nature, painted in its true colours, and stripped of the eclat which dazzles by the magnitude of the object and the dignity of the agents, appears too absurd to be possible; but for one example among a thousand, we may refer to what has happened between England and Ireland respecting the trade in linens.

§ 15. *Non-agenda* — *Narrow measures.*

Example 6. Prohibition of rival productions.

This pretended mode of encouragement can never be productive of good; but it may produce evil:—*hurtful* or *useless*, such is the alternative.

1. I say *useless*. It is a particular privilege of this exercise of power, to be employed in certain cases without doing any harm; and these cases occur when the branch of production or trade which is prohibited would not have been introduced, even had there been no prohibition. In former times, it was declared felony in England to import *pollards* and *crocards*, a kind of base coin at that time. This prohibition is yet in existence, without producing any inconvenience. If, with the intention of encouraging the increase of poultry, or with any other similarly patriotic view, the importation and increase of phenixes were prohibited, it is clear that the trade in poultry would neither gain nor lose much.

Among all the species of manufacture which England, with so much anxiety, has prohibited to her colonies, there are many which, in comparison with agriculture, are no more suitable to the Americans than the breeding of phenixes, the cultivation of pine-apples in their fields, or the manufacture of stuffs from spiders' webs.

Were the articles of foreign manufacture, loaded with the expenses of importation, neither better in quality nor lower in price than the articles of home manufacture, they would not be imported: the prohibition exists in the nature of things.

2. *Hurtful*. By the prohibition of a rival manufacture, you wish to insure the success

of a favoured manufacture, and you at once create all the mischiefs of a monopoly. You enable the monopolists to sell at a higher rate, and you diminish the number of enjoyments; you grant them the singular privilege of manufacturing inferior articles, or of ceasing to improve them; you weaken the principle of emulation, which exists only when there is competition; in short, you favour the enriching of a small number of individuals, at the expense of all those who would have enjoyed the benefit; you give to a few bad manufacturers an excessive degree of wealth, instead of supplying the wants of ten thousand good ones; you also wound the feelings of the people, by the idea of injustice and violence attached to the partiality of this measure.

Prohibitions of foreign manufactures are most frequently applied to those objects which foreigners can supply less expensively, on account of some peculiar advantage arising from their soil or their industry. By such prohibitions, you refuse to participate in this natural advantage which they enjoy; you prefer what costs you more capital and labour; you employ your workmen and your capital at a loss, rather than receive from the hands of a rival what he offers you of a better quality or at a lower price. If you hope by this means to support a trade which would otherwise cease, it may be supported, it is true; but, left to itself, capital would only leave this channel where its disadvantages are unavoidable, to enter upon others where it would be employed with greater advantage. The greatest of all errors is to suppose, that by prohibitions, whether of foreign or domestic manufactures, more trade can be obtained. The quantity of capital, the efficient cause of all increase, remaining the same, all the increase thus given to a favoured commerce is so much taken from other branches.

The collateral evils of this prohibitory system ought not to be forgotten. It is a source of expense, of vexation, and of crimes.

The expense most evidently lost, is that of the custom-house officers, the inspectors, and other individuals employed; but the greatest loss is that of labour — both of the unproductive labour of the smuggler, and of those who are, or who appear to be, employed in the prevention of smuggling.

To destroy foreign commerce, it is only necessary to sell everything, and to purchase nothing: — such is the folly which has been passed off as the depth of political wisdom among statesmen.

Among the transactions between nation and nation, men have consented, at great expense, to support disadvantageous manufactures, that they may not buy of their rivals. We do not see such monstrous extravagance on the part of individuals. If a merchant were to act thus, we should say he was hastening

to ruin. But his interest guides him much better: it is only public functionaries who are capable of this mistake, and they only when they are acting on account of others.

Covetousness desires to possess more than it can hold: malevolence likes better to punish itself than to allow a benefit to an adversary.

To have its eyes greater than its belly, is a proverb which nurses apply to children, and which always applies to nations. An individual corrects this fault by experience: the politician, when once affected by it, never corrects himself.

When a child refuses physic, mothers and nurses sometimes induce it to take it by threatening to give it to the dog or the cat. How many statesmen — children badly educated — persist in supporting a commerce by which they lose, that they may avoid the mortification of allowing a rival nation to carry it on!

The statesman who believes he can infinitely extend commerce, without perceiving that it is limited by the amount of capital, is the child whose eyes are larger than his belly.

The statesman who strives to retain a disadvantageous commerce, because he fears another nation will gain it, is the child who swallows the bitter pill, for fear it should be given to the cat or the dog.

These are not noble comparisons, but they are just ones: — when errors cover themselves with an imposing mask, one is tempted to set them in a light which will show them to be ridiculous.

§ 16. *Non-agenda — Narrow measures.*

Example 7. Prohibition of rival imports.

In regard to the prohibition of rival imports, simply inefficacious or mischievous is here the alternative.

If the foreign article cannot when imported, after payment of the expense of importation, be had as cheap in comparison of its quality as the home article meant to be favoured, it will not be imported; — so long as that is the case, a prohibition is put upon it by nature. If had it not been for the prohibition, it could have been sold here cheaper, the prohibition is in point of burthen a tax upon us to the amount of the difference in price. I say, in point of burthen: for as to that benefit which it is the property of a real tax to produce, viz. a supply for expenditure, or a relief to an equal amount from the burthen of other taxes, it has no existence. It is upon the same footing with a tax the produce of which, as soon as collected, should be thrown into the sea.

As to the increase of wealth in general, the particular encouragement in question is, for the general reason so often given, of no avail. The quantity of capital, the efficient cause of wealth, remaining the same, whatever is added in consequence to the favoured trade, is so much taken from the rest.

§ 17. *Non agenda — Narrow measures.*

Example 8. Taxation of rival branches of home manufactures.

The natural and only original object of taxation is revenue: but, considered merely as confined to that object, it does not belong to our present purpose. Measures are however to be considered with regard to their eventual effects of all kinds — as well those which were not designed (if there be any) as those which were.

A tax upon one of two rival branches of trade can have no effect in favour of the other, but in so far as it operates as a prohibition. If the same quantity of the commodity meant to be discouraged, be sold notwithstanding the tax, as would have been sold without the tax, the advantage gained by the commodity meant to be favoured, amounts to nothing.

So far as it operates as a prohibition, we have seen that good it can do none — it only transfers capital from one employment to another, without producing any increase of wealth: harm it may do, and is likely enough to do — though we have seen that it may also happen not to do any.

As a tax, it may do good or harm according to its particular nature: * good, if it stand instead of a worse — harm, if it stand instead of one less burthensome.

§ 18. *Non-agenda — Narrow measures.*

Example 9. Taxation of rival imports.

Whether the article thus taxed in the view of favouring another, be an article of home production or an article of import, makes in point of advantage no sort of difference. As far as it prevents the import, it has the effect of a prohibition: in which capacity we have seen, that with regard to the general increase of wealth, it is of no use. As far as it fails of preventing the import, it gives no encouragement to the particular trade in question; nor consequently to the particular portion of wealth employed in that trade: its effect is to levy money on the subject, in quality of a tax; but the persons on whom the money is levied are our own people, as much as if it were among the articles produced at home. As such, it may either be a good or a bad tax as it may happen; — though in regard to its temporary consequences, it cannot be productive of all the mischief of which a tax on a home manufacture is capable of being productive.

§ 19. *Non-agenda — Narrow measures.*

Example 10. Drawbacks on exportation. What is called giving a drawback on exportation.

* I mean always in virtue of its destructive properties: for in a general way, no laws except those by which other laws are repealed, can fail of doing harm, as being so much lumber, by the load they add to the system.

tation, is the restitution of a tax already levied; — from the amount already levied in way of a tax, a man is permitted to draw back so much of what he has disbursed.

What a bounty on exportation is to a bounty on production, a drawback is to a simple exemption from a tax levied on produce. In the first case of each pair, foreigners come in for their share of the boon indiscriminately with our own people; in the other case, they get the whole of it. In all cases, the expected advantage is equally imaginary.

In one point of view, however, the drawback is a more expensive way of throwing away money than the bounty. In the case of drawback, the money is received with one hand in order to be given back again with the other; and each operation is attended with a separate expense. To this public expense is to be added the private expense, which the individual must be at to pay the money, and get it back again — an expense of which the trouble and loss of time (which in the account of the financier go for nothing) always form a very considerable part, often the most considerable: instances have not been wanting, in which the value of the supposed favour has been reduced literally to nothing by the trouble of obtaining it.

§ 20. *Non-agenda — Narrow measures.*

Example 11. Non-importation agreements.

Non-importation agreements, as far as they extend, have the effect of prohibitions: — happily they are not so extensive in their action, so frequent, so steady, so well executed. Good they do none: happily, wanting the force of prohibitory laws, the mischief they do is seldom so extensive.

§ 21. *Non-agenda — Narrow measures.*

Example 12. Premiums for the importation of foreign arts and hands.

That there are cases in which it would be extremely well worth the while of individuals to pay extraordinary prices to get workmen from abroad, is not to be doubted. Meaning to employ my money to the best account in the way of trade or manufacture, and looking round as far as my reach of thought, and faculties and opportunities, will carry me, if I observe a branch of manufacture, for instance, new as yet to my country, and which, if imported from some country abroad, would pay me, for example, five per cent. interest for my capital, more than any other branch I have been able to find, — this five per cent. would be so much more gained to me, and through me to the nation I belong to, than if I had embarked my capital in that one of the old-established trades, which, of all that have fallen

† The drawback of the salt duty in favour of fisheries may be mentioned as one which formerly existed.

under my cognizance, would be the most advantageous. Extra expenses there doubtless are, and difficulties, incident to the business of getting workmen from a foreign country, even if there are no laws in that country or our own to add to the amount; but all difficulties and expenses of this nature I suppose provided for and surmounted, as in many instances they actually have been.

Still, then, the same argument, and still with undiminished force: the more evidently advantageous for the individual the employment of his money in this way, the more evidently unnecessary is it for government to employ that of the nation in this way.

In the first case, the burthen is borne by him who receives the benefit — in the other case, by those who receive no part of it: in the first case, the probability of success in the project, and the security against unnecessary expense, are at their highest pitch — in the other, at their lowest.

On the part of governments in general, the passion for getting arts and hands from abroad does not appear so conspicuous as the dread of losing their own.

§ 22. *Non-agenda* — *Narrow measures.*

Example 13. Fixation of prices.

The limitation of the price of commodities may have two opposite objects — 1. The rendering them dearer; 2. The rendering them cheaper.

The first of these objects is least natural: so many commodities, so many means of enjoyment; to put them within the reach of the largest number, is to contribute to the general happiness. This motive, however, is not unexampled; and intoxicating liquors are an instance of its exercise. Legislators have often endeavoured, and not without reason, to increase their price, with the design of limiting their consumption on account of their dearness. But imposing a tax upon them suffices to increase their price; there is no necessity for resorting to the method of direct limitation.

Is the design of these limitations the obtaining of the article at a low rate, — the method will scarcely answer its end. Before the existence of the law, the article was sold at what may be called its average or *natural price*, that is to say, it was confined within certain limits — 1. By the competition between the buyers and the sellers; 2. By a competition between the branch of trade in question, and that of other branches to which the merchant might find it to his advantage to transfer his capital.

Does the law endeavour to fix the price at a lower rate than this *average or natural price* — it may obtain a transient success, but by little and little this branch of trade will be abandoned. If the constraint be increased, the evil will grow worse; the constraint, in

fact, can only act upon the existing stock: this being sold at a forced price, the merchant will take care not to replace it. What can the law effect? Can it oblige him to replenish his storehouse with the same commodities? No legislator has ever attempted it, or at least no one has ever attempted it with success. This would be to convert the officers of justice into commercial agents; it would be to give them a right to dispose of the capitals of the merchants, and to employ the merchants themselves as their clerks.

The most common fixation has been that of the rate of interest. It has already been discussed. (See Ch. III. §§ 6 & 7.)

The fixation of the price of wages (especially with regard to agriculture) has often been proposed, and even carried into effect, for the most opposite reasons: to prevent what is considered as an *excess* — to remedy what has been regarded as a *deficiency*.

In this latter point of view, this measure is liable to great objection. To fix the *minimum* of wages, is to exclude from labour many workmen who would otherwise have been employed; it is to aggravate the distress you wish to relieve. In fact, all that can be done is limited to determining, that if they are employed they shall not receive less than the price fixed; it is useless to enact that they shall be employed. Where is the farmer, where is the manufacturer, who will submit to employ labourers who cost them more than they yield? In a word, a regulation which fixes the *minimum* of wages, is a regulation of a prohibitory nature, which excludes from the competition all whose labour is not worth the price fixed.

The fixation of the rate of wages, in order to prevent their *excess*, is a favour conferred on the rich at the expense of the poor — on the master at the expense of the workman. It is a violation, with regard to the weakest class, of the principles of security and property.

§ 23. *Wealth* — *Means of Increase.*

If we trace the progress of wealth in its natural channel, we shall clearly perceive that the interposition of government is only beneficial and necessary when employed in the maintenance of security, in the removal of obstacles, or the dissemination of knowledge.

Wealth may be increased —

I. By increasing the efficacy of labour.

II. By increasing the number of labourers.

III. By the more advantageous employment of capital.

IV. By increasing the mass of capital.

V. By means of trade.

I. *By increasing the efficacy of labour.*

This subject might furnish most interesting and instructive historic details: we shall confine ourselves to a simple enumeration of the means whereby it may be accomplished.

The efficacy of labour may be augmented —
1. By increase of skill and dexterity.

2. By saving the time occupied by superfluous movements.

3. By the invention of machines.

4. By employing, instead of human labour, more powerful and less costly prime movers, — as water, air, fire, explosive powders, and beasts of burthen.

The two first advantages are obtained by the division of labour; the third necessarily results from it. Adam Smith has developed this grand means of attaining perfection with great diligence, and, so to speak, particular affection. He relates, that the process of converting a morsel of brass wire into a pin requires eighteen operations, and employs as many different workmen, of whom the greater part borrow the assistance of machines; — whereby, although ten workmen would not separately have been able to make more than 240 pins a-day, they are enabled to make 4800. It is hence that this little branch of national wealth, which affords a more commodious adjustment than the buckles of the Romans and the skewers employed by Queen Elizabeth, has increased in proportion. What our country people throw away, would have been luxuries in the court of Darius.

5. By the simplification of intermediate processes.

6. By the saving of materials. The extension given to the quantity of gold employed in gilding silver wire, is an example equally suited to astonish the natural philosopher, and to charm the political economist.

Chemistry has introduced a multitude of economical processes into all the arts: it has taught the means of economically applying fuel — of producing great effect with little expense; it has substituted less costly for more expensive materials; it has imitated, and even rivalled, the productions of nature.

7. By the improvement of the products, that is to say, in proportion to the price. It is thus that porcelain has supplanted the coarse pottery of former times: — the potteries of Wedgwood and Bentley have excelled the porcelain of China.

8. By the diminution of the expense of carriage, by the multiplication of roads, canals, and iron railways. The advantage which the Low Countries have derived from their canals is incalculable. Governments may often usefully interfere in respect to these objects, either by advancing the capitals and sharing in the benefit, or by granting to the individuals interested the powers necessary for making arrangements among themselves, and defraying the expense. When, however, it is necessary for a government to take charge of these works, it is a proof that confidence does not exist; I mean confidence in the stability of the actual order of things, and in the pro-

tection of the laws. No other circumstance speaks so highly in praise of the British government, as the disposition of individuals to unite in carrying on great undertakings in canals, docks, ports, &c. A disposition to undertake such works denotes the prevalence of a feeling of security, which unites the future to the present, and embraces an horizon of large extent.

The advantage of machines consists in the increased efficacy of labour. To reduce the number of men employed upon any species of labour by half, without diminishing the quantity of the product, is in fact the same thing as doubling the number of men employed, with the same degree of efficacy as before. That which required two thousand men for its performance, being performed by one thousand, there remains one thousand men who may be employed either upon similar or other works.

But this supposes that the workmen, no longer required in the production of a given quantity of labour, are otherwise employed; for if they were without employment, the quantity of wealth produced would remain the same after the invention as before.

If a manufacturer found himself thus in a condition to execute, with one thousand workmen, what had heretofore required two thousand, it appears, at first sight, that the natural result would be, that he would employ the two thousand workmen to produce a double quantity of work. But unless his pecuniary capital be augmented, it will be impossible for him to employ the same number. The new machines, the new warehouses required for this increase of produce, require a proportionate increase of capital. The most ordinary case, therefore, will be the reduction of the number of workmen; and, as it respects them, the consequence is a temporary distress.

It is upon this circumstance that the popular opposition to the improvement of machines depends. It is a very reasonable opposition on the part of the handicraftsmen. It is they who suffer, whilst the benefit is, in the first instance, for the manufacturer, and in perpetuity for the public, who obtain a better article at a less price.

There are two kinds of countries where this objection has no force — countries badly peopled, and countries where the people are slaves. Do you desire an increase of population — do you desire children who may become workmen in future, — I give you full-grown men — workmen actually prepared: you would charge yourself with the expense of their education, — I relieve you of it: you are willing to receive foreigners, and I give you natives. Such is the language an inventor may address to a sovereign; whilst to the individual proprietor he may say, — With one hundred slaves you are now able to raise a

certain quantity from your mines; with fifty you will in future be able to raise the same quantity. If it were necessary to support the others in idleness, where would be the evil?

In stationary or retrograde countries, where the dismissed workman cannot easily find a new employment to which to apply himself, where there exists no capital ready to furnish him employment that suits him, this objection would not be without force. It is, however, a transient evil, to which transient remedies ought to be applied.

II. *By the increase of the number of labourers.*

I have nothing further to add upon this subject to what is said in the chapter on population (Ch. IV. ;) but I shall point out those things which, in an indirect manner, tend to produce this effect.

1. By the banishment of all prejudices unfavourable to labour. Honour has tied the hands of some—religion of others. Some have been kept in a state of perpetual idleness—others in a state of periodical idleness. In some Catholic countries, the saints' days occupy more than one hundred working days. The loss of these days alone ought not only to be considered, but also the bad habits which this idleness encourages. They have not worked upon the saint's day; they do not work on the day following, because they were intoxicated the day past.

2. The amount of labour may be increased by giving productive employments to those classes of men who, owing to their station in life, produce nothing—to prisoners, beggars, monks, and soldiers. It has been pretended that, to make a good soldier, an individual ought to follow no other trade: an exception ought at least to be made in favour of those kinds of labour which may be useful in war, as the digging of ditches, the construction of bridges, the throwing up of embankments, and the formation and repair of roads.* These employments afford an inexhaustible means of increasing the most permanent part of the capital of a nation.

3. Substitute alluring for coercive motives—reward for punishment; with suitable precautions, abolish all services in kind, all forced labour and slavery. A country peopled with serfs will be always poor. Pay for labour in money, and the reward, mingling drop after drop with the labour, will sweeten its bitterness: every free labourer is worth two slaves. This reflection is often presented in this work,

* It is said that the success of the American armies was partly owing to their skill in these employments. Composed almost entirely of husbandmen, they excavated ditches and formed entrenchments and other works connected with camps, with a facility which astonished their adversaries. The Russian armies possess the same advantage in a still higher degree.

but it is so just and favourable to humanity, that it cannot be too often repeated; we ought not to be afraid to repeat it.

III. *The more advantageous employment of capital.*

We have already seen, that under the guidance of individual interest, capital of itself takes the most advantageous direction—at least certainly more advantageous than when under the guidance of government.

Of all employments of capital, the most advantageous for the state is the cultivation of the earth. It is, at the same time, as has been demonstrated by Adam Smith, the most beneficial in itself, and the most attached to the state. Most advantageous: the capitalist must find it nearly as advantageous as any other, since, unless this be the case, he will not engage in it; and this after he has deducted the rent he pays to the landlord, and which often amounts to a third of the produce. It is thus that the state gains by this employment more than it can possibly gain by any other. More attached to the state: the workman may carry away his industry, the money-lender his capital, the merchant may change his warehouses, but the farmer cannot carry away the land.

For the encouragement of this most advantageous employment of capital, what ought government to do? Nothing: that is to say, nothing in the way of positive encouragement; for it cannot too completely remove the clogs and obstacles to the free alienation of landed property,† or too greatly favour the conversion of goods held in common, into individual property.‡

The condition most favourable to the prosperity of agriculture exists when there are no entails, no unalienable endowments, no common lands, no right of redemption, no tithes, or taxes or dues which punish industry, and levy a contribution upon agriculture, increasing in proportion to the expenses incurred, and the greater care paid to cultivation.

Generally speaking, the great landed proprietors give themselves little care about the improvement of their domains. Some leave large tracts of country, sufficient for the maintenance of hundreds of families, in a state of nature, that they may enjoy the pleasures of the chase; others, prodigal in proportion to their wealth, expend everything in present enjoyments, and trouble themselves but little with the future. Where the system of leases and farms is upon a good footing, the evil is not great; but it is altogether otherwise when the administration is in the hands of a superintendent, still less interested than his masters in the increase of the rent. Were

† Upon this subject, see Vol. I. *Principles of the Civil Code*, p. 333.

‡ *Ibid.* Vol. I. p. 341.

large properties divided into three or four parts, the proprietors would be animated with an entirely different spirit. The spur of necessity would render them intelligent and industrious. Where a nobleman employs twenty gardeners in raising pine apples and taking care of bowling greens. Five manufacturers would employ twenty husbandmen in producing corn for themselves and a hundred workmen. But let it not be supposed that I recommend agrarian laws and forced divisions: this would be to cut off an arm, in order to avoid a scratch.

In the scale of public utility, so far as it depends upon the general wealth, after agriculture come those manufactures whose products are sold within the country; after these, the manufactures whose products are exported; and in the last place, the carrying trade. Adam Smith has demonstrated this. Thus much for theory: it does not follow that in practice it would be proper to favour a branch of industry higher in the scale, at the expense of one which is placed below it. They all exercise a reciprocal influence upon one another, and benefits are divided among them with sufficient equality. If for a moment one branch become more advantageous than the others, a greater number of adventurers are soon drawn towards this side, and the equilibrium is not long in re-establishing itself. If any species of industry be more constantly useful to a nation, it is because the benefit more certainly remains—because the wealth which it produces is more secure.

IV. *By increasing the mass of capital.*

The mass of capital is increased when the products of labour exceed the amount of products consumed.

The addition made to the wealth of a nation in one year, is the total amount of the savings of all the individuals composing that nation in that year: it is the difference between the values produced or imported, and the values destroyed or exported in the course of the same year.

The addition made to the pecuniary wealth of a community is, in the same manner, the difference between the sum produced or imported, and the sum destroyed or exported in the period in question.

In the case of an individual, increase of money is increase of wealth. If his fortune consist to-day of one thousand guineas, and he has two thousand to-morrow, he will be twice as rich as he was the day before: he can command twice the quantity of the products of all kinds of labour.

The case is not the same with a nation. If its coin be to-day £1,000,000 sterling, and to-morrow it were to be £2,000,000, its wealth would not be doubled as was that of the individual. As it respects its internal condition, the nation would not be richer than

before: instead of having at its command a double quantity of productions, it would only have the same.

It is true, that in exporting to other nations this suddenly acquired mass, the community in question would obtain an addition to the mass of its non-pecuniary wealth: but in proportion as this exchange is made, the case which we have supposed does not continue the same; it ceases to possess the additional million of coin.

This apparent contradiction between the two cases is easily removed. When an individual finds the quantity of coin which he possesses suddenly doubled, the value of the coin is not diminished by this addition: the community to which he belongs does not possess more than before, supposing that the amount has not been received from abroad. The proportion between the amount of coin and the things to be sold remains exactly the same.

The value of all the things sold in the course of a year is equal in value to the sum of the coin given in exchange for them; that is, to the value of the actual quantity of the coin, multiplied by the number of times it has been exchanged. Each of these masses is equal in value to the other; since, by the supposition, the one has been exchanged for the other.

This equality exists, whatever may be the difference in quantity between these two masses. When the million of coin, circulating three times during the year, has purchased the whole mass of goods which were to be sold, it has given to all its successive possessors the enjoyment of this mass. When, taking the same course, the two millions of coin have produced the same effects, they have only performed what the single million had performed before; since, by the supposition, the mass of goods has not been increased. In other terms, that is to say, the new mass of coin is swallowed up in the general mass of coin, and as much as it has increased its quantity, so much has it diminished its value.

The addition made to the coin of the community produces a proportional increase in the price of all vendible commodities—in the pecuniary price of all commodities not pecuniary; and consequently, it may be, in the price of every article—it may be, in that of the greater number of articles.

If an addition made to the coin of a community be employed in creating a portion of wealth not pecuniary, which would not have been created without it—if it produced by labour or exchange an increase of real wealth, the result is no longer the same. In proportion as the real wealth is increased, the addition made to the coin ceases to produce a diminution of relative value.

In order to simplify the case, and render it

more striking, I have supposed a large and sudden addition. It is very seldom that an addition of this nature takes place with respect to the precious metals; but it has often happened with respect to paper money.

Thus the increase of the price of commodities, all other things remaining the same, is a proof of an addition to the coin, and a measure of its quantity.

This defalcation of value is equivalent to an indirect tax upon pecuniary revenues—a tax which may continually increase in amount—a tax which benefits those who issue the paper money, and of which the weight presses entirely upon the possessors of fixed revenues. There is a compensation for this tax to producers and merchants, who may raise the price of their commodities to all those who have part of this new money; but those whose fortune consists in a pecuniary revenue which cannot be increased, bear all the burthen.*

When this diminution of revenue takes place gradually, although it be an evil, this evil may result from the general prosperity, and may be compensated by a greater benefit. Losses which occur in the ordinary course of affairs, are experienced and hardly felt; they may be provided against. But when the government itself interferes, by operations whose effects are as great as they are sudden, in order to give a sudden increase to the mass of pecuniary capital, whether metallic or otherwise, it confounds all the calculations of prudence; it ruins one part of its subjects, and its imaginary wealth becomes the instrument of its destruction. This is what was experienced in France under the system of Law, and again under the reign of the assignats.

V. By means of trade.

Some advantage results from every exchange, provided it be made intentionally and without fraud: otherwise such exchange would not be made; there would be no reason for making it. Under this point of view, the two contracting parties receive an equal benefit: each one of them surrenders what suits him less, that he may acquire what suits him more. In each transaction of this kind there are two masses of new enjoyments.

But though all trade be advantageous, a particular branch may be more advantageous to one of the parties than to the other. It is more advantageous to you than it is to me, if for an article which only costs you one day's labour, you obtain from me an article which has cost me two. The *real balance of trade*

* It is not without distrust that I here give this feeble extract, from a manuscript work of Mr. Bentham's, *On Prices*, and upon the causes which increase Prices. It embraces so great a number of questions, that it is not possible to give a correct outline of the whole in so short an abridgment.—*Note by Dumont.*

is the quantity of labour received, exceeding the quantity of labour given in exchange.

It is not necessary in this place to examine to what degree soil, climate, situation, natural circumstances, &c. may give this advantage to one state over another; since this knowledge can have scarcely any influence upon practice. It is of greater importance to observe, that it may in a certain degree be acquired by art, and that the superiority of workmanship or of instruments is a species of monopoly established by fortune in favour of genius. Time is saved by ingenuity. The greater the number of new inventions in a country whose productions are carried into foreign lands, the more favourable will the real balance of commerce be to that country. The advantages belonging to dexterity are more permanent than those resulting from knowledge. The discoveries of chemistry are speedily disseminated: the skill of the Bengalese workmen will remain peculiar to them for ages.

The great politicians who so much value foreign commerce, consider it as a means of obtaining a balance in gold, and they hasten to interfere to prevent those exchanges which require an expenditure of the precious metals. If a merchant wish to send coin from London to Paris, it is to make a payment which will cost him less in this manner than any other, or that he may obtain some kind of merchandise which he values more than the coin. The politician is more clever than this. He is not willing that this gain should be made, because, he thinks, thus to gain would be to lose. Preventing the profits of every one, is the method he has discovered of preventing loss to all. He has therefore been employed in heaping one law upon another, that he may prevent the exportation of the precious metals: success would be a great misfortune, but it has never been obtained. Want of success in diminishing the evil has only increased the folly: I say in diminishing the evil, for it never entirely disappears. There will, for example, always be a greater or less expense on the part of the government in endeavouring to execute the law; more or less vexation, more or less restraint, a larger or smaller number of individuals punished for having rendered service to the country (by the breach of the law.) People will be accustomed to elude the prohibitions, and to escape the vigilance of government. Money being more or less lowered in value, the price of manufactures will be raised in proportion, and the exportation of manufactures diminished. Such has been the folly exhibited in Spain and Portugal; yet are they too happy only to have half succeeded. Grant to Midas his wish, he will die of hunger upon a heap of gold.

In recommending freedom of trade, I suppose the minds of merchants in their sound, that is, their ordinary state. But there have

been times when they have acted as though they were delirious: such were the periods of the Mississippi scheme in France, and the South Sea scheme in England. The other classes of people would have had ground for seeking to divert their fellow-citizens from the purchase of the smoke sold by Law, or of the bubbles of the South Sea. What is here said, may be compared with the observations in § 8 of the present chapter, upon emigration. In laying down general rules, fortuitous and transient cases ought not to be forgotten.

What has been said respecting the precious metals is true respecting every article of trade and commerce, considered as general wealth. There cannot be any incompatibility between the wealth of each and the wealth of all. But the same rule does not apply to *subsistence and defence*. Individuals may find their individual profit, in commercial operations which may be opposed to the subsistence of all, or the defence of all. This particularly may happen to a small community in the neighbourhood of a large one. Establish an unlimited freedom of trade in the small community, the great one may ruin it by means of gold. In case of famine, it might purchase all its provisions; at the approach of war, it might purchase all its arms.

The conduct to be pursued, to insure the possession of the means of subsistence and defence, are infinitely diversified by the situation, the soil, the climate, and the extent of the country to which it may refer.

The great difficulty to be overcome as it respects subsistence, is the difference between good and bad harvests. If the produce be less than the consumption, the evil is evident: if it be greater, the abundance lessens the price, the farmer is ruined or discouraged, and the year of plenty may be followed by one of dearth. For the production of equality, some have established public granaries for storing up the superabundance of years of plenty; others have encouraged cultivation as much as possible, depending upon foreigners for drawing off the excess. Were we to judge from abstract reasoning alone, the first plan would appear best calculated to prevent accidents; but, forming our judgments from facts, the second appears least subject to abuse. It is from the adoption of this plan that England has enjoyed an abundance sufficiently regular. Freedom of trade, therefore, appears the best method for insuring an abundance of the means of subsistence.

In respect to subsistence and defence, there is no better security than that which results from the general prosperity. A superabundance is the best security against want.*

After the examination we have given to

* See Vol. I. *Principles of the Civil Code*, Chapters IV. and V. *Laws relative to subsistence and abundance.*

the different methods by which real wealth may be increased, we see that government may rely upon the *intelligence and inclination* of individuals for putting them in operation, and that nothing is necessary to be done on its part but to leave them in possession of *the power*, to insure to them *the right* of enjoyment, and to hasten the development of general knowledge. All that it can do with success may be ranged under this small number of heads:—

1. To encourage the study of different branches of natural philosophy. The difficulties of science form a barrier between practice and theory, between the artisan and the philosopher.

2. To institute prizes for discoveries and experiments.

3. To cause the processes employed in every branch of trade to be published. The French government, rising above little jealousies, has distinguished itself in this manner, and has rendered itself a benefactor to the human race.

4. To cause everything of the same nature in foreign countries to be observed with attention, and to give the knowledge they obtain the same publicity.

5. To cause the price of different articles of trade to be published. The price of an article is an extra reward for whoever can manufacture or furnish it at a cheaper rate.

6. To grant patents for a limited number of years.

With respect to a great number of inventions in the arts, an exclusive privilege is absolutely necessary, in order that what is sown may be reaped. In new inventions, protection against imitators is not less necessary than in established manufactures protection against thieves. He who has no hope that he shall reap, will not take the trouble to sow. But that which one man has invented, all the world can imitate. Without the assistance of the laws, the inventor would almost always be driven out of the market by his rival, who finding himself, without any expense, in possession of a discovery which has cost the inventor much time and expense, would be able to deprive him of all his *deserved* advantages, by selling at a lower price. An exclusive privilege is of all rewards the best proportioned, the most natural, and the least burthensome. It produces an infinite effect, and it costs nothing. "Grant me fifteen years," says the inventor, "that I may reap the fruit of my labours; after this term, it shall be enjoyed by all the world." Does the sovereign say, "No, you shall not have it," what will happen? It will be enjoyed by no one, neither for fifteen years nor afterwards: everybody will be disappointed—inventors, workmen consumers—everything will be stifled, both benefit and enjoyment.

Exclusive patents in favour of inventions

have been long established in England. An abuse, however, has crept into the system of granting them, which tends to destroy the advantage derivable from them. This privilege, which ought to be gratuitous, has afforded an opportunity for plundering inventors, which the duration of the custom has converted into a right. It is a real conspiracy against the increase of national wealth.

We may picture to ourselves a poor and timid inventor, after years consumed in labour and uncertainty, presenting himself at the Patent Office to receive the privilege which he has heard that the law bestows upon him. Immediately the great officers of the crown pounce upon him together, as vultures upon their prey: — a solicitor-general, who levies four guineas upon him; a keeper of the privy seal, four guineas and a half; a keeper of another seal, four guineas; a secretary of state, sixteen guineas; the lord chancellor, who closes the procession, as the first in dignity, so also the first in rapacity, — he cannot take less than twenty-six guineas.* Need it be added, that in carrying on this process of extortion, recourse is had to fraud — that the individual applying for a patent is referred from office to office, that different pretexts may be afforded for pillage — that not one of these officers, great or small, takes the trouble to read a single word of the farago of nonsense which they sign, and therefore that the whole parade of consultation is only a farce.†

Suppose a law, granting the patent as at present, without condition; — suppose another law, prohibiting the obtaining of a patent under a penalty of fifty guineas: what exclamations should we not hear against such contradictory laws and such folly! And yet this supposed folly is only half as great as the folly actually displayed. People always allow themselves to be duped by words. The law, or rather the customary abuse which has the force of law, instead of a permission, is, as it respects the greater number of inventors, a real, although masked prohibition. If you wish to strip off this mask, translate the language of each into the language of the other.

These insults and oppressions have sometimes been approved as tending to repress the *temerity* of projectors; in the same man-

* If a patent be taken out for each of the three Kingdoms, the expense is estimated at £120 for England, £100 for Scotland, and £125 for Ireland. *Vide Commons' Report on Patents.*—*Ed.*

† It is scarcely necessary to remark, that in blaming the abuse, no reproach is intended to be cast upon the individuals, who, finding it established, profit by it. These fees form as lawful a portion of their emoluments as any other. It is, however, to be desired, that in order to put a stop to this insult and oppression, an indemnification were granted at the public expense, equal to the average value of these fees. If it be proper to levy a tax upon patents, it ought, instead of being levied in advance upon capital, to be postponed till the patent has produced some benefit.

ner, taxes upon law proceedings have been applauded as tending to repress the *temerity* of suitors: as if *poverty* were synonymous with *temerity* — as if the rich only had need of the assistance of the laws, or that they only were worthy of it — as if, indeed, this reason for only half opening the doors of the temple of justice were not equally conclusive for closing them altogether!

7. To class with the crime of forgery the injustice done by the artisan who puts upon his own productions the mark of another. — In order to prevent the commission of this crime through ignorance, it would be necessary to establish a register, in which every artisan might make an entry of his mark. This would tend to secure the privilege which nature has established in favour of skill, and which the legislator ought to maintain. It can never be obtained without labour, and it can never be abused.

CHAPTER IV. OF POPULATION.

§ 1. *Sponte Acta.*

WITH regard to increase of population by births,‡ everything may be left to the spontaneous action of individuals.

§ 2. *Agenda.*

With regard to increase of population, next to nothing is required to be done by government: all that governments need do is to prevent decrease by depopulation.

To prevent depopulation is to afford security — security against the extremity of all mischief, the destruction of man's life. The sources of danger are — external hostility, internal hostility, and calamity. With regard to the two first, the interference of government is required for the purposes of defence and police. The following are examples of institutions for preventing depopulation from calamity: —

1. Hospitals for the use of curable sick and hurt among the poor.

2. Hospitals for the incurable sick and helpless.

3. Establishments for the occasional maintenance and employment of the able-bodied among the poor, viz. of such by whom either the one or the other is unobtainable from the

‡ Increase of population is desirable, as being an increase of — 1. The beings susceptible of *enjoyment*; 2. The beings capable of being employed as *instruments of defence*. It results of course from the increase of the means of subsistence, and cannot be carried beyond them.

Of population, nothing is said by Adam Smith: yet of what use is wealth, but with reference to population? — and how can either be considered in any comprehensive point of view without the other? since, *quantity* of wealth being given, degree of opulence is inversely as population.

ordinary sources. By their maintenance, population is preserved; by their employment, wealth may be increased or not: crimes of idleness are prevented.

4. Establishments for the prevention or mitigation of contagious diseases — establishments in former times for inoculation, now for vaccination. Much may be done on the part of government under this head, as well as so many others, by *instruction*: more or less requires to be done, in proportion as by the ignorance of the people, operations of this class are excluded from the class of *sponte acta*, and thence placed among the *agenda*.

§ 3. *Non-agenda.*

Institutions on the part of government, having for their end in view the causation of an increase of population by births, may best be characterized by a parallel example: institutions punishing men for not eating, or for eating food not sufficiently nourishing; institutions paying all mankind for eating, with premiums for those who eat most and of tenest.

Many volumes have been written upon the subject of population, because the means of promoting its increase have generally been the subject of examination. I shall be very short upon this subject, because I shall confine myself to showing that all these means are useless.

If anything could prevent men from marrying, it would be the trouble which is pretended to be taken to induce them to marry. So much uneasiness upon the part of the legislator can only inspire doubts respecting the happiness of this state. Pleasures are made objects of dread when converted into obligations.

Would you encourage population, — render men happy, and trust to nature. But that you may render men happy, do not govern them too much; do not constrain them even in their domestic arrangements, and above all, in that which can please only under the auspices of liberty: in a word, leave them to live as they like, under the single condition of not injuring one another.

Population is in proportion to the means of subsistence and wants. Montesquieu, Condillac, Sir James Stewart, Adam Smith, the economists, have only one opinion upon this subject.* According to this principle, there

* The name of Mr. Malthus, who will for the future occupy the post of honour in political economy upon the subject of population, is not mentioned here, because this work was many years anterior to his. This chapter, with many other fragments, was communicated to the authors of the *Bibliothèque Britannique*, published at Geneva, and was inserted in the 7th volume in 1798. If Mr. Malthus had known it, he might have cited it as an additional proof that his principle

is also a means of increasing population, but there is only one: it consists in increasing the national wealth, or, to speak more correctly, in allowing it to increase.

Young women, says Montesquieu, *are sufficiently ready to marry*. How should they not be? The pleasures, the avowed sentiments of love, are only permitted in this condition: it is thus only that they are emancipated from a double subjection, and that they are placed at the head of a little empire. *It is the young men*, he adds, *who need to be encouraged*.

But why? Do the motives which lead men to marry want force? It is only by marriage that a man can obtain the favours of the woman who, in his eyes, is worth all others. It is only by marriage that he can live freely and publicly with an honest and respectable woman, and who will live only for him. There is nothing more delightful than the hope of a family, where proofs of the tenderest affections may be given and received — where power blended with kindness may be exercised — where confidence and security are found — where the consolations of old age may be treasured up — where we may behold ourselves replaced by other selves — where we may say, I shall not entirely die. A man wants an associate, a confidant, a counsellor, a steward, a mistress, a nurse, a companion for all seasons: all these may be found united in a wife. What substitute can be provided?

It is not among the poor that there is any aversion to marriage; that is to say, it is not among the labourers — that class, in the increase of which alone the public is interested — that class which constitutes the strength and creates the wealth of a nation — that class which is the last in the senseless vocabulary of pride, but which the enlightened politician regards as the first.

It is in the country especially that men seek to marry. A bachelor does not there possess the resources he can find in a town. A husbandman, a farmer, require the assistance of a wife, to attend to their concerns at all the hours of the day.

The population of the productive classes is limited only by their real wants; that of the unproductive classes is limited by their conventional wants.

With regard to these, instead of inducing them to marry by invitations, rewards, and menaces, as did Augustus, we ought to be

relating to population was not a new paradox. But what was new, was to make a rational and connected application of it; to deduce from it the solution of so many historical problems; to survey Europe with this principle in his hand; and to prove that it cannot be resisted without producing great confusion in social order: and this is what Mr. Malthus has accomplished, in a manner as conclusive as respects his arguments, as interesting in respect of his style and his details. — *Note by Dunont.*

well pleased when they live in celibacy. The increase of the purely consumptive classes is neither an advantage to the state nor to themselves: their welfare is exactly in the inverse ratio of their numbers. If they should insensibly become extinct, as in Holland, where there is scarcely one citizen who does not exercise some occupation, where would be the evil? A workman may in a moment be converted into an idle consumer. A good workman is not so soon made: he needs skill and practice. Habits of industry are slowly acquired, if, indeed, after a certain age they can ever be acquired. On the other hand, when a consumer passes into the class of labourers, it is generally owing to a reverse in fortune, and he is in a state of suffering. When a labourer is transported into the class of consumers, he is exalted in his own eyes and in the eyes of others, and his happiness is increased. On all these accounts, it is desirable that the class of idlers be not increased: their own interest requires it, and it is also a great good when their number is diminished, whether by celibacy or their conversion into labourers.* Convents have been

* The author is consistent, and Montesquieu appears to me not to be so. Book xxxiii. ch. x. he has well explained the true principle, but he has not followed it.

His eulogium upon the regulations of Augustus respecting marriage, is extremely singular. They have pleased Montesquieu by some vague idea of the protection of morals. They violate every principle of reward and punishment; they are neither analogous nor proportional; they punish a man because he is unhappy or prudent—they reward him because he is happy or imprudent: they corrupt marriage by mercenary and political views; and, after all, the object aimed at is missed. Montesquieu acknowledges the impotence of these laws. The benefit of the remedy being null, there remains only the evil.

He blames Louis XIV. (ch. xxvii.) for not having sufficiently encouraged marriage, by only rewarding prodigies of fecundity.

Louis XIV. did too much by his establishments for the poor nobility, and he has been too frequently imitated. Humanity was the motive of these foundations; but this humanity was equally productive of evil as it respected those who bore the expense, and as it respected the class whom it was intended to relieve, and who were not relieved. On the contrary, the more the indigent of this order were assisted, the more they increased. In fact, every individual requires a certain quantity of wealth to be in a state to marry. Does he marry imprudently, his distress is without doubt an evil; but it operates as a warning to other persons of the same class. If you oppose this natural effect, if you institute foundations for families, if you grant pensions or other favours on account of marriage, what follows? It is no longer an establishment submitted to calculation—it is a lottery, in which hope is consulted rather than prudence; many venture, but few succeed. You intended to give support, and you have laid a snare. What you did in order to diminish the evil, has only served to

constantly accused of hurting population. Poor convents, and the mendicant orders, injure it, without doubt, since they add to the number of idle consumers. It is not so with rich convents; they add nothing to this number. He who possesses the rent of land can command labour without working himself; but what matters it whether a fund, destined to the support of idlers, be transmitted from father to son, or from stranger to stranger?

Large cities are decried: they are the gulphs, it is said, in which the population of the country is lost. That which is furnished to the towns is visible to all the world: what is received from them, is less apparent. It is the ancient quarrel of the belly and the members. Cultivation increases in proportion to the consumers. People live longer in the country; but that a greater number of persons may be born there, it is necessary that the capital of the towns, which animates labour, should be sent thither.

This imaginary evil, the increase of towns, has excited the most extravagant fears. Absurdity has been carried so far, as to make rules for limiting their bounds: they should rather have been made for extending them. Contagious disorders would thus have been prevented; the air would have been rendered more salubrious. The opposite regulations do not diminish the number of inhabitants, but oblige them to heap themselves up within close habitations, and to build one city upon another.

Are emigrations disadvantageous to a state? Yes, if the emigrants could have found employment at home;—no, if they could not. But it is not natural that labourers should exile themselves, if they could live at home. However, if they desire so to do, ought they to be prevented? Cases must be distinguished. It is possible that this desire may have been produced by some momentary distaste, by some false idea, some whim, which may mislead a multitude of men before they have leisure to undeceive themselves. I will not therefore affirm, that circumstances may not happen in which emigration may not be forbidden by a law of short duration: but to convert this prohibition into a perpetual law, is to change the country into a prison—is to publish, in the name even of the government itself, that it is not good to live there. It

make it worse. In pity to these unfortunate persons, they ought not to be encouraged to marry. When they no longer are deceived by hope, they will no longer be unhappy.

In England there is neither restriction nor encouragement, and there is no dread lest the stock of nobility should fail—there is no dread lest celibacy should be hurtful to population. The shameful and sad misfortune is not known there, of the existence of a class of persons set apart to idleness and poverty.—*Note by Dumont.*

CHAPTER V. OF FINANCE.

§ 1. General Observations.

UNDER the head of *sponte acta*, there is nothing except by accident: there remain, therefore, *agenda* and *non-agenda*. Finance operates *in toto* in diminution of wealth: the object or end in view, should be to render the diminution as small as possible, and as pure as possible from collateral vexation and inconvenience in every shape.

The operations of finance are reducible to receipt and disbursement, or say expenditure. Receipt may be—1. Without condition of return; 2. On condition of return; *i. e.* on the footing of a loan.

Disbursement is accordingly—1. Disbursement at large; 2. Disbursement in discharge of loans. Expenditure supposes; in all cases, previous receipt; and in cases of loans, necessitates future receipt for the purpose of replacing the money borrowed.

Receipt and expenditure are either—1. Of money; 2. Of particular articles for service.

Every sum expended supposes therefore a correspondent amount already raised, or to be raised, by taxes.

The practical rule which ought to be observed in judging of the expediency of any branch of expenditure is,—compare the benefit of it with the burthen of a correspondent portion of the produce of the most burthensome tax. By striking off so much expenditure, you may save so much tax.

watch during the fruit season, lest the people eat that which is not ripe." He ought to have provided the means for carrying this regulation into execution; to have indicated the number of inspectors who should judge of the ripeness of fruit, the watchmen who should be stationed over it, and the magistrates who were to judge of its infractions.

Another method consists in "hindering men from marrying very disagreeable women." He neither says to what judge he would remit this delicate inquiry, nor upon what principles he would have the ugliness of women proved; nor the degree of inquiry which ought to be permitted, nor the fees that ought to be paid. The remainder is very nearly in the same taste.

Hindering the marriage of old men with young women—that of young men with women much older than themselves—hindering the marriage of persons not likely to have children: there are other recipes of this political pharmacopoeia little less ridiculous, but not less useless.

His complaints respecting prostitution are reasonable, if they had for their object the misery of the class of courtesans, victims of a constrained celibacy: they are of no force as respects population, which suffers nothing. I refer to what has been said upon this subject in Vol. I. *Principles of Penal Law*, Part III. Ch. V. p. 641. Prob. 2, to make such arrangements that a given desire may be satisfied without prejudice, or with the least possible prejudice.

would be proper that such a law should commence thus—"We, &c., ignorant of the art of rendering our subjects happy, and well assured that, if we give them an opportunity to escape, they will go in search of countries less oppressed, hereby prohibit," &c.

Would not this be to aggravate the evil? Could all the frontiers of a great country be guarded? Louis XIV. with all his authority, could he accomplish it? As many persons as were thus enchained, so many discontented and unhappy persons, who would be looked upon with distrust—whom it would be necessary perhaps to repress by violence, and who would become enemies when they found themselves treated as such. Others, who had never thought of quitting their country, would become uneasy when they found themselves obliged to remain; whilst others, who might have thought of establishing themselves there, would take care not to do it. For those individuals retained against their will, you lose those who would have come among you voluntarily.

England has sustained temporary losses of men and capital, by emigrations to America. But what has happened? She has received from that country, a mass of productions which have more than compensated the loss. The men and capitals carried away, employed upon new lands, have produced a benefit more considerable for England itself, than if they had been employed upon her own. To exhibit this clearly, would require a multitude of facts and calculations; but it may be presumed to be the case, from the vast extent of this new commerce.

On the subject of emigration, the wisest part, then, is to do nothing. Under the guidance of liberty, the benefit is certain; under the guidance of constraint, it is uncertain.

After this, the advantages of immigration are easily estimated. In order to people a country as yet untitled, it will be advisable to invite thither strangers who depend upon their labour alone. It may even be advantageous to make them advances for their support, in order to establish them.

In respect to methods of preventing the destruction of the species, they belong to that branch of police which is employed about the means of subsistence and the public health. We may be tranquil, therefore, upon the subject of population. There will be everywhere an abundance of men, provided they are not deprived, by a hard and tyrannical government, of what is necessary for subsistence and enjoyment, of which contentment constitutes a part.*

* I have under my eyes a large political work of M. Beausobre, counsellor to the King of Prussia, in which, at the article *Population*, he gives no less than twenty recipes for increasing it.—The nineteenth is as follows:—"It is proper to

Taxes take from present enjoyment: they diminish comfort in proportion as they are paid by each contributor out of that portion of his wealth, which, had it not been for the tax, would all of it have been spent within the year in the way of maintenance, as money is spent by a man who is said to spend his income.

Taxes diminish future wealth in proportion as they take from capital; viz. by being taken from that portion of a man's money, the whole of which, had it not been for the tax, would have been spent on articles by the production of which real capital is increased; or even by being taken from that portion of his money which is expended in the way of maintenance, in so far as the money, had it not been taken from him by the taxes, would have been employed in the shape of pecuniary capital, by which real capital is increased.

Taxes, therefore, take from growing wealth — 1. In as far as they are levied on capital; viz. on money destined for employment in the shape of capital, or on goods or labour, of which real capital is composed;—2. In as far as they are levied on income, or expenditure in the way of income, of men who lay up money to be employed as capital, or would have laid it up, had it not been for the tax.

Borrowing money to defray war expenses, takes from pecuniary capital, thence from growing wealth, in the amount of the sum so raised—minus the amount of mercantile profit upon such part of the expense as consists of purchased articles.

Repaying money formerly borrowed for war or other expenses, adds to pecuniary capital—thence to real capital—thence to growing wealth, to the amount of the money so employed in such repayment or discharge; deducting such part, if any, as is exported without return to foreign countries; which is the case with such part as is exported by the proprietor, to be employed abroad by him or on his account without being reimported,—that or the profit made by it.

By the mere discharge of a million worth of debt, as much, or more, is therefore done towards the increase of wealth, as by a million given in the way of bounties for the encouragement of this or that particular branch of trade.

Those who in the one case receive the amount of the debts respectively due to them, give up the future interest, and the rest of the community is exonerated from the payment of it: those who in the other case receive the million on the score of bounty, give up nothing in return for it.

When money is to be borrowed, borrowing it, in part at least of foreigners, is attended with two advantages. At the time of borrowing, it diminishes the consumption of home capital, the consequent check to production,

and the loss to private borrowers as well as to government by the sudden rise in the rate of interest. At the time of paying off, it diminishes the loss produced to moneyed men at home, by the sudden pouring in of capital into the market (money which must be laid out in the shape of capital,) and by the sudden fall in the rate of interest which is the consequence. By moneyed men, understand here—not the opulent only, but all, to the very poorest, whose incomes arise out of the interest of money, and that interest reducible.

Some men grieve on this occasion, at the thoughts of the money that goes out of the nation to pay foreigners. A housekeeper might as well grieve at the thoughts of the money that goes out of the house to pay the baker. If to-day the money goes out of the house, it is because the other day the bread came into it. Do without bread, or bilk the baker, the money will be saved.

Taxes are either on property, or on presumption of property. In both cases, they are either on income or on capital.

Taxes on property in the shape of income, are either direct, or on consumption,—called of late years, from the French, indirect taxes.

Taxes on capital diminish present capital, and thence future and growing wealth, by the whole of their amount: taxes on income by the amount of the savings that would have been made out of income, and added to capital, instead of being spent in maintenance, had it not been for the tax.

The fault of direct taxes on presumption of property is inequality—that of direct taxes on property is vexation. Indirect taxes have no fault beyond the mere privation, which must be undergone at any rate: the vexation which in the case of direct taxes on property extends to everybody, is confined in the case of indirect taxes to the fabricators and venders of the article taxed, who make themselves amends for it in the price.

§ 2. Of direct and indirect Taxation.

When a tax is imposed upon any commodity, a proportionable discouragement—intended or not intended—is applied to the corresponding branch of profit-seeking-industry, and thence a proportionable encouragement to the most immediately rival branches. In this way the branch of political economy which belongs to finance is unavoidably, though often perhaps undesignedly, entangled in practice and effect with the other branches.

To an indirect tax, each man pays no more than he pleases;* and the vexation attendant

* When indirect taxes are levied upon articles of luxury, a man need pay no more than he pleases; but the case appears to be otherwise as respects the poor, when they are levied upon articles of necessity.—*Ed.*

on the collection of it is confined to the makers and venders of the commodity taxed.

To a direct tax, each man pays what the imposer of the tax pleases; and the vexation attendant upon its collection embraces every man who pays it.

Indirect taxation, as far as it will go, is therefore preferable to direct; but the length to which it can be made to go depends, in the instance of each nation, upon its degree of relative opulence.

Of France, England, and Holland, in the scale of absolute wealth, France is at the top, Holland at the bottom. In the scale of relative opulence, France is at the bottom, Holland at the top.*

Comparatively speaking, England, till of late, made little use of direct taxes: France, little use of any other. Her abstinence from indirect taxes has been chiefly the result of necessity,† though in some degree of choice.

A tax on imports is borne by our own people—a tax upon exports to foreign countries, is borne by the inhabitants of foreign countries. Whatever imposition of this kind foreigners can be made to bear, is so much gain to us. If, indeed, when a fresh tax is imposed upon an article of export, the quantity of it produced is considerably diminished by the tax, a temporary distress is thereby produced; and the suffering may be less or greater than the suffering saved by the saving in the amount of taxes borne by ourselves. But if the quantity produced be merely prevented from increasing, no such suffering is produced, and the benefit by the saving in home-paid taxes is pure. The addition which, had it not been for the tax, would have been made to the quantity of the commodity thus taxed, spreads itself among other commodities of all sorts.

The direct effect of the sort of tax called indirect, is to make a man pay for the use of

* I speak of the recently past: one knows not well what to say of the present.

† Indirect taxes, being collected from venders, presuppose exchange: direct taxes may alike be levied, exchange or no exchange—they may be levied on producers, venders or non-venders. The further a nation is advanced in the career of opulence, the fewer the articles produced by non-venders. A main cause, as well as effect, of opulence, as per Adam Smith, is division of labour:—as this advances, fewer and fewer sorts of things are done by the same hand; till at last, some one sort of thing excepted, there is nothing that a man does not find it cheaper to buy than to make at home. This applies more particularly to manufactures: in agriculture, the division is stopped by a variety of causes, which for the most part, though not *in toto*, are insuperable.

France used to swarm, and swarms as much as ever, with petty occupiers of land—proprietors or not proprietors; who producing each of them the greater part of what he consumes, have the less need, and the less ability, to purchase; and who, accordingly, if they were not forced to pay direct taxes, would scarcely pay anything.

the article taxed, and go on using it as before:—an indirect effect is—to make him cease to use it, to avoid the paying of the tax. This indirect effect is the same as that of a prohibitive law,—prohibiting the use of the article,—viz. under a penalty equal to the amount of the tax. So far as the one effect takes place, the other does not. Commonly they take place together, in proportions infinitely diversifiable.

In the way of prohibition, a tax seldom falls on the article taxed, so exclusively as might be supposed. The prohibition falls—not merely upon the article taxed, but upon whatever article each man can best spare. When a fresh tax is imposed upon wine, a man who, having been used to buy wine and books, is fonder of wine than of books, reduces the quantity, not so much of his wine, as of his books. By a tax upon gin, many a man, instead of being sobered, has been starved.

The best sort of indirect tax is that which, by its effect in the character of a prohibition, diminishes the consumption of an article the use of which is pregnant with future misery,—the dregs of the cup of present pleasure. Such, above all, are the *pabula* of drunkenness. The fiscal, is in this case crowned by a moral use.

The worst sort of indirect tax is that which, in the character of a prohibition, lessens the use of an article to which a man's attachment is apt not to be so great as it were to be wished it were, considering what is the produce of it in the shape of permanent good, over and above the evanescent pleasure. The fiscal use is in this case clogged with an antimoral tendency. Books, especially of the instructive kind, music, instruments of pastime of all sorts, not to speak of public entertainments—everything—morality is served by everything of this nature that calls a man off from drunkenness.

The mischief done in the way of prohibition by that species of direct tax which is imposed upon produce, is frequently but too real, but is apt to be exaggerated. Though my profit would be greater if I had nobody to share it with me, my having somebody to share it with me, does not make me deny myself all profit. Few men are so spiteful as to hate others more than they love themselves:—especially, the government, which is nobody, quarrels with nobody, and protects everybody. A man without a partner has the whole profit to himself;—yet many men submit to saddle themselves with partners. The government which imposes proportional taxes on produce, is a partner who furnishes protection, though nothing else.

I have elsewhere spoken of the best of all financial resources, and the worst.‡ The best

‡ See *Escheat vice Taxation*, Vol. II. p. 585; and *Protest against Lav-Taxes*, Vol. II. p. 573.

(supposing public opinion to admit of it,) as well as the most copious, seems to be that which gives to the public a share in property become vacant by death, on failure of near relations. The formation of counter-expectations being prevented by pre-established law, receipts from this source need not be attended with that vexatious sense of *privation* which is the inseparable accompaniment of a tax.

The worst is that tax called direct or indirect, which, as often as it acts as a *prohibition*, deprives a man of *everything*, by depriving him of *justice* — the tax, I mean, upon *law proceedings*, by which the poor, that is, the bulk of the community — especially the oppressed and afflicted part of it — are put out of the protection of the law.

Abstractedly considered, the tax upon *medicine* might be stated as still worse: — the prohibition in this case bearing more immediately and exclusively, as well as extensively, upon health and life. But the tax is not apt to be so heavy upon medicine as upon *justice*. There are, moreover, hospitals and dispensaries for the relief of the poor who want medicine; but there are none for the relief of poor and helpless suitors who want justice.

Indirect and direct taxation are limited by the patience of the people. The *ne plus ultra* is variable and unascertainable, depending upon events and the temper of the times. Not knowing how soon it may arrive, governments are anxious to pay off debt — because, in proportion as debt is paid off, taxes, by which the interest is paid, may be taken off; and being taken off, may in case of need be laid on again. A tried tax will always be a more secure dependence than an untried one.

In the case of indirect taxes, a common notion considers the *ratio* of the tax to the *price* of the article as limited to a *maximum*; — limited, viz. by the effect of smuggling. If the ratio be increased, it is supposed that more will be lost by the quantity that escapes the tax, than will be gained by the addition to the amount of the tax on the quantity that pays it. This notion, supposing it just, as applied to the aggregate of taxable articles, will be apt to be illusive, as applied to this or that sort of article, considered by itself. In respect of difficulty of evasion and facility of collection, the scale of variation is stretched to a great latitude by the bulkiness of the article, by the local circumstances of the place at which the tax is collected, and by a variety of circumstances. But other causes of variation, and these very powerful ones, are, — the organization of that part of the financial system which concerns the mode of collection; — and thence the vigilance or remissness — the sufficiency or insufficiency in number, and the probity or improbity of the functionaries employed; — the good or bad

contrivance of the taxation laws, in respect of the obligations imposed on the contributors for the prevention of evasion; the amplitude or scantiness, the good or bad choice made, — of the powers given to the collectors for the prevention of evasion; — and the apposite or inapposite construction of the system of judicial *procedure* on this subject, including the rules of *evidence*.

The limits thus set to *indirect* taxation, are set — not by the nature of things, but by the imperfection of the laws. It is to this imperfection that men are indebted for the inequality and vexation attendant on direct taxes, in comparison with indirect ones.

§ 3. Taxes — Effects on Production.

Taxes ought to have no other end than the production of revenue, with as light a burthen as possible.* When it is attempted to employ them as indirect means of encouragement or discouragement for any particular species of industry, government, as we have already seen, only succeeds in deranging the natural course of trade, and in giving it a less advantageous direction.

The effects of particular taxes may appear very complicated and difficult to trace. By considering the subject in a general point of view, and distinguishing the *permanent* from the *temporary* effects of taxes, this complexity will be disentangled, and the difficulty disappear.

First question: *What are the effects of a tax imposed by a foreign nation upon the articles of our manufacture?*

Permanent consequences: — 1. If the exportation be not diminished, the tax makes no difference with respect to us: it is only paid by the consumers in the state which imposes the tax.

2. If the exportation be diminished, the capital which was employed in this branch of manufacture withdraws itself and passes into others.

Temporary consequences: — This diminution of exportation occasions a proportional distress among the individuals interested in this species of industry. The workmen lose their occupations; they are obliged to undertake labours to which they are unaccustomed, and which yield them less. As to the master manufacturer, a part of his fixed capital is rendered useless; he loses his profits in proportion as the manufacture is reduced.

Second question: *What are the effects of a tax imposed by ourselves, upon the manufactures we ourselves consume?*

Permanent consequences: — 1. If the consumption be not diminished, no other difference is produced than the disadvantage of the tax to the consumer, and a proportional advantage for the public.

2. If the consumption be diminished, individuals are deprived of that portion of happiness which consisted in the use of this particular article of enjoyment.

3. Capital, in this as in the preceding case, retires from this branch, and passes into others.

Temporary consequences: — If the consumption be not diminished, the tax makes no difference: if it be diminished, similar distress, in proportion, as in the case above.

Third question: *What are the consequences of a tax imposed by ourselves, upon the manufactures of our own country consumed by foreigners?*

Permanent consequences: — 1. Whilst the consumption is not diminished, the operation produces so much clear gain for us. The burthen of the tax is borne by the foreigner, and the profit is reaped by ourselves.

If the consumption be diminished, the capital which loses this employment passes into others.

Temporary consequences: — Consumption not diminished, no difference to us: consumption diminished, similar distress in proportion, as in the former cases.

It results from hence, that the *permanent* effects of these taxes are always of little importance as to commerce in general; and that their temporary effects are evil in proportion to the diminution of the consumption. The evil is greater or less, according as it is more or less easy to transfer capital and labour from one branch of industry to another.

The least hurtful of these taxes are those which bear upon our own productions consumed by foreigners. If the same quantity be exported after the tax as before, so far from being prejudicial, it yields us a clear benefit: it is a tribute levied upon them precisely as if it were raised out of the bowels of the earth.

The tax imposed by us upon foreign importations is paid by ourselves, and burthensome as any other tax would be to the same amount. If the consumption be not diminished, it would be better that the tax upon this article should be imposed by us, that we might profit by it, rather than by the country which produced it, and which would then enjoy the benefit.

A nation which has a natural monopoly of an article necessary to foreigners, has a natural means of taxing them for its own profit.

Let us take *tin* for an example: England is the only country which has mines of this metal — at least, all others are too inconsiderable to satisfy the demand. England might therefore lay a considerable tax upon the ex-

portation of tin, without danger of smuggling, because it might be levied at the mine, or at the foundry. France could not impose an equal tax, because it would give too great an allurements to the smugglers.

These principles are easy of application to commercial treaties. Everything which is permanent, whether it be called encouragement or discouragement, has but little effect upon trade and commerce in general; since trade and commerce are always governed by the capital which can be employed on them. But international precautions may be taken for the prevention of rapid changes, from which temporary distresses result. Let every nation make a sacrifice by refusing to impose taxes, or to augment them, upon articles of its own exportation: every nation would then receive indemnification by a reciprocal sacrifice. Commerce would thus acquire stability; and that petty fiscal warfare would no longer be carried on, which produces a dangerous irritation among the people, always greatly disproportioned to the importance of the object.

The object of the first chapter of the commercial code ought to be to show the reciprocity of international interests, to prove that there is no impropriety, during the continuance of peace, in favouring the opulence of foreigners — no merit in opposing it.

It may happen to be a misfortune that our neighbour is rich: it is certainly one that he be poor. If he be rich, we may have reason to fear him; if he be poor, he has little or nothing to sell to, or to buy of, us.

But that he should become an object of dread by reason of an increase in riches, it is necessary that this prosperity should be his alone. He will have no advantage, if our wealth has made the same progress as his own, or if this progress has taken place in other nations equally well disposed with ourselves to repress him.

Jealousies against rich nations are only founded upon mistakes and misunderstandings: it is with these nations that the most profitable commerce is carried on; it is from these that the returns are the most abundant, the most rapid, and the most certain.

Great capitals produce the greatest division of labour, the most perfect machines, the most active competition among the merchants, the most extended credits, and consequently the lowest prices. Each nation, in receiving from the richest everything which it furnishes, at the lowest rate and of the best quality, would be able to devote its capital exclusively to the most advantageous branches of industry.

Wherefore do governments give so marked a preference to export trade?

1. It is this branch which exhibits itself with the greatest show and eclat: it is this which is most under the eyes of the gover-

nors, and which therefore most strongly excites their attention.

2. This commerce more particularly appears to them as their work: they imagine they are creators; and inaction appears to them a species of impotence.

All these pretensions fall before the principle, that *production is subordinate to capital*. These new branches of trade, these remote establishments, these costly encouragements, produce no new creations; it is only a new employment of a part of one and the same capital which was not idle before. It is a new service, which is performed at the expense of the old. The sap which by this operation is strained through a new branch being diverted from another, gives a different product, but not an increase of produce.

CHAPTER VI.

OPERATION OF A SINKING FUND ON THE PRODUCTION OF WEALTH.

THE establishment of an effective and undivertible sinking fund, has been productive of effects in respect of increase of wealth, such as (to judge from any indications I have met with) had not presented themselves to those by whom the plan was adopted, or by any of those by whom it had been proposed.

Money borrowed for and applied to war expenses, is so much taken from productive capital and growing wealth. Money employed in discharge of such debt (whether by paying it off at *par*, or by buying it in, at an under price,) is so much given to productive capital and growing wealth.

If in a season of reimbursement, viz. peace, the space of time employed in the discharge of the debt were no longer than the space of time employed in the contracting of it, and the money employed in the reimbursement were no greater than the money borrowed, the quantity added to wealth would be equal to the quantity taken from it, hating only the loss of the interest at compound interest upon the several years' instalments during the expenditure of it: as, if ten millions were borrowed every year for four years of war, and ten millions were paid off every year for the four succeeding years, being years of peace, there would be forty millions taken from wealth, forty millions added to wealth: but to put the nation into the same plight in respect of wealth, as if there had been no money raised for the war, it would require the interest of the first years' ten millions for the four years, plus that of the second for the three years, plus that of the third for the two years, plus that of the fourth for one year, supposing the whole debt to be paid off at once on the first day of the year of peace; and as by the supposition it would be paid off not

so, but by instalments as above, this would require a further addition on the score of the correspondent retardations.

On this supposition, it is evident that a nation could never be put by reimbursement in a plight exactly as good as what it would have been in had there been no borrowing for unproductive purposes.

But, in point of fact, a circumstance attending the borrowing system is, that the money paid and given to productive capital at the period of reimbursement, is upon the whole considerably greater than the money borrowed and spent, and taken from productive capital at the period of expenditure. When money is borrowed in three per cents. at six per cent., that is, when for every £100 borrowed of the individual, government gives him a nominal capital of £200 stock, each £100 carrying an annuity of three per cent., to discharge this annuity of £6 in the way of paying off (buying in under *par* being supposed out of the question,) £200 must at the time of reimbursement be put into his hands.

In the course of the late wars, greater interest than this has actually been given by the British government. If, then, the circumstance of time were laid out of the account, the consequence would be, that in so far as mere wealth were concerned, a nation with a fixed sinking fund might be — and, in a word, that Britain would be, a gainer by a war to a very considerable degree. If, for example, in the first year of a war, ten millions were borrowed on these terms, and on the first day of the second year, being a year of peace, the money borrowed were repaid at *par*, for which, on the above terms, twenty millions would be necessary, the gain to wealth would be ten millions, minus a year's interest upon ten millions.

The above supposition is given only for illustration; for, as everybody knows, neither is money on the first year of a war borrowed on terms of such disadvantage, nor is it so soon repaid.

It may, however, serve to show thus much, viz. that the more disadvantageous the terms are on which money is borrowed, the greater is the restitution made to wealth.

This would not, in my view of the matter, be any recommendation of war, or borrowing for that or other purposes upon disadvantageous terms; because comfort, including security, is the immediate and only direct object in any estimate with me — and wealth only in so far as it contributes to comfort, which, without due provision made for security, it cannot do.

But in a view of the matter, which to me appears much more common than my own, this consideration should be a very important one, and should go a great way towards reconciling men to war and bad bargains.

The answer to it is, that if it be wealth — future wealth, you want, and you are willing to pay the price for it in present comfort, you have no reason to seek for it through any such disadvantageous measure as that of war: raise the money, and instead of spending it in war, spend it in any other way, — you will have still more wealth.

If this be just, it will enable us the more clearly to appreciate two opinions which have been advanced on the subject of national debts.

One is, that a national debt is, to the whole amount of it, or at any rate to a certain part of it, not a defalcation, but an addition to the mass of wealth.

The other is, that admitting the debt to be a defalcation from the mass of national wealth, yet the discharge of it would be, not an addition to that mass, but a defalcation from it.

Both these opinions have had their partisans; for in the whole field of national economy, there is not a proposition, how clear soever, the contrary of which has not had its partisans.

As to the first opinion, one way in which it is maintained is, by looking exclusively to one side of the account — by looking at the income coming in to the annuitants, and not looking at the income going out of the hands of those by whose contributions the money for the payment of these annuities is supplied.

Another way is, by imagining the existence of a capital equal to the capital borrowed and received by government in exchange for the annuities granted — borrowed, and spent as fast as it is borrowed, not to say faster still. This being a new capital created, goes, according to the reckoning of these politicians, in addition to whatever may have been the amount of the old one.

This notion appears to have had for its ground and efficient cause, the language used by the man of finance and the man of law, in describing transactions of this nature. Can a thing have been created, and yet never have existed? Fiction is the parent of confusion and error in all its shapes. False conception generates false language: false language fixes false conceptions, and renders them prolific and immortal. Such as opinions have been, such is language: such as language is, will opinions be.

Would not the nation be the poorer, if a sponge were passed over the national debt? Would not there be so much property destroyed? Not an atom more than would be produced at the same instant. Would not the nation be less wealthy? No: not, at least at the instant of the change. Would it be less happy? Yes: wretched in the extreme. Soon after, would it be less wealthy? Yes:

to a frightful degree, by reason of the shock given to security in respect to property, and the confusion that would ensue. Thirty millions a-year that used to be received by annuitants, no longer received — thirty millions a-year that used to be paid in taxes by all classes, and all individuals together, for the payment of those annuities, no longer paid. National wealth would no more be diminished by the sponge, than it is when a handkerchief is transferred from the pocket of a passenger to the pocket of a thief. Sum for sum, however, the enjoyment produced by gain is not equal to the suffering produced by loss. In this difference, traced through all its consequences, lies the mischief, and the sole mischief, of bankruptcy or of theft.

Annuities paid by government are paid with a degree of regularity (not to speak of certainty) which would in vain be looked for to any extent in annuities paid out of particular funds by individual hands. In the loss of this species and degree of convenience, consists the whole of the loss that would be incurred by the complete discharge of the national debt. This convenience is certainly worth something in the scale of wealth; but it can scarcely be considered as any real tangible addition to the mass of those tangible things, of the mass of which the matter of wealth is composed. There is also inconvenience attending the payment of taxes — (those taxes by the produce of which the matter of these annuities is supplied) — an inconvenience superadded to that which consists merely in the privation attendant on the parting with the money paid in taxes.

On this convenience attending the receipt of the annuity, is grounded another convenience in respect of the facility attending the purchase and the sale of it — attending the process of converting capital into income, and reconverting income into capital, when capital happens again to be the thing wanted.

As to the ground of the other opinion — it appears to be, that if the money taken in taxes, to be applied in discharge of the debt, had not been so taken, but had been left in the pockets of those to whom it belonged, it would have been spent by them, each in his own way, and by that expenditure an addition would have been made to the mass of national wealth — but not so if applied in discharge of debt. But the fact is, that whatever is so applied is given, received, and employed; — the whole of it in the shape of capital; — whereas, had it been left with the parties by whom it is paid in taxes, it would have been employed, more or less of it, as income is employed, when it is said to be spent, without return or hope of return. What the proportion may amount to between the part spent as income, and the part employed as capital, and thereby employed in making a growing

addition to the mass of national wealth, will be considered presently. For the present, it is something, not to say sufficient, that in the one case it is only a part that is employed in making an addition to the mass of wealth, and in the other case the whole.

The support given to this opinion is given in two ways. One is, by thinking nothing of what becomes of the money taken in taxes, and made over to the annuitants in discharge *pro tanto* of the national debt, but considering it as annihilated or thrown away.

The other is, by considering the labour paid for by the money when spent by the proprietor, instead of being taken from him in taxes, as being employed, all of it, in the shape of pecuniary capital, in making a correspondent addition to real capital—just as would have really been the case with the labour paid for by that money, had it been made over to annuitants in discharge of so much debt.

That a part of it would really have been so employed, does not admit of doubt:—the error consists in considering what is true only of this part, as if it were true of the whole. Let us observe the difference between this part and the whole.

Admitting an increase of wealth, and that a gradual and regular one, the productive capital of the country, taken together with the growing mass of consumed and reproduced wealth continually produced by it, must be considered as increasing at compound interest. The rate of interest can scarcely be taken as so high as 2 per cent.; for at 2 per cent. compound upon the capital, whatever it may amount to in any year, the quantity of it would be rather more than doubled in thirty-five and a half years. The most sanguine estimator will not, I imagine, regard the increase of national wealth to have been, even for the last thirty-five years, increasing at nearly so rapid a rate. If the quantity and value of productive capital have gone on increasing at this rate, the quantity of growing income must have gone on increasing at the same rate; since it is only from the income of that or the preceding year, that the addition made to the capital of any year can be made. If the quantity of growing income have gone on increasing at this rate, the mass of population must have gone on increasing at the same rate, save and except in so far as an increase has taken place in the degree of relative opulence, *i. e.* so far as an average individual of the posterior period has been richer than an average individual at an anterior period—so far as wealth has gone on increasing faster than population. That wealth has gone on increasing faster than population, is what I should expect to find to be the case; but that the increase should be anything like as much as double, *i. e.* half as much again, seems too

much to believe. The half, or thereabouts, of the aggregate wealth, will be that which is shared among individuals of the poorest class:—and in the case of that class, the wealth of an average individual appears, within the period in question, to have rather diminished than increased.

I take therefore two per cent. for the rate of accumulation—not as the true rate, but for a rate which, though considerably too high, is near enough to the true rate to answer the purpose of illustration. Taking, then, 20 per cent. as the gross ratio of the real income produced by that real capital, to the real capital by the employment of which it is produced,—this two per cent. would constitute one-tenth part of the gross income:—and the part out of income added to capital every year is one-tenth part of the whole mass, of which the other nine parts are partly consumed for maintenance, partly employed in keeping up the real capital *in statu quo*: that is, in a condition to give birth to the same quantity of real income in each subsequent as in each preceding year.

The whole income, then, of an average individual, may for this purpose be considered as divided into ten parts:—of which nine parts go for present maintenance, added to the expense of providing for reproduction without decrease or increase, and the other tenth to positive increase.

This being the case with the whole income of the average individual, the same division in idea may be made of any part of that income; and, for instance, of that part which he is made to pay in taxes: if he had had none of it to pay in taxes, one-tenth is the part which would have been employed by him in making a net addition to the capital, and thence to the growing wealth of the country, as above.

On this supposition, the addition made to wealth by a million taken from national income by taxes, and employed in the discharge of the national debt, is to the addition that would be made to it by the same million if left in the pockets of those to whom it comes in the shape of income, and left to be employed by them, each in his own way, as ten to one. I say, for illustration, as ten to one; but twenty to one is the proportion I should expect to find come nearest to the truth.

CHAPTER VII.

NOSCENDA.

Noscenda:* by this term I understand those matters of fact, forming the subject of the

* Of *noscenda*, the most instructive indication I know of is that given by M. Necker, *Admin.*

science, termed statistics;—including *data** and *danda*, between which the field of *noscenda* is divided, in portions which of course would be found different as yet in each community, and in each portion of time.

Statistical matter being food for curiosity, many derive amusement from the perusal of it—some, consequently, a profit from the furnishing of it. On this account, so far as depends upon *inclination*, the operation of furnishing it belongs constantly, and, so far as depends upon *knowledge* and *power*, occasionally, to the head of *sponte acta*:—*agendum*, therefore, on the part of government, the completion of the requisite stock of *knowledge* and *power*, by furnishing the data to individuals, or even collecting them itself, whenever that operation can be performed without preponderant vexation and expense. In every walk of life, public and private,—public more especially,—publicity—publicity—is the best guardian of virtue.

The collection and publication of statistical facts being attended with *expense*, no institution should be set on foot for the furnishing any such articles, without a previous indication of the benefit derivable from such knowledge, and a conviction that it will pay for the expense. The expense necessary for one purpose, may however be sufficient for the accomplishment of many purposes.

The following are among the subjects on which the aid of government appears desirable in collecting the facts:—

I. Forensic steps, documents and costs, *i. e.* the steps taken—the documents exhibited, in each cause, with the expenses regularly attendant upon each.

Uses to the administrator, the judge:—1. Showing the ground afforded for each successive step and document by the several preceding ones; 2. Costs to be stated,—that in each instance, so far as justice requires, and ability extends, the burthen may be thrown upon the party in the wrong.

Uses to the legislator:—1. By the operation of publicity, check upon injustice, as well collateral as direct, on the part of the judge;—2. In the way of instruction,—view of the price paid for direct justice, in the shape of *collateral*, and in some degree *unavoidable injustice*; viz. in the triple shape of vexation pecuniary expense, and delay,—paid in each case individually, and thence in each class of causes collectively,—the causes being for this purpose divided into classes;—3. Ultimate

des Finances,—but without reference to particular uses as determined by particular *agenda* or *non-agenda*.

* The most instructive body of data the world has yet seen, is that furnished during Mr. Pitt's administration, principally by the House of Commons' Committee of Finance, of which the pretended reimpression is but a mutilated extract.

use to the legislator—and the public, *reducing* continually, and finally keeping to its minimum, by successive improvements, the quantity of injustice in both shapes, collateral as well as direct.†

The expense of registration will be amply paid for, by the first of the uses to the legislator, added to the two uses to the judge. The expense of *publication* might be much reduced, as well as the utility in the way of instruction increased, by throwing the matter into a *tabular form*, abridged in bulk, and digested under heads.

II. Births, marriages, and deaths.‡

Use to the judge:—Use of the several documents in the character of *evidences* constituting the basis of the most important, because most extensive, class of rights and obligations—rights of property derived from succession—rights and obligations of various sorts derived from condition in life.

Use to the legislator:—Indications of the state of population,—increasing, stationary, or declining;—thence, in case of check or decline, *general* or *local*, indication of the extent of the causes and the remedies; indications of the amount of profit and loss by war,—loss real in every case—net profit, seldom more than ideal (wealth taken into the account,) from the most successful war.

In every line of management, private or public, a necessary guardian to good economy is good book-keeping.

Mode of publication abridged, digested, and tabular, as above.

To the ecclesiastical function, wherever established, the business of registering and transmitting *noscenda* of this class (not to speak of others) seems a natural appendage. How can the shepherd feed his flock, if he know them not?—how know them, if he cannot number them?

III. Contracts of all sorts; viz. such as by their importance are worth registering. Mode of registration, in some cases, transcription;—in others, abbreviation—in others, simple mention of existence.

Use to the administrator, the judge:—Uses of these documents in the character of *evidences*, as above.

Uses to another sort of administrator—the collector of the revenue—in the case where documents of this sort have been taken for the subject of taxation:—1. Check to

† In this line, an interesting example has been lately set by the Danish government,—on the occasion of the tribunals lately instituted under some such name as that of *Reconciliation Offices*. I speak of the *design*: materials for judging of the *execution* have not reached me.

‡ By 6 & 7, W. IV. c. 86, a general register of births, marriages, and deaths, was established in England. A similar measure for Scotland has been before Parliament, but has not yet (October 1838) passed.—*Ed.*

fraud on the part of the intended contributor; 2. Check to speculation and negligence on the part of the *sub-collectors*.

Uses to individuals at large:—1. Prevention of fraud by forgery—whether in the way of fabrication or alteration; 2. In the case of contracts of conveyance, viz. of specific articles of immoveable property *inter vivos*, prevention of fraud, viz. of fraud commissible by the repeated sale of the same article to different purchasers.

Uses to the legislator:—Various, according to the nature of the contract. Examples:—1. For the purpose of finance, see above, uses to the collector of the revenue;—2. In the case of contracts circulating as money, and constituting a species of paper money,—view of the quantity of it, in comparison with the quantity of metallic money; thence of its in-

fluence on the aggregate prices of goods, and on public, or say rather general, credit; *i. e.* view of the actual depreciation of money, and the danger of general bankruptcy;—3. View of the state of the nation in respect of improvement—progressive, stationary, or declining—in the several lines of action which constitute the subject of the several classes of contracts, and the number of contracts of each sort entered into within a given period of time, compared with the several preceding periods of the same length.

Mode of publication,—abridged, digested, and tabular, as above. In the case of such contracts as are considered as proper to be kept *secret*, the publication may extend to all points but the particular ones in respect of which the secrecy is required; and aggregate quantities may be given at any rate