

SIX LECTURES
ON
POLITICAL ECONOMY

DELIVERED AT CAMBRIDGE IN
MICHAELMAS TERM, 1861

BY

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TO
HIS ROYAL HIGHNESS
THE PRINCE OF WALES.

I was deeply sensible of the honour of having to deliver the following Lectures to your Royal Highness, by the direction of your illustrious Father, upon whose virtues and wisdom I look back with a veneration which I cannot express.

It was a high gratification to me to have your Royal highness's attention given to these Lectures with that intelligence and punctuality which your Royal Highness gave to all your University occupations.

As the matter of the Lectures requires repeated thought, I have wished, for my own satisfaction at least, to put it in a more permanent form than a spoken lecture.

If it had pleased our Almighty Father to spare to us a little longer your great and good parent, his wisdom might have selected for your Royal Highness's further consideration what is best worth notice in what I have said. I venture to hope that the great Problems which I have had to deal with in Lectures V and VI—namely, the nature of the recent agricultural progress of England, and the changes which are taking place in the other parts of the vast British Empire—must be regarded by your Royal Highness with interest, even if the solutions which I have given of those problems be incomplete.

With a firm confidence that the destinies of this Land and of this Empire, so far as they depend upon your Royal Highness's goodness of heart and willingness to listen to enlightened counsels, are full of the brightest promise, and with prayers that your Royal Highness may long

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enjoy the happiness of which you have now the near prospect,

I have the honour to be

Your Royal highness's

Most faithful and devoted Servant,

W. WHEWELL.

PREFACE

The following Lectures were delivered at the request of one of the wisest and best fathers who have ever lived, for the instruction of a son on whose education he bestowed much careful thought: and indeed that education was a matter of national as well as of family concern, he kindly judged that I could deliver a short course of Lectures on Political Economy which might forward his purpose: and I willingly undertook the task, rendered acceptable by the prospect of submitting to him afterwards the purport of what I had said in the Lectures; and of having the gratification and the advantage of hearing his remarks, instructive and interesting as they always were. This satisfaction I was not permitted to enjoy. The All-wise Disposer did not allow the father to see with his earthly eyes the completion of his well-devised plans for his son's education: though I doubt not that those plans will bear their fruit in national blessings.

The scheme of the following Lectures will, I hope, carry with it its own excuse. It seemed to me unwise on such an occasion to aim at any originality beyond that which selects the best passages of writers of acknowledged authority and weighs them against one another. And though the extracts given in the earlier of the following Lectures may by some be thought lightly of; as being common-places, they are commonplaces which young men of rank, such as those to whom these Lectures were addressed, ought to know, and which they were not likely to learn unless they were brought before them in some such way as this. The later extracts and the reflexions which I have added to them will be found, I think, to contain views of which the importance is now only beginning to be duly felt.

TRINITY LODGE,

Dec. 18, 1862.

Six Lectures on Political Economy/7

The following are the editions of books which are principally referred to in the following Lectures:

Smith's *Wealth of Nations*, edited with Notes by J. R. McCulloch. 5th edition, 1859.

J. R. McCulloch, Art. *Political Economy* in the *Encyclopaedia Britannica*, recast, and in 1825 published as *Principles of Political Economy*; and in several subsequent editions.

Malthus, *On Definitions in Political Economy*. 1831.

Ricardo, *Principles of Political Economy and Taxation*. 1817.

Chalmers's *Political Economy, in connexion with the Moral State and Prospects of Society*. 1832.

Harriet Martineau, *Illustrations of Political Economy*. 1832, &c.

Senior, *Appendix to Whately's Elements of Logic*. 1848.

Travers Twiss, *View of the Progress of Political Economy*. 1847.

Jones, *On Wealth and Taxation*: Part I. Rent. 1831.

John Stuart Mill, *Principles of Political Economy*. 1848.

De Lavergne, *Essai sur l'Economie Rurale de l'Angleterre*. 1858.

F. Bastiat, *Essays on Political Economy*, (English Translation. 1853).

LECTURE I

Of the Propriety of certain Terms employed in Political Economy.

My object in these Lectures on Political Economy will be to explain the opinions which have been delivered on some of the leading questions belonging to the subject by successive eminent writers, and to decide among these. I propound no system of my own. If I can make my hearers know, understand, and estimate some of the most striking and more important passages of the best writers on Political Economy; this will be the best instruction which I can give on the subject. And I may add, that these important passages—standard and classical passages we may call them—are important in literature as well as in Political Economy; so that a person versed in English literature is expected to know such specimens of our eminent authors.

Some of these questions are questions of Definition—questions whether this or that is the proper Definition of certain words. Other sciences as well as Political Economy have had such controversies in the course of their history; and you may think perhaps that such ques-

tions are of little consequence, since they are questions of words only. You ask, may we not define our terms as we please? No for we must define our terms so as to be able to assert True Propositions. The science of Political Economy does not rest upon Definitions. It rests upon facts. But facts are to be described in a general manner—that is, by means of general terms. And these terms should be well chosen, so as to enable us to assert true Propositions. If our Definitions do this, they are not bad, merely because the boundary cases are perplexing.

What is Wealth?

We cannot do better than begin with Adam Smith's *Wealth of Nations*. It is a book on which all subsequent books on Political Economy rest. And it is a book full of actual facts, and not of mere hypothetical cases.

Now speaking of the *Wealth of Nations*, what do we mean by Wealth? What is the Definition of it ?

We will see what Mr Malthus says (Malthus, *Def in Polit. Econ.* p. 10):

“In adverting to the terms and definitions of Adam Smith, in his *Wealth of Nations*, I think it will be found that he has less frequently and less strikingly deviated from the rules above laid down, and that he has more constantly and uniformly kept in view the paramount object of explaining in the most intelligible manner the causes of the wealth of nations, according to the ordinary acceptation of the expression, than any of the subsequent writers in the Science, who have essentially differed from him. His faults in this respect are not so much that he has often fallen into the common error, of using terms in a different sense from that in which they are ordinarily applied in society, but that he is sometimes deficient in the precision of his definitions; and does not always, when adopted, adhere to them with sufficient strictness.

“His definition of wealth, for instance, is not sufficiently accurate; nor does he adhere to it with sufficient uniformity: yet it cannot be doubted that he means by the term generally the material products which are necessary, useful, and agreeable to man, and are not furnished by nature in unlimited abundance; and I own I feel quite convinced that it is in this sense in which it is most generally understood in society, and in which it may be most usefully applied, in explaining the causes of the wealth of nations.”

On the same subject we have Mr Senior's remarks, which occur in an Appendix to Dr Whately's *Logic*.

Wealth.—Lord Lauderdale has defined wealth to be 'all that man desires.' Mr Malthus, 'those material objects which are necessary, useful, or agreeable.' Adam Smith confines the term to that portion of the results of land and labour which is capable of being accumulated. The French Economists, to the net produce of land. Mr McCulloch and Mr Storch, to those material products which have exchangeable value : according to Colonel Torrens, it consists of articles which possess utility and are produced by some portion of voluntary effort. M. Say divides wealth into natural and social, and applies the latter to whatever is susceptible of exchange. It will be observed that the principal difference between those definitions consists in the admission or rejection of the qualifications 'exchangeable' and 'material.'"

As Mr Senior says, one main point is, whether wealth shall include what is not material. On this point Mr Malthus says (*Def.* p. 71)

"Mr McCulloch, in the Article on Political Economy, which he published in the *Encyclopaedia Britannica* had excluded these kinds of gratification [immaterial kinds] from his definition of wealth, and had given such reasons for this exclusion, as would fully have convinced me of its propriety, if I had not been convinced before. He observes that, 'if Political Economy were to embrace a discussion of the production and distribution of all that is useful and agreeable, it would include within itself every other science; and the best Encyclopaedia would really be the best treatise on Political Economy. Good health is useful and delightful, and therefore, on this hypothesis, the science of wealth ought to comprehend the science of medicine: civil and religious liberty are highly useful, and therefore the science of wealth must comprehend the science of politics: good acting is agreeable, and therefore, to be complete, the science of wealth must embrace a discussion of the principles of the histrionic art; and so on. Such definitions are obviously worse than useless. They can have no effect but to generate confused and perplexed notions respecting the objects and limits of the science, and to prevent the student ever acquiring a clear and distinct idea of the inquiries in which he is engaged.'"

The question thus occurs, Do ministers of religion, education, justice; also poets, actors, physicians, add to the wealth of a country?

This question has more commonly been discussed with reference to Smith's distinction of productive and unproductive labour, which we

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shall therefore consider.

Is the distinction of productive and unproductive labour a solid distinction?

Smith says (W. N. p. 145):

“There is one sort of labour which adds to the value of the subject upon which it is bestowed; there is another which has no such effect. The former, as it produces a value, may be called productive, the latter unproductive labour. Thus the labour of a manufacturer adds generally to the value of the materials which he works upon, that of his own maintenance, and of his master’s profit. The labour of a menial servant, on the contrary, adds to the value of nothing. Though the manufacturer has his wages advanced to him by his master, he in reality costs him no expense, the value of those wages being generally restored, together with a profit, in the improved value of the subject upon which his labour is bestowed; but the maintenance of a menial servant never is restored. A man grows rich by employing a multitude of manufacturers; he grows poor by employing a multitude of menial servants. The labour of the latter, however, has its value, and deserves its reward as well as that of the former; but the labour of the manufacturer fixes and realises itself in some particular subject or vendible commodity, which lasts for some time at least after that labour is past. It is, as it were, a certain quantity of labour stocked and stored up, to be employed, if necessary, upon some other occasion. That subject, or, what is the same thing, the price of that subject, can afterwards, if necessary, put into motion a quantity of labour equal to that which had originally produced it. The labour of the menial servant, on the contrary, does not fix, or realise, itself into any particular subject or vendible commodity. His services generally perish in the very instant of their performance, and seldom leave any trace or value behind them, for which an equal quantity of service could afterwards be procured.”

The distinction of productive and unproductive labour has been impugned by Mr McCulloch: but on a large scale it is well founded, whatever perplexities there may be in doubtful cases. The leading proposition on this subject is that which Smith asserts: “A man grows rich by employing a multitude of manufacturers: he grows poor by employing a multitude of menial servants.” The former are called productive, the latter unproductive labourers: and all labourers belong to the one or the

other as they can best be classed with the one or the other.

I will take Mr Malthus's account of the character and general effect of the two kinds of labour:

“Let us suppose two fertile countries with the same population and produce, in one of which it was the pride and pleasure of the landlords to employ their rents chiefly in maintaining menial servants and followers, and, in the other, chiefly in the purchase of manufactures and the products of foreign commerce. It is evident that the different results would be nearly what I described in speaking of the consequences of the definition of the economists. In the country, where the tastes and habits of the landlords led them to prefer material conveniences and luxuries, there would, in the first place, be in all probability a much better division of landed property; secondly, supposing the same agricultural capital, there would be a very much greater quantity of manufacturing and mercantile capital; and thirdly, the structure of society would be totally different. In the one country, there would be a large body of persons living upon the profits of capital; in the other, comparatively a very small one: in the one there would be a large middle class of society; in the other the society would be divided almost entirely between a few great landlords and their menials and dependents: in the one country good houses, good furniture, good clothes, and good carriages would be in comparative abundance; while in the other, these conveniences would be confined to a very few.

“Now I would ask, whether it would not be the grossest violation of all common language, and all common feelings and apprehensions, to say that the two countries were equally rich.”

But what are the grounds on which it is alleged that there is no essential difference between productive and unproductive labour? They are such as these.

(Malth. *Def.* p. 75) “Mr McCulloch has discovered that there is a resemblance between the end accomplished by the menial servant or dependent and by the manufacturer or agriculturist.” He says, “the end of all human labour is the same: that is, to increase the sum of necessaries, comforts and enjoyment, and it must be left to the judgment of every one to determine what proportion of the comforts he will have in the shape of menial services, and what in the shape of natural products.”

Undoubtedly. But the question with us, as Political Economists, is not whether men shall employ one kind of labour or another; but, what

is the effect of their choice on the wealth of a country? That the same end is answered does not make it useless to classify the means. It is not because a resemblance may be discovered among the means, that we are to identify all such means.

Mr Malthus well observes, to this effect:

“Mr McCulloch might unquestionably discover some resemblance between the salt and the meat which it seasons: they both contribute, when used in proper proportions, to compose a palatable and nutritive meal, and in general we may leave it to the taste and discretion of the individual to determine these proportions; but are we on that account to confound the two substances together, and to affirm that they are equally nutritive? Are we to define and apply our terms in such a way as to make it follow from our statements that if the individual were to compound his repast of half salt and half meat, it would equally conduce to his health and strength.”

Further, the matter is thus argued:

“Mr McCulloch states, that a taste for the gratifications derived from the unproductive labourers of Adam Smith, ‘has exactly the same effect upon national wealth as a taste for tobacco, champagne, or any other luxury.’” “This,” says Mr Malthus, “may be directly denied unless we define wealth in such a manner as will entitle us to say that the enjoyments derived by a few great landlords, from the parade of menial servants and followers, will tell as effectually in an estimate of wealth as a large mass of manufacturers and foreign commodities. But when M. Chaptal endeavoured to estimate the wealth of France, and Mr Colquhoun that of England, we do not find the value of these enjoyments computed in any of their tables. And certainly if wealth means what it is understood to mean in common conversation, and in the language of the highest authorities in the science of Political Economy, no effects on national wealth can or will be more distinct than those which result from a taste for material conveniences and luxuries, and a taste for menial servants and followers. The exchange of the ordinary products of land for manufactures, tobacco, and champagne, necessarily generates capital; and the more such exchanges prevail, the more do those advantages prevail which result from the growth of capital and a better structure of society; while an exchange of necessaries for menial services, beyond a certain limited amount, obviously tends to check the growth of capital, and, if pushed to a considerable extent, to prevent accumulation entirely, and to keep a country permanently in a semi-

barbarous state.” Dr Travers Twiss, in his *View of the Progress of Political Economy*, states and criticises the opinions of writers on this subject. He thus gives an account of Mr Malthus’s doctrine on this subject.

Mr Malthus, to avoid the prejudice which prevails against what is called unproductive labour, had proposed to call such labour personal services. Dr Twiss remarks,

“Labour then, he” [Mr Malthus] says, “may be distinguished into two kinds, productive labour, and personal services, meaning by productive labour, that labour which is so directly productive of material wealth, as to be capable of estimation in the quantity or value of the object produced, which object is capable of being transferred without the presence of the producer; and meaning by personal services, that kind of labour or industry, which however highly useful and important some of it may be, and however much it may conduce indirectly, to the production and security of material wealth, does not realise itself on any object which can be valued and transferred without the presence of the person performing such service, and cannot therefore be made to enter into an estimate of national wealth.”

This,” says Dr Twiss, “though differing in name, is essentially the doctrine of Adam Smith.”

Mr Senior puts the distinction very ingeniously (*Ency. Metrop. art. Polit. Econ.*):

“It appears to us,” he writes, “that the distinctions that have been attempted to be drawn between productive and unproductive labourers, or between the producers of material and immaterial products or between commodities or services, rest on differences existing not in the things themselves, but in the mode in which they attract our attention. In those cases in which our attention is principally called, not to the act of occasioning the alteration, but to the result of that act, to the thing (as) altered, economists have termed the person who occasioned that alteration a productive labourer, or the producer of a commodity or material produced. Where on the other hand, our attention is principally called, not to the thing (as) altered, but to the act of occasioning the alteration, economists have termed the person occasioning the alteration an unproductive labourer, and his exertions, services, or immaterial products. A shoemaker alters leather and thread and wax into a pair of shoes. A shoe-black alters a dirty pair of shoes into a clean pair. In the first case, our attention is called principally to the thing as altered. The shoemaker, therefore, is said to make or produce shoes. In the case of the shoe-

black, our attention is called principally to the act as performed. He is not said to make or produce the commodity, clean shoes, but to perform the service of cleaning them. In each case, there is of course an act and a result; but in the one case our attention is called principally to the act; in the other, to the result.”

“It might have been perhaps more correct,” says Dr Twiss, “to have represented the shoe-black as altering blacking and dirty shoes into clean shoes. If the shoe-black is a private servant, he is simply an instrument of his master to assist him in the consumption of blacking, which consumption takes place, not when it is applied to the boot, for a clean boot is of more value than a dirty boot, but when the boot is soiled afresh. The master, therefore, really consumes the blacking, and the servant assists him. On the other hand, the shoe-black may keep a stall, as is frequently seen in the streets of Paris, and his services may be at the command of the public: in this case he is a trader, and supplies clean shoes in exchange for dirty shoes and money.”

Dr Twiss, who praises and apparently adopts this view, applies it in a particular case in a manner which, I think, is quite indefensible. He says (p. 177):

“The first machine of Newcomen (constructed in 1765) required the most unremitting attention on the part of the person whose business it was to close and open incessantly certain cocks (robinets), by which at one moment the steam was admitted into the cylinder, at another, a jet of cold water entered to condense it. It happened on a particular occasion that whilst a boy named Humphrey Potter was thus employed, his comrades, who were at play, excited him so much by their cries, that he found himself at last unable to resist the temptation to join them. But the task imposed upon him was one which he could not venture to abandon for a single minute. The excitement of the moment, however, kindled in him a spark of genius, and suggested to him certain relations between the parts of the machine, which he had before not observed. Of the two cocks, one required to be opened at the moment when the balance rod, which Newcomen first introduced, completed its descending oscillation, and to be closed at the conclusion of its ascending oscillation. The operations of the second cock were just the reverse. There was thus a necessary dependence between the movements of the balance-rod and the opening and shutting of the two cocks, and it occurred to Potter that the balance-rod might be made to communicate the necessary motion to the other parts of the machine. He at once attached cords from the handles

of the cocks to certain parts of the balance-rod, and found that the tightening and loosening of these cords, with every ascending and descending oscillation, would produce the same effect that he hitherto produced with his hand. For the first time the steam-engine worked by itself without any further care than that of feeding the furnace with coals. More complicated constructions were soon adopted to replace the simple contrivance of the child; but the origin of them all was owing to the mere longings of a boy to join his playfellows.”

He adds, “According to Adam Smith’s division, this boy would be classed under the head of unproductive labourers.” But according to Adam Smith’s doctrine this boy must certainly be ranked among productive labourers. He was employed in working a machine; and was just as much a productive labourer as the draw-boy who pulls the sheds of a loom, or as the weaver who sits and works at the loom.

We are carefully to remember that unproductive as applied to labourers is not a term of reproach or condemnation. The standard passage on the subject is this (Smith’s *Wealth of Nations*, p. 146):

“The labour of some of the most respectable orders in the society is, like that of menial servants, unproductive of any value, and does not fix or realize itself in any permanent subject or vendible commodity which endures after that labour is past, and for which an equal quantity of labour could afterwards be procured. The sovereign, for example, with all the officers both of justice and war who serve under him, the whole army and navy, are unproductive labourers. They are the servants of the public, and are maintained by a part of the annual produce of the industry of other people. Their service, how honourable, how useful, or how necessary soever, produces nothing for which an equal quantity of service can afterwards be procured. The protection, security, and defence of the commonwealth, the effect of their labour this year, will not purchase its protection, security, and defence for the year to come. In the same class must be ranked, some both of the gravest and most important, and some of the most frivolous professions; churchmen, lawyers, physicians, men of letters of all kinds; players, buffoons, musicians, opera-singers, opera-dancers, &c. The labour of the meanest of these has a certain value, regulated by the very same principles which regulate that of every other sort of labour; and that of the noblest and most useful produces nothing which could afterwards purchase or procure an equal quantity of labour. Like the declamation of the actor, the harangue of the orator, or the tune of the musician, the work of all of them per-

ishes in the very instant of its production.”

Hence the indignation with which Dr Chalmers rejects this term is really uncalled for. In his *Political Economy*, his chapter xi. is “On the distinction made by Economists between Productive and Unproductive Labour.” He there speaks of the disparagement thus laid on ecclesiastics and many other orders of men whose services are indispensable: but there is really no disparagement intended. He says that it has been recommended as the best policy of a government to abridge and economize to the uttermost in the maintenance of unproductive labourers. But this has not been recommended by any wise political economists.

Mr Malthus, as I have said, proposes to use the term personal services instead of unproductive labour. But there is no occasion for such a change, and it would not be convenient.

Mr J. S. Mill has an Essay on the terms productive and unproductive labour which is judicious. He says:

“The end to which all labour and all expenditure are directed, is two fold. Sometimes it is enjoyment immediately; the fulfilment of those desires, the gratification of which is wished for on its own account. Whenever labour or expense is not incurred immediately for the sake of enjoyment, and is yet not absolutely wasted, it must be incurred for the purpose of enjoyment indirectly or mediately; by either repairing and perpetuating, or adding to the permanent sources of enjoyment.

“Sources of enjoyment may be accumulated and stored up; enjoyment itself cannot. The wealth of a country consists of the sum total of the permanent sources of enjoyment, whether material or immaterial, contained in it: and labour or expenditure which tends to augment or to keep up these permanent sources, should, we conceive, be termed productive.

“Labour which is employed for the purpose of directly affording enjoyment, such as the labour of a performer on a musical instrument, we term unproductive labour. Whatever is consumed by such a performer, we consider as unproductively consumed: the accumulated total of the sources of enjoyment which the nation possesses, is diminished by the amount of what he has consumed; whereas, if it had been given to him in exchange for his services in producing food or clothing, the total of the permanent sources of enjoyment in the country might have been not diminished, but increased.

“The performer on a musical instrument then is, so far as respects that act, not a productive, but an unproductive labourer. But what shall

we say of the workman who made the musical instrument? He, most persons would say, is a productive labourer; and with reason; because the musical instrument is a permanent source of enjoyment, which does not begin and end with the enjoying, and therefore admits of being accumulated.

“The skill of a tailor, and the implements he employs, contribute in the same way to the convenience of him who wears the coat, namely, a remote way: it is the coat itself which contributes immediately. The skill of Madame Pasta, and the building and decorations which aid the effect of her performance, contribute in the same way to the enjoyment of the audience, namely, an immediate way, without any intermediate instrumentality. The building and decorations are consumed unproductively, and Madame Pasta labours and consumes unproductively; for the building is used and worn out, and Madame Pasta performs, immediately for the spectator’s enjoyment, and without leaving, as a consequence of the performance, any permanent result possessing exchangeable value: consequently the epithet unproductive must be equally applied to the gradual wearing out of the bricks and mortar, the nightly consumption of the more perishable ‘properties’ of the theatre, the labours of Madame Pasta in acting, and of the orchestra in playing. But notwithstanding this, the architect who built the theatre was a productive labourer; so were the producers of the perishable articles; so were those who constructed the musical instruments; and so, we must be permitted to add, were those who instructed the musicians, and all persons who, by the instructions which they may have given to Madame Pasta, contributed to the formation of her talent. All these persons contributed to the enjoyment of the audience in the same way, viz, in the production of a permanent source of enjoyment.

“The difference between this case, and the case of the cotton-spinner already adverted to, is this. The spinning-jenny, and the skill of the cotton-spinner, are not only the result of productive labour, but are themselves productively consumed. The musical instrument and the skill of the musician are equally the result of productive labour, but are themselves unproductively consumed.”

Miss Martineau, in her Tale, *Life in the Wilds*, one of her Tales entitled *Illustrations of Political Economy*, describes a party of persons who, in a settlement near the Cape of Good Hope, are deprived of all their possessions by an onslaught of Caffres, and have to begin life afresh, without tools, capital, or social organization. There is an in-

structive account given of the manner in which tools and capital are gradually acquired: and of the manner in which the wages of labour are paid. And in this case, besides the productive labourers, there is found a need for a minister of religion and a governor, and these are also paid, though unproductive labourers; productive meaning, as Miss Martineau says, productive of wealth.

There is nothing unusual in this arbitrary limitation of the meaning of a phrase. 'The Quarterly' means the *Quarterly Review*. With us in Cambridge 'the Long' means the Long Vacation. In architecture, the 'Decorated style' means that in which the windows are decorated with tracery. The tenacity with which some writers have urged that that labour cannot be properly called unproductive which produces enjoyment, involves a rejection of the ordinary usages of language.

Nor is it true that because all the kinds of labour tend to the same end they need to be classed together, though Dr Twiss urges this argument. He says:

"The first link of a chain-cable is just as instrumental as the last link in holding a ship by its anchor; and so each individual, who forms a link in the great chain of operations of human labour, however far remote his place may be from that of the person out of whose hands the product issues, in its finished state of preparation for the consumer, as he has in his place contributed a share of that general result, seems justly entitled to be considered a productive labourer equally with the last workman."

But to this we reply, that a cable may be of different materials and have different properties in one part and another. If the cable be half an iron chain and half a hempen rope, shall we be forbidden to examine the different properties of iron chain and hempen rope because the first link of one and the last fathom of the other are equally instrumental in holding a ship to its anchor?

I conceive therefore, that, as I have said, Dr Twiss's argument is of no force, and the distinction of productive and unproductive labour remains a fundamental point in Political Economy.

LECTURE II

The Components of Price are Wages, Profit, Rent.

All things which man uses are the results of labour. Take for example the objects before and about us—the table, the table-cloth, the ink-stand, the window, the carpet, the fire-irons, the gold watch—we can easily trace the processes of human labour by which these became what they are.

All these things have their price. Upon what does their price depend? The Price of any article involves three elements, Wages, Profits, Rent. This is one of the cardinal points and foundation stones of Smith's doctrines.

He teaches (B. i. c. vi.), as we have said, that all things which man needs or desires is provided by labour. And that at first, all thus produced belongs to the labourer; and what he gets for it is his wages. But when men have capital or stock on which they can support others while they labour (that is, have food, clothing, &c.), or have the command of these by raising money, they set others to work, and charge the labour with a profit in the price of what they produce. Further, the production of many things requires land; and when the land has all been appropriated, rent is demanded for it. Now land has everywhere been appropriated in a very early stage of society. For instance, in New Zealand the claim to property in land is as technical and as obstinately urged as in England.

(Smith, W. N. p. 22.) "As soon as stock has accumulated in the hands of particular persons, some of them will naturally employ it in setting to work industrious people, whom they will supply with materials and subsistence, in order to make a profit by the sale of their work, or by what their labour adds to the value of the materials. In exchanging the complete manufacture either for money, for labour, or for other goods, over and above what may be sufficient to pay the price of the materials and the wages of the workmen, something must be given for the profits of the undertaker of the work, who hazards his stock in this adventure. The value which the workmen add to the materials, therefore, resolves itself in this case into two parts, of which the one pays their wages, the other the profits of their employer upon the whole stock of materials and wages which he advanced. He could have no interest to employ them, unless he expected from the sale of their work something more than what was sufficient to replace his stock to him and he could have no

interest to employ a great stock rather than a small one, unless his profits were to bear some proportion to the extent of his stock.

“The profits of stock, it may perhaps be thought, are only a different name for the wages of a particular sort of labour, the labour of inspection and direction. They are however altogether different, are regulated by quite different principles, and bear no proportion to the quantity, the hardship, and the ingenuity of this supposed labour of inspection and direction. They are regulated altogether by the value of the stock employed, and are greater or smaller in proportion to the extent of this stock. Let us suppose, for example, that in some particular place, where the common annual profits of manufacturing stock are ten per cent. there are two different manufactures, in each of which twenty workmen are employed at the rate of fifteen pounds a year each, or at the expense of three hundred a year in each manufactory. Let us suppose too that the coarse materials annually wrought up in the one cost only seven hundred pounds, while the finer materials in the other cost seven thousand. The capital annually employed in the one will in this case amount only to one thousand pounds; whereas that employed in the other will amount to seven thousand three hundred pounds. At the rate of ten per cent., therefore, the undertaker of the one will expect a yearly profit of about one hundred pounds only; while that of the other will expect about seven hundred and thirty pounds. But though their profits are so very different, their labour of inspection and direction may be either altogether or very nearly the same. In many great works, almost the whole labour of this kind is committed to some principal clerk. His wages properly express the value of this labour of inspection and direction. Though in settling them some regard is had commonly, not only to his labour and skill, but to the trust which is reposed in him, yet they never bear any regular proportion to the capital of which he oversees the management; and the owner of this capital, though he is thus discharged of almost all labour, still expects that his profits shall bear a regular proportion to his capital. In the price of commodities, therefore, the profits of stock constitute a component part altogether different from the wages of labour, and regulated by quite different principles.

“In this state of things, the whole produce of labour does not always belong to the labourer. He must in most cases share it with the owner of the stock which employs him. Neither is the quantity of labour commonly employed in acquiring or producing any commodity the only circumstance which can regulate the quantity which it ought commonly to

purchase, command, or exchange, for. An additional quantity, it is evident, must be due for the profits of the stock which advanced the wages and furnished the materials of that labour.

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

Thus Wages, Profits, Rent, are the three component parts of Price.

At first it might appear as if there were a fourth element of Price; namely, Materials. Thus the table, besides the wages of the journeyman and the profit of the master cabinet-maker, cost also the price of the wood. But then, of what does the price of the wood consist? of the Rent of the Land on which it grows; the Profit of the landlord for leaving it to grow; and the Wages of the woodman who cut it down. And thus Price is reduced to Wages, Profits and Rent.

Wages, as we have said, is the reward of labour. Profits is the reward of abstinence:—of the abstinence of the master cabinet-maker, who employed his money to pay a journeyman carpenter, instead of spending it in eating, drinking, clothes, &c. Rent is a monopoly, but a necessary and inevitable monopoly, for land must be appropriated; and always has been appropriated, as we have said.

Smith gives an example to illustrate the manner in which the three elements of price show themselves (p. 20):

“In the price of corn, for example, one part pays the rent of the landlord, another pays the wages or maintenance of the labourers and labouring cattle employed in producing it, and the third pays the profit of the farmer. These three parts seem either immediately or ultimately to make up the whole price of corn. A fourth part, it may perhaps be thought, is necessary for replacing the stock of the farmer, or for compensating the wear and tear of his labouring cattle, and other instruments of husbandry. But it must be considered that the price of any instrument of husbandry, such as a labouring horse, is itself made up of the same three

parts; the rent of the land upon which he is reared, the labour of tending and rearing him, and the profits of the farmer who advances both the rent of this land and the wages of this labour. Though the price of the corn, therefore, may pay the price as well as the maintenance of the horse, the whole price still resolves itself either immediately or ultimately into the same three parts of rent, of labour, and profit.

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

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

“As any particular commodity comes to be more manufactured, that part of the price which resolves itself into wages and profit, comes to be greater in proportion to that which resolves itself into rest. In the progress of the manufacture, not only the number of profits increase, but every subsequent profit is greater than the foregoing; because the capital which from it is derived must always be greater. The capital which employs the weaver, for example, must be greater than that which employs the spinners, because it not only replaces that capital with its profits, but pays, besides, the wages of the weavers; and the profits must always bear some proportion to the capital.”

There are however exceptions to the proposition that these three elements of price always exist.

Exceptions to the above. (Smith, p. 23.)

“Even in the most improved societies, there are always a few commodities of which the price resolves itself into two parts only, the wages of labour, and the profits of stock; and a still smaller number, in which it consists altogether in the wages of labour. In the price of sea-fish, for example, one part pays the labour of the fishermen, and the other the profits of the capital employed in the fishery. Rent very seldom makes any part of it, though it does sometimes, as I shall show hereafter. It is otherwise, at least through the greater part of Europe, in river fisheries.

A salmon-fishery pays a rent; and rent, though it cannot well be called the rent of land, makes a part of the price of a salmon as well as wages and profit. In some parts of Scotland a few poor people make a trade of gathering, along the seashore, those little variegated stones commonly known by the name of Scotch Pebbles. The price which is paid to them by the stone-cutter is altogether the wages of their labour; neither rent nor profit make any part of it.”

Again, there are cases in which the three elements, or two of them, are liable to be confounded.

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

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

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

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

And thus the three elements of Price are Wages, Profits, and Rent; and these exist, with few exceptions, in all cases, though sometimes two of them may be confounded.

Fixed and Circulating capital.

Capital is further distinguished as Fixed Capital and Circulating Capital.

(Smith, p. 120.) “There are two different ways in which the capital of a merchant may be employed so as to yield a profit to its employer.

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

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

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

“The capital of a merchant, for example, is altogether a circulating capital. He has occasion for no machines or instruments of trade, unless his shop or warehouse be considered as such.

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

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

“That part of the capital of the farmer which is employed in the instruments of agriculture, is a fixed, that which is employed in the wages and maintenance of his labouring servants, is a circulating capital. He makes a profit of the one by keeping it in his own possession, and of the other by parting with it. The price or value of his labouring cattle is a fixed capital in the same manner as that of the instruments of husbandry; their maintenance is a circulating capital, in the same manner as that of the labouring servants. The farmer makes his profit by keeping the labouring cattle, and by parting with their maintenance. Both the price and the maintenance of the cattle, which are bought in, and fattened, not for labour, but for sale, are a circulating capital. The farmer makes his profit by parting with them. A flock of sheep, or a herd of cattle, that in a breeding country is bought in neither for labour nor for sale, but in order to make a profit by their wool, by their milk, and by their increase, is a fixed capital. Their profit is made by keeping them. Their maintenance is circulating capital. The profit is made by parting with it, and it comes back with both its own profit, and the profit upon the whole price of the cattle, in the price of the wool, the milk, and the increase. The whole value of the seed, too, is properly a fixed capital. Though it goes backwards and forwards between the ground and the granary, it never changes masters, and therefore does not properly circulate. The farmer makes his profit not by its sale, but by its increase.”

LECTURE III

Different effects of Fixed and Circulating Capital on Price.

We have seen that the price of everything depends on three elements, Wages, Rent, Capital and the Capital is either Fixed, as Machinery, or Circulating, as Wages and Materials. Fixed capital however is not absolutely fixed. All machines, for instance, wear out in the course of time, and must be replaced as that time expires. And according to the

length of time which any article of Fixed Capital lasts, the effect of that portion of Capital or Price is different.

We will take examples.

A Tailor may be taken as an example of a producer who has little Fixed Capital. He requires only needles, thread, a shop-board and his goose.

A Linen Manufacturer (who both spins and weaves) has much Fixed Capital, as Spinning Jennies, Looms, &c.; probably Steam Engines.

Suppose the Tailor pays annually, to 10 men, £500 in wages, and pays £500 for materials (cloth) suppose profits to be ten per cent, and he makes 100 suits of clothes, what is the price of each suit?

Wages with Profits...	550
Materials with Profits	550
	1100

This gives 100 suits at £11 each.

Suppose the Linen-Manufacturer pays annually to 10 men £500 in wages; and pays £100 for materials (flax): and has machinery worth £400 which lasts 10 years: and produces 1000 shirts a year. What is the price of each shirt?

The obvious calculation is:

Wages with profits	550
Materials with profits	110
To replace £400 in 10 years	40
	700

This gives 1000 shirts at £ 7/10 or 14s.

But this calculation is not right. The fixed capital must be replaced with Profits, as well as the circulating capital. And we must ask what annuity to continue for 10 years, is worth £400 present value. The answer is, £64.

Hence to determine the price:

	£
Wages with Profits	550
Materials with Profits	110
To replace £400 in 10 years with Profits	64
	724

This gives 1000 shirts at £724 per shirt, which is 14.48s., or 148.6d. nearly.

And if any of the elements change,—number of labourers, rate of wages, rate of profits, duration of Fixed Capital,—we can calculate the effect upon price in the same manner as in these examples.

The mode of calculating the effect of Fixed Capital, by considering the sum needed to replace it as the present value of an annuity, is plainly right. To replace a Fixed Capital of £400 which is exhausted in 10 years, an annual payment of £40 in each future year will suffice. But the Manufacturer will not give this £40 at present except he can have it returned with profit: and for that purpose not £40, but £64 a year is requisite.

This correction of the mode of calculating the result of Fixed Capital was, I believe, first introduced by Mr Ricardo, in his *Principles of Political Economy* published in 1817.

Profits are not the result of Labour.

In his *Principles of Political Economy*, Mr Ricardo maintained that commodities universally exchange for each other according to the quantity of labour worked up in them.

Mr McCulloch attempted further to support this assertion, by maintaining that what are commonly called Profits may be called Labour; and thus he held that Profits and Labour are not distinct elements of Price.

Upon this Mr Malthus observes (*Def* p. 100), “There is nothing that may not be proved by a new definition. A composition of flour, milk, suet, and stones is a plum-pudding; if by stones be meant plums. Upon this principle, Mr McCulloch undertakes to show, that commodities do really exchange with each other according to the quantity of labour employed upon them; and it must be acknowledged, that in the instances which he has chosen he has not been deterred by apparent difficulties. He has taken the bull by the horns. The cases are nearly as strong as that of the plum-pudding.

“They are the two following—namely, that the increase of value which a cask of wine acquires, by being kept a certain number of years untouched in a cellar, is occasioned by the increased quantity of labour employed upon it; and that an oak-tree of a hundred years’ growth,

worth £25, which may not have been touched by man, beast, or machine for a century, derives its whole value from labour.

“Mr McCulloch acknowledges that Mr Ricardo was inclined to modify his grand principle, that the exchangeable value of commodities depended on the quantity of labour required for their production, so far as to allow that the additional exchangeable value that is sometimes given to commodities, by keeping them after they have been purchased or produced until they become fit to be used, was not to be considered as an effect of labour, but as an equivalent for the profits which the capital laid out on the commodities would have yielded had it been actually employed. This was looking at the subject in the true point of view, and showing that he would not get out of the difficulty by changing the meaning of the term labour; but Mr McCulloch says—

I confess, however, notwithstanding the hesitation I cannot but feel in differing from so great an authority, that I see no good reason for making this exception. Suppose, to illustrate the principle, that a cask of new wine, which cost £50, is put into a cellar, and that at the end of twelve months it is worth the question is, whether ought the £5 of additional value given to the wine to be considered as a compensation for the time the £50 worth of capital has been locked up, or ought it to be considered as the value of additional labour actually laid out on the wine. I think that it ought to be considered in the latter point of view, and for this, as it appears to me a most satisfactory and conclusive reason, that if we keep a commodity, as a cask of wine which has not arrived at maturity, and on which therefore a change or effect is to be produced, it will be possessed of additional value at the year's end; whereas, had we kept a cask of wine which had already arrived at maturity, and on which no beneficial or desirable effect could be produced for a hundred or a thousand years, it would not have been worth a single additional farthing. This seems to prove incontrovertibly that the additional value acquired by the wine during the period it has been kept in the cellar is not a compensation or return for time, but for the effect or change that has been produced on it. Time cannot of itself produce any effect, it merely affords space for really efficient causes to operate; and it is therefore clear, that it can have nothing to do with the value.’

“On this passage it should be remarked, in the first place, that the question stated in it is not the main question in reference to the new meaning which Mr McCulloch must give to the term labour, in order to make out his proposition. He acknowledges that the increased value ac-

quired by the wine is either owing to the operation of nature during the year in improving its quality, or to the profits acquired by the capitalist for being deprived for a year from using his capital of £50 in any other way. But in either case Mr McCulloch's language is quite unwarranted. When he uses the expression, 'additional labour actually laid out upon the wine,' who could possibly imagine that, instead of meaning human labour, he meant the processes carried on by nature in the cask of wine during the time that it is kept? This is at once giving an entirely new meaning to the term labour.

"But, further, it is most justly stated by Mr Ricardo, that when the powers of nature can be called into action in unlimited abundance, she always works gratis; and her processes never add to the value, though they may add very greatly to the utility of the objects to which they are applied.

"This truth is also fully adopted and strongly stated by Mr McCulloch himself'. 'All the rude products (he says) and all the productive powers and capacities of nature are gratuitously offered to man. Nature is not niggardly or parsimonious; she neither demands nor receives an equivalent for her favours. An object which it does not require any portion of labour to appropriate or to adapt to our use may be of the very highest utility, but as it is the free gift of nature, it is utterly impossible it can be possessed of the smallest value.' Consequently, as the processes which are carrying on in the cask of wine, while it is kept, are unquestionably the free gift of nature, and are at the service of all who want them, it is utterly impossible, even if their effects were ten times greater than they are, that they should add in the smallest degree to the price of the wine. It is, no doubt, perfectly true, as stated by Mr McCulloch, that if wine were not improved by keeping, it would not be worth a single additional farthing after being kept a hundred or even a thousand years. But this proves nothing but that, in that case, no one would ever think of keeping wine longer than was absolutely necessary for its convenient sale or convenient consumption.

"The improvement which wine derives from keeping is unquestionably the cause of its being kept; but when on this account the wine-merchant has kept his wine, the additional price which he is enabled to put upon it is regulated upon principles totally distinct from the average degree of improvement which the wine acquires. It is regulated exclusively, as stated by Mr Ricardo, by the average profits which the capital engaged in keeping the wine would have yielded if it had been actively

employed; and that this is the regulating principle of the additional price, and not the degree of improvement, is quite certain: because it would be universally allowed that if, in the case supposed by Mr McCulloch, the ordinary rate of profits had been 20 per cent., instead of 10 per cent., a cask of new wine, worth £50, after it had been kept a year, would have been increased in value £10 instead of £5, although the processes of nature and the improvement of time wine were precisely the same in the two cases; and there can not be the least doubt, as I said before, that if the quality of wine, by a year's keeping, were ordinarily improved in a degree ten times as great as at present, the prices of wines would not be raised; because, if they were so raised, all wine-merchants who sold kept wines would be making greater profits than other dealers.

“Nothing then can be clearer than that the additional value of the kept wine is derived from the additional amount of profits of which it is composed, determined by the time for which the capital was advanced and the ordinary rate of profits.

“The value of the oak-tree of a hundred years' growth is derived, in a very considerable degree, from the same cause; though, in rich and cultivated countries, where alone it could be worth £25, rent would necessarily form a part of this value.

“If the number of acorns necessary on an average to rear one good oak were planted by the hand of man, they would be planted on appropriated land; and as land is limited in quantity, the powers of vegetation in the land cannot be called into action by every one who is in possession of acorns, in the same way as the improving operations of nature may be called into action by every person who possesses a cask of wine. But setting this part of the value aside, and supposing the acorns to be planted at a certain expense, it is quite clear, that almost the whole of the remaining value would be derived from the compound interest or profits upon the advances of the labour required for the first planting of the acorns, and the subsequent protection of' the young trees. A much larger part, therefore, of the final value of the tree than of the final value of the wine would be owing to profits.

“Now, if we were to compare an oak-tree, worth £25, with a quantity of hardware [for instance, axes,] worth the same sum, the value of which was chiefly made up of human labour; and as the reason why these two objects were of the same value, were to state that the same quantity of labour had been worked up in them—we should obviously state a direct falsity, according to the common usage of language; and

nothing could make the statement true, but the magical influence of a new meaning given to the term labour. But to make Labour mean profits, or fermentation, or vegetation, or rent, appears to me quite as unwarrantable as to make stones mean plums.”

Are Profits justifiable?

We have had in England a controversy, What is Profit? as we have just seen. In France there has been a controversy, Whether there ought to be Profits? Whether capital ought to be allowed to bring Profit to its owner? It has been maintained by the socialists that the Profit of capital is a thing which is wrong and against nature.

(Bastiat, p. 3.) “It is thus that the democratic Socialist, Thore, expresses himself:

“The revolution will always have to be recommenced, so long as we occupy ourselves with consequences only, without having the logic or the courage to attack the principle itself”. This principle is capital, false property, interest, and usury, which by the old regime, is made to weigh upon labour.

“Ever since the aristocrats invented the incredible fiction, that capital possesses the power of reproducing itself, the workers have been at the mercy of the idle.

“At the end of a year, will you find an additional crown in a bag of one hundred shillings? At the end of fourteen years, will your shilling have doubled in your bag?

“Will a work of industry or of skill produce another, at the end of fourteen years?

“Let us begin, then, by demolishing this fatal fiction.’

“I have quoted the above,” Bastiat says, “merely for the sake of establishing the fact, that many persons consider the productiveness of capital a false, a fatal, and an iniquitous principle. But quotations are superfluous; it is well known that the people attribute their sufferings to what they call die trafficking in man by man.

“In fact, the phrase, tyranny of capital, has become proverbial.”

Bastiat argues against this doctrine with great force and ingenuity. To us the matter will seem to need no argument. A man who has capital will not give the use of it for nothing. And no one would accumulate capital if he was to get nothing by it. Bastiat gives a curious illustration of this.

(Bastiat, p. 45.) “A friend of mine, commissioned to make enquiry into Parisian industry, has assured me that the manufacturers have revealed to him a very striking fact, which proves, better than any reasoning can, how much insecurity and uncertainty injure the formation of capital. It was remarked, that during the most distressing period, the popular expenses of mere fancy had not diminished. The small theatres, the fighting lists, the public-houses, and tobacco depots, were as much frequented as in prosperous times. In the inquiry, the operatives themselves explained this phenomenon thus:—‘What is the use of pinching? Who knows what will happen to us? Who knows that interest will not be abolished? Who knows but that the State will become a universal and gratuitous lender, and that it will wish to annihilate all the fruits that we might expect from our savings?’ Well! I say, that if such ideas could prevail during two single years, it would be enough to turn our beautiful France into a Turkey—misery would become general and endemic, and, most assuredly, the poor would be the first upon whom it would fall.”

Mercantile Price is meant.

I return to the subject of Price.

Price, as I have said, depends on three elements; Wages, Profits, and Rent. The Price here spoken of is what may be called Mercantile Price.

Mr Mill notices this duly according to its importance (*Pol. Econ.* pp. 519, 521), he says:

“I must give warning, once for all, that the cases I contemplate are those in which value and prices are determined by competition alone. In so far only as they are thus determined, can they be reduced to any assignable law. ‘rho buyers must be supposed as studious to buy cheap, as the sellers to sell dear. The values and prices, therefore, to which our conclusions apply, are mercantile values and prices; such prices as are quoted in price-currents; prices in the wholesale markets, in which buying as well as selling is a matter of business; in which the buyers take pains to know, and generally do know, the lowest price at which an article of a given quality can be obtained, and in which, therefore, the axiom is true, that there cannot be, for the same article, of the same quality, two prices in the same market. Our propositions will be true in a much more qualified sense, of retail prices; the prices paid in shops, for articles of personal consumption. For such things there often are not

merely two, but many prices in different shops, or even in the same shop; habit and accident have as much to do in the matter as general causes. Purchases for private use, even by people in business, are not always made on business principles: the feelings which come into play in the operation of getting and that of spending their income, are often extremely different. Either from indolence, or insouciance, or because people think it fine to pay and ask no questions, three-fourths of those who can afford it, give much higher prices than necessary for the things they consume; while the poor often do the same from ignorance and defect of judgment, want of time for searching and making enquiry, and not unfrequently from coercion, open or disguised. For these reasons, retail prices do not follow with all the regularity which might be expected, the action of the causes which determine wholesale prices. The influence of those causes is ultimately felt in the retail markets, and is the real source of such variations in retail prices as are of a general and permanent character. But there is no regular or exact correspondence. Shoes of equally good quality are sold in different shops at prices which differ considerably; and the price of leather may fall without causing the richer class of buyers to pay less for shoes. Nevertheless, shoes do sometimes fall in price; and when they do, the cause is always some such general circumstance as the cheapening of leather; and when leather is cheapened, even if no difference shows itself in shops frequented by rich people, the artisan and the labourer generally get their shoes cheaper, and there is a visible diminution in the contract prices at which shoes are delivered for the supply of a workhouse or of a regiment. In all reasoning about prices the proviso must be understood, 'supposing all parties to take care of their own interest.' Inattention to these distinctions has led to improper applications of the abstract principles of political economy, and still oftener to an undue discrediting of those principles through their being compared with a different sort of facts from those which they contemplate, or which can fairly be expected to accord with them."

Natural Price and Market Price.

But even the prices determined by competition do not agree steadily with the results of such calculations as we have made. Such calculations give the natural price of commodities and to this natural price the actual price constantly tends, and never can be far above or far below it.

But for a time the market price may be above or below the natural price.

So Smith (B. i. c. vii.):

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

“When the quantity of any commodity which is brought to market falls short of the effectual demand, all those who are willing to pay the whole value of the rent, wages, and profit, which must be paid in order to bring it thither, cannot be supplied with the quantity which they want. Rather than want it altogether, some of them will be willing to give more. A competition will immediately begin among them, and the market-price will rise more or less above the natural price, according as either the greatness of the deficiency, or the wealth and wanton luxury of the competitors, happen to animate more or less the eagerness of the competition. Among competitors of equal wealth and luxury, the same deficiency will generally occasion a more or less eager competition, according as the acquisition of the commodity happens to be of more or less importance to them. Hence the exorbitant price of the necessaries of life during the blockade of a town or in a famine.”

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

Value in Use and Value in Exchange.

In connection with this, we must take another distinction made by Smith.

Dr Adam Smith distinguishes two kinds of value; the one arising from utility, the other from what can be obtained in exchange. He says, "The word value, it is to be observed, has two different meanings; it sometimes expresses time utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys. The one may be called value in use, the other value in exchange. The things which have the greatest value in use, have frequently little or no value in exchange; and, on the contrary, those that have the greatest value in exchange, have frequently little or no value in use. Nothing is more useful than water, but it will purchase scarce anything; scarce anything can be had in exchange for it. A diamond, on the contrary, has scarce any value in use, but a very great quantity of other goods may frequently be had in exchange for it.

"Nature works for us gratuitously; and when she supplies us with articles in such abundance, that no labour is required to procure them, those articles, however useful they may be, have not exchangeable value: but no sooner does the labour of man become necessary to procure us the enjoyments of any commodity, than that commodity acquires a value; either a price is paid for it in money, or other things are given in exchange for it. Light, air, and water are the free and bountiful gifts of nature, but if a man constructs a lamp, we must pay for the light it diffuses; if we are indebted to his labour for a ventilator, or even a fan, we pay for the air they procure us; and when water is conveyed through pipes into our houses, raised by pumps, or brought to us in any manner by the art of man, a price is paid for it.

"Utility may therefore be considered as the sole cause of value in use, whilst value in exchange may be produced by any circumstance which renders the possession of an object so difficult of attainment, and at the same time so desirable, that men are willing to give something in exchange for it. Thus not only utility but beauty, curiosity, fashion, rarity, and many other qualities may create exchangeable value; and it is to this value that, in political economy, we chiefly confine our attention."

Demand and Supply

Price, that is Market Price, as has been said, depends upon Demand and Supply. In what manner, by what law does it so depend? if the supply increase, in what proportion will the price fall? If the supply diminish, in what proportion will the price rise?

With a view to answer this question commodities have been divided into three classes.

(1) Those of which the supply cannot be increased at all—ancient statues, pictures, special wines, as Johannisburg.

In these the price depends entirely on the demand. As an example we may take what Mr Mill quotes, p. 523.

This topic is happily illustrated by Mr De Quincey. ‘Walk into almost any possible shop, buy the first article you see; what will determine its price? In ninety-nine cases out of a hundred, simply the element D—difficulty of attainment. The other element, U, or intrinsic utility, will be perfectly inoperative. Let the thing (measured by its uses) be, for your purposes, worth ten guineas, so that you would rather give ten guineas than lose it; yet, if the difficulty of producing it be only worth one guinea, one guinea is the price which it will bear. But still not the less, though U is inoperative, can U be supposed absent? By no possibility; for if it had been absent, assuredly you would not have bought the article even at the lowest price. U acts upon you, though it does not act upon the price. On the other hand, in the hundredth case, we will suppose the circumstances reversed: you are on Lake Superior in a steam-boat, making your way to an unsettled region 800 miles a head of civilization, and consciously with no chance at all of purchasing any luxury whatsoever, little luxury or big luxury, for the space of ten years to come. One fellow passenger, whom you will part with before sunset, has a powerful musical-snuffbox: knowing by experience the power of such a toy over your own feelings, the magic with which at times it lulls your agitations of mind, you are vehemently desirous to purchase it. In the hour of leaving London you had forgot to do so; here is a final chance. But the owner, aware of your situation not less than yourself, is determined to operate by a strain pushed to the very uttermost upon U, upon the intrinsic worth of the article in your individual estimate for your individual purposes. He will not hear of D as any controlling power or mitigating agency in the case; and finally, although at six guineas a piece in London or Paris you might have loaded a waggon with such

boxes, you pay sixty rather than lose it when the last knell of the clock has sounded, which summons you to buy now or to forfeit for ever. Here, as before, only one element is operative: before it was D, now it is U. But after all, D was not absent, though inoperative. The inertness of D allowed U to put forth its total effect. The practical compression of D being withdrawn, U springs up, like water in a pump, when released from the pressure of air. Yet still that D was present in your thoughts, though the price was otherwise regulated, is evident; both because U and D must co-exist in order to found any case of exchange value whatever, and because undeniably you take into very particular consideration this D, the extreme difficulty of attainment (which here is the greatest possible, viz, an impossibility) before you consent to have the price racked up to U. The special D has vanished; but it is replaced in your thoughts by an unlimited D. Undoubtedly you have submitted to U in extremity as the regulating force of the price; but it was under a sense of D's latent presence. Yet D is so far from exerting any positive force, that the retirement of D from all agency whatever on the price—this it is which creates as it were a perfect vacuum, and through that vacuum U rushes up to its highest and ultimate gradation.

“This case, in which the value is wholly regulated by the necessities or desires of the purchaser, is the case of strict and absolute monopoly; in which, the article desired being only obtainable from one person, he can exact any equivalent, short of the point at which no purchaser could be found. But it is not a necessary consequence, even of complete monopoly, that the value should be forced up to this ultimate limit: as will be seen when we have considered the law of value in so far as depending on the other element, difficulty of attainment.”

(2) The second class is commodities susceptible of indefinite multiplication, as linens, woollens, cottons, axes, watches.

In these the market-price tends rapidly to the natural price: and yet there may be great derangement, as for instance if the supply of material, as cotton, should fail for a time.

(3) The third class is commodities susceptible of multiplication by increased expense, that is, by increased labour. Of these corn is the type, and for us, the most important.

If the supply of corn 'be diminished, how much is the price increased?

The statement generally given on this subject is that made by Sir W. Davenant, and quoted by Mr Tooke in his book, *On. High and Low*

Prices.

The statement is this: that a deficiency in the crop of 1/10, 2/10, 3/10, 4/10, 5/10, raises the price 3/10, 8/10, 16/10, 28/10, 45/10, respectively.

Which amounts to this: that when the
supply is 10 9 8 7 6 5,
the price is 10 13 18 26 38 55.

Of course nothing like mathematical exactness or absolute steadiness can be looked for in such cases. And moreover the effect of the importation of corn is set aside. If the above numbers were to be made the basis of a mathematical rule, it would be found that the price varies inversely as the square of the supply; or rather in a higher ratio.

But this part of Political Economy is not so far advanced in the establishment of general rules, that we can apply mathematical calculation to it with any advantage. To do so would only give a false impression of the certainty and exactness of our results.

LECTURE IV

Bent.

We have spoken of Wages and of Profits. We have now to speak of Rent.

Rent is what is paid for the use of Land. Rent is an element of price in a different way from Wages and Profits.

Smith, p. 67, speaks as follows:

“Rent, it is to be observed, therefore, enters into the composition of the price of commodities in a different way from wages and profit. High or low wages and profit are the causes of high or low price; high or low rent is the effect of it. It is because high or low wages and profit must be paid in order to bring a particular commodity to market, that its price is high or low. But it is because its price is high or low, a great deal more, or very little more, or no more, than what is sufficient to pay those wages and profit, that it affords a high. rent, or a low rent, or no rent at all.”

Smith’s view of the gradations of rent in different kinds of land is

excellent. He begins from the fundamental principle that land almost everywhere can produce more food than is expended in raising the produce and replacing the stock. Something therefore always remains for rent to the Landlord.

He then takes examples (Smith, pp. 67-69)

“The most desert moors in Norway and Scotland produce some sort of pasture for cattle, of which the milk and the increase are always more than sufficient, not only to maintain all the labour necessary for tending them, and to pay the ordinary profit to the farmer or owner of the herd or flock, but to afford some small rent to the landlord. The rent increases in proportion to the goodness of the pasture. The same extent of ground not only maintains a greater number of cattle, but as they are brought within a smaller compass, less labour becomes requisite to tend them, and to collect their produce. The landlord gains 1)0th ways; by the increase of the produce, and by the diminution of the labour which must be maintained upon it.

The rent of land not only varies with its fertility, whatever be its produce, but with its situation, whatever be its fertility. Land in the neighbourhood of a town gives a greater rent than land equally fertile in a distant part of the country. Though it may cost no more labour to cultivate the one than the other, it must always cost more to bring the produce of the distant land to market. A. greater quantity of labour, therefore, must be maintained out of it; and the surplus, from which are drawn both the profit of the farmer and the rent of the landlord, must be diminished. But in remote parts of the country, the rate of profits, as has already been shewn, is generally higher than in the neighbourhood of a large town. A smaller proportion of this diminished surplus, therefore, must belong to the landlord.

Good roads, canals, and navigable rivers, by diminishing the expense of carriage, put the remote parts of the country more nearly upon a level with those in the neighbourhood of the town. They are upon that account the greatest of all improvements. They encourage the cultivation of the remote, which must always be the most extensive circle of the country. They are advantageous to the town, by breaking down the monopoly of the country in its neighbourhood. They are advantageous even to that part of the country. Though they introduce some rival commodities into the old market, they open many new markets to its produce. Monopoly, besides, is a great enemy to good management, which can never be universally established, but in consequence of that free and

universal competition which forces every body to have recourse to it for the sake of self-defence. It is not more than fifty years ago, that some of the counties in the neighbourhood of London petitioned the Parliament against the extension of the turnpike-roads into the remoter counties. Those remoter counties, they pretended, from the cheapness of labour, would be able to sell their grass and corn cheaper in the London market than themselves, and would thereby reduce their rents, and ruin their cultivation. Their rents, however, have risen, and their cultivation has been improved since that time.

“A cornfield of moderate fertility produces a much greater quantity of food for man, than the best pasture of equal extent. Though its cultivation requires much more labour, yet the surplus which remains, after replacing the seed, and maintaining all that labour, is likewise much greater. If a pound of butcher’s meat, therefore, was never supposed to be worth more than a pound of bread, this greater surplus would everywhere be of greater value, and constitute a greater fund, both for the profit of the farmer and the rent of the landlord. It seems to have done so universally in the rude beginnings of agriculture.

“But the relative values of these two different species of food, bread and butcher’s meat, are very different in the different periods of agriculture. In its rude beginnings the unimproved wilds, which then occupy the far greater part of the country, are all abandoned to cattle. There is more butcher’s meat than bread, and bread, therefore, is the food for which there is the greatest competition, and which consequently brings the greatest price. At Buenos Ayres, we are told by Ulloa, four reals (one-and-twenty pence half penny sterling) was forty or fifty years ago the ordinary price of an ox, chosen from a herd of two or three hundred. He says nothing of the price of bread, probably because he found nothing remarkable about it. An ox there, he says, costs little more than the labour of catching him. But corn can nowhere be raised without a great deal of labour; and in a country which lies upon the river Plate, at that time the direct road from Europe to the silver mines of Potosi, the money price of labour could not be very cheap. It is otherwise when cultivation is extended over the greater part of the country. There is then more bread than butcher’s meat. The competition changes its direction, and the price of butcher’s meat becomes greater than the price of bread..

“By the extension besides of cultivation, the unimproved wilds become insufficient to supply the demand for butcher’s meat. A great part of the cultivated lands must be employed in rearing and fattening cattle,

of which the price, therefore, must be sufficient to pay, not only the labour necessary for tending them, but the rent which the landlord and the profit which the farmer could have drawn from such land. employed in tillage. The cattle bred upon the most uncultivated moors, when brought to the same market, are, in proportion to their weight or goodness, sold at the same price as those which are reared upon the most improved land. The proprietors of those moors profit by it, and raise the rent of their land in proportion to the price of their cattle. It is not more than a century ago, that in many parts of the highlands of Scotland butcher's meat was as cheap, or cheaper, than even bread made of oatmeal. The union opened the market of England to the highland cattle. Their ordinary price is at present about three times greater than at the beginning of the century, and the rents of many highland estates have been tripled and quadrupled in the same time. In almost every part of Great Britain, a pound of the best butcher's meat is, in the present times, generally worth more than two pounds of the best white bread; and in plentiful years it is sometimes worth three or four pounds.

“It is thus that in the progress of improvement, the rent and profit of unimproved, pasture come to be regulated in some measure by the rent and profit of what is improved, and these again by the rent and profit of corn. Corn is an annual crop; butcher's meat a crop which requires four or five years to grow. As an acre of land, therefore, will produce a much smaller quantity of the one species of food than of the other, the inferiority of the quantity must be compensated by the superiority of the price. If it was more than compensated, more corn land would be turned into pasture and if it was not compensated, part of what was in pasture would be brought back into corn.

“This equality, however, between the rent and profit of grass and those of corn, of the land of which the immediate produce is food for cattle, and of that of which the immediate produce is food for men, must be understood to take place only through the greater part of the improved lands of a great country. In some particular local situations it is quite otherwise, and the rent and profit of grass are much superior to what can be made by corn.

“Thus in the neighbourhood of a great town the demand for milk and for forage to horses frequently contribute, together with the high price of butcher's meat, to raise the value of grass above what may be called its natural proportion to that of corn. This local advantage, it is evident, cannot be communicated to the lands at a distance.

“Particular circumstances I have sometimes rendered some countries so populous, that the whole territory, like the lands in the neighbourhood of a great town, has not been sufficient to produce both the grass and the corn necessary for the subsistence of their inhabitants. Their lands, therefore, have been principally employed in the production of grass, the more bulky commodity, and which cannot be so easily brought from a great distance; and corn, the food of the great body of the people, has been chiefly imported from foreign countries. Holland is at present in this situation, and a considerable part of ancient Italy seems to have been so during the prosperity of the Romans. To feed [cattle] well, old Cato said, as we are told by Cicero, was the first and most profitable thing in the management of a private estate; to feed tolerably well, the second; and to feed ill, the third. To plough, he ranked only in the fourth place of profit and advantage. Tillage, indeed, in that part of ancient Italy, which lay in the neighbourhood of Rome, must have been very much discouraged by the distributions of corn, which were frequently made to the people, either gratuitously, or at a very low price. This corn was brought from the conquered provinces, of which several, instead of taxes, were obliged to furnish a tenth part of their produce at a state price, about sixpence a peck, to the Republic. The low price at which this corn was distributed to the people must necessarily have sunk the price of what could be brought to the Roman market from Latium, or the ancient territory of Rome, and must have discouraged its cultivation in that country.

“In an open country too, of which the principal produce is corn, a well-inclosed piece of grass will frequently rent higher than any corn-field in its neighbourhood. It is convenient for the maintenance of the cattle employed in the cultivation of the corn, and its high rent is, in this case, not so properly paid from the value of its own produce, as from that of the corn lands which are cultivated by means of it. It is likely to fall, if ever the neighbouring lands are completely inclosed. The present high rent of inclosed land in Scotland seems owing to the scarcity of inclosure, and will probably last no longer than that scarcity. The advantage of inclosure is greater for pasture than for corn. It saves the labour of guarding the cattle, which feed better too when they are not liable to be disturbed by their keeper or his dog.

“But where there is no local advantage of this kind, the rent and profit of corn, or whatever else is the common vegetable food of the people, must naturally regulate, upon the land which is fit for producing

it, the rent and profit of pasture.

“The use of the artificial grasses, of turnips, carrots, cabbages, and the other expedients which have been fallen upon to make an equal quantity of land feed a greater number of cattle than when in natural grass, should somewhat reduce, it might be expected, the superiority which, in an improved country, the price of butcher’s meat naturally has over that of bread. It seems accordingly to have done so; and there is some reason for believing that, at least in the London market, the price of butcher’s meat, in proportion to the price of bread, is a good deal lower in the present times than it was in the beginning of the last century.”

Thus Rent is the result of the monopoly of the Land in a certain way.

But the operation of this monopoly according to the progress of a country in wealth and population, and also in skill, may lie followed into some further propositions : and these propositions compose what has in more recent times been called the Doctrine of Rent.

The Doctrine of Rent is briefly this: that the Rent of land is the payment for the excess of value of the better land over the poorest land which can be cultivated without loss.

This Doctrine is regarded as a very important point in Political Economy. Mr Mill says that this Doctrine of Rent is the *Pons Asinorum* of Political Economy:—that is, like the celebrated fourth Proposition of Euclid’s *Elements*, it affords a test whether the student has a capacity for understanding demonstrative reasoning on the subject which is placed before him.

On the history of this doctrine Mr McCulloch speaks as follows:

“The theory of rent was first promulgated and satisfactorily established in a tract on the corn laws published in 1777, by Dr James Anderson, a native of Hermandston in Midlothian. Anderson was at the period referred to, extensively engaged in farming in Aberdeenshire; but having removed to London in 1797, he edited various publications, and among others, ‘Observations in Agriculture, and Natural History, &c.,’ in which he gave a clear and able exposition of the nature, origin, and progress of rent. But notwithstanding these repeated publications, it does not appear that his profound and important disquisitions attracted any attention. And so completely were they forgotten that when Sir Edward West and Mr Malthus published their tracts on rent, in 1815, they were universally regarded as the real authors of the theory. There is, we believe, no question as to their originality; but it may well be doubted

whether they succeeded in explaining the theory as well as it had been explained about forty years before.”

LECTURE V.

The Doctrine of Rent.

The doctrine of Rent spoken of in the last Lecture, must now be more fully explained, as I have said; it may be briefly stated thus: The Rent of land is the payment for the excess of the value of the produce of the better land over the poorest cultivated land: the poorest being that kind of land which just pays for being cultivated.

Let A be the best land (best as being most fertile, nearest the market, or for the like reasons). And let the produce of it under the usual cultivation be £12 per acre per annum on the average.

Let B be next best land, and let its produce be £10 per acre; and suppose this produce just pays the expense of cultivation.

Let C be still inferior land, which under the like cultivation yields only £8 per acre.

Therefore the land C does not pay the expense of cultivation, and no one will with a view to profit, bestow upon it the expense of cultivation.

The land B may be cultivated with a view to profit, by a person who can have it rent-free: by the proprietor for instance.

The land A may be cultivated with a view to profit by any one, paying for it a rent of £2 an acre. When he has paid that rent, his profits will still be the usual profits of stock.

This is necessarily the origin and measure of Rent: for the proprietor of A will not allow any one to cultivate it on lower terms, since he can obtain those terms.

A person who thus rents land and cultivates it with a view to obtaining the profits of his stock, is a Farmer. The Rents now spoken of are Farmer's Rents.

A: Produce = 12
 Rent = 2

B: Produce = 10
 Rent = 0

C: Produce = 8
 Uncultivated

This diagram may represent the kinds of land: A, B, C the different kinds yielding different values of produce, in consequence, as has been said, of being more fertile, nearer to the market, or other causes.

Recent Rise of Rents in England, how produced?

The main importance of the Doctrine of Rent, is in the views to which it leads respecting the causes and the effects of a rise or fall of rents.

Suppose that the price of corn (or other produce of the land,) increases, and that the expense of cultivating the land remains the same. Suppose this increase of price to be one fourth of the original price.

Then the value of the produce of A will be increased by $\frac{1}{4}$: instead of 12, it will be $12 + 3$ or 15.

The value of the produce of B will be increased also by $\frac{1}{4}$: instead of 10 it will be $10 + 2\frac{1}{2}$ or $12\frac{1}{2}$.

And as the expense of cultivation is still only 10 as before, there will be in this case, besides the ordinary profit of stock, an extra profit of $2\frac{1}{2}$ which the farmer of B can afford to pay to the proprietor; and which the proprietor will demand as the rent of B.

In this case the value of the produce of C will also be increased by one-fourth instead of 8 it will be 10. And as the expense of cultivating C with the usual profits is 10, a person can afford to cultivate C, paying no rent.

In this case C, which was not cultivated before, is cultivated now in consequence of the increased price of corn. This increased price may be supposed to arise from the increased demand occasioned by an increased population. The increased produce arising from the cultivation of C will provide for the increased population.

This new state of things may be represented by this diagram,

A: Produce =15
 Rent = 5

- B: Produce = $12\frac{1}{2}$
 Rent = $2\frac{1}{2}$
- C: Produce = 10
 Rent = 0.

In this case, Rents increase in consequence of corn having become dearer.

Mr Ricardo assumed that this was the general case:—that a rise of rents is always accompanied by an increased price of corn, in consequence of the necessity of obtaining corn from inferior soils: as in the above case, in consequence of the increase of population it was necessary to obtain corn from the land C, as well as from the land A and B.

Mr Ricardo asserted that the interest of the landlord (which is the rise of rents), is opposed to the interest of the consumers of produce (which is cheap prices).

It will be my business to show that this proposition is altogether erroneous.

That cause which Mr Ricardo assumes as the general cause of the rise of rents is not the general cause, if it ever operate: and is not the cause of the rise which has taken place in England in modern times.

I will first prove that this is not the cause which has operated, and then I will endeavour to show what is the cause which has produced the effect.

This, then, is the proposition to which I first invite your attention.

The rise of rents in England in recent times has not resulted from the Ricardian cause, the rise of prices of produce in consequence of the increased difficulty of production.

To prove this, I shall prove that when rents rise from the Ricardian cause, (the increased difficulty of production), the whole rent must necessarily become a larger fraction of the produce.

Thus, in the case which we have taken, the produce of an acre of the lands A, B, C, is respectively 12, 10, and 8. And, if we suppose the quantity of each quality of land to be equal, (a supposition made merely at first to simplify the reasoning,) when C is not cultivated, the produce is as $12 + 10 = 22$, and the rent as 2. The rent is $\frac{1}{11}$ the produce.

When C is cultivated, the produce is as $1 + 12\frac{1}{2} + 10 = 37\frac{1}{2}$, and the rent is as $5 + 2\frac{1}{2} = 7\frac{1}{2}$. The rent is $\frac{1}{2}$ the produce.

Thus in this case the rent increases from 2 to $7\frac{1}{2}$, and it is at the

latter stage $1/5$ of the produce, having at the former been It is a larger portion of the whole at the last than at the first.

The numbers in this case result from the supposition that the quantities of each of the kinds of land, A, B, C, are equal.

But the general result, that the rent is a greater portion of the produce at the latter stage than at the former, does not depend on any supposition as to quantities. It will be the same, whatever be the quantities of different kinds of land.

For each kind of land will have the rent a greater fraction at the latter stage than at the former ; and therefore all the fractions at the latter stage, multiplied by their quantities, and added together, must be greater than at the former stage.

But in the progress of agriculture in England during the present century, it is allowed, by all who have attended to the subject, that though the amount of rent has increased, the rent is now a smaller fraction of the gross produce than it was formerly. The rent was in former times one third of the gross produce. It is now one fourth, or one fifth.

How is this to be explained?

The same result follows if we compare England and France; for France, in matters of agriculture, may be regarded as representing England at an earlier stage.

Thus M. Lavergne, who has studied the causes of the superiority of England to France, and published his results (*L'Economie Rurale de l'Angleterre*, 3rd Ed. 1858, p. 98), states the gross produce of a hectare in France to be 100, and the rent 30; in England the gross produce for the same quantity of land is 250, and the rent is 75. The rent in the former case is $3/10$, in the latter it is still $3/10$, though the actual amount of the rent is more than doubled.

Again I ask, how is this to be explained? It appears to me to be one of the most important problems in Political Economy; both as to its bearing upon the Doctrine of Rent, and as to its bearing upon the nature of agricultural progress. How is it to be solved?

The only solution must be this: that the nature of agricultural progress in these cases is not that which is supposed in the theory as stated by Ricardo; namely, the increased difficulty and expense of raising produce from land; or, as it is also expressed, the extension of cultivation to inferior soils.

But if it is not that, what is it? I reply, it is the use of Auxiliary Capital; that is, capital employed in machines, (ploughs, carts, &c.)

manure, draining, working cattle, and all other contrivances by which the agricultural labour of man is assisted.

Such capital is employed to a very large extent in England. It appears (Jones, *On Rent*, p. 223), from various returns made at different times to the Board of Agriculture, that the whole capital agriculturally employed is to that applied to the support of labourers, as 5 to 1: that is, there is four times as much auxiliary capital used as there is of capital applied to the maintenance of labour and directly in tillage. In France, the auxiliary capital used does not amount (as appears from Count Chaptal's statement) to more than twice that applied to maintain rustic labour. In other European countries the quantity of auxiliary capital is probably much less.

Now, how will this auxiliary capital affect the question of rent?

In this way. The capital thus employed is to a certain extent, fixed capital that is, it lasts a certain number of years, and requires to be replaced only after that time. Thus a capital of £60 which wears out in 10 years may be replaced by a return of £6 a year. Or rather, a capital of £50 which wears out in 10 years may be replaced with profits by a return of £6 a year. Now, what will be the effect of such a capital on Rents?

This capital (£50 an acre) will not be employed, unless it will produce a return of £6 an acre. It must therefore increase the produce to at least that amount.

Suppose, as before, three qualities of land

A	B	C
of which the produce is		
20	15	10,

respectively.

The gross produce is here $20+15+10$ 45, and the rent is

$$10+5=15,$$

and as 15 is one third of 45, the rent is of the gross produce.

Let now the capital (say £50 an acre) be applied, and let the produce now become greater than it was for

A	B	C
by		
8	7	6,

A and B thus still retaining their superiority over C: the produce now is

A	B	C
28	22	16.

The gross produce is now $28 + 22 + 16 = 66$, and the rent is $12 + 6 = 18$, the rent is $18/66$ of the produce, which is a smaller fraction than before, though the rent itself has increased from 15 to 18.

Let us make a supposition of a still larger increase of produce by the application of capital. The produce without the capital being as before, for

A	B	C
20	15	10.

Let the addition resulting from the application of capital be

16	15	14:
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the produce will now be

36	30	24.
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The gross produce is 90, the rent is

$12 + 6 = 18$, and 18 is $1/5$ of 90; so that in this case, though the rent is increased from 1 to 18, it is, as a fraction of the produce, diminished from one third to one fifth.

We here suppose that the produce of the land C, which was so before the application of the capital, is 24 with the capital. The amount 10 corresponds to the wages of labour, and 14 is required to replace the capital with profits.

M. Lavergne gives the following estimate of the distribution of the produce for an English and for a French hectare, (Ec. Rur. p. 98):

England:—Rent	75
Wages	60
Farmer's profits	10
Accessory expenses ...	50
Taxes	25
	250

France:—Rent	30
Wages	50
Farmer's profits	10

Accessory expenses	8
Taxes	5
	100

Here the Accessory Expenses are the return which is requisite to replace the Auxiliary Capital. As we see, he makes them 10 times as great in England as in France.

We see that while the farmer in England pays 75 in wages, he requires 90 for his profits, and for keeping up his stock.

Since his profits are estimated at 40, we may estimate his capital at 400, which is more than 4. times what he pays in wages; as I have said that those who judge from facts have estimated it.

But all these numbers are hypothetical, and introduced merely for the sake of illustrating by example my proposition. The proposition is this: that rents may increase not only by the extension of cultivation to poorer soils; but also by the improvement of methods of culture; and that the increase of produce and of rents in England has arisen from such improvement, much more than from the extension of culture to worse soils.

Further, this improvement of the methods of culture has involved the application of a great amount of capital, as auxiliary to the labour of man in cultivation.

We know such an application of capital to have taken place; and the proof that this is the real case is found in the fact, that the rent has become a smaller portion of the gross produce.

I hope I have now given a solution of the Problem: How it has come to pass, that while rents have increased in England, the rent has become a smaller fraction of the produce. It is demonstrable, as you have seen, that this cannot arise from the cause asserted by Mr Ricardo and Mr McCulloch to be the sole and universal source of an increase of rents.

But it may be asked, how did the proposition which I am combating—that the increase of rent arises universally from the extension of cultivation to inferior soils, or to the same soil with inferior returns—obtain such a hold on the minds of eminent Political Economists?

To this I reply, that this happens because this proposition was an ingenious deduction from the doctrine of rent. on a certain hypothesis; namely on the hypothesis of a constantly decreasing return to agricultural labour; and in consequence of the ingenuity of the deduction, the doctrine and the hypothesis were accepted as proving each other.

The doctrine of rent, that rent is the excess of the produce of good soils over the worst soils, or over the worst remunerated capital, was received, as we have seen, with great admiration. The hypothesis, that successive equal doses of labour or of capital produce diminishing results, was accepted as most simple. Perhaps it was suggested by a vague notion of the effect of labour employed in digging the soil. If the produce of a given field be increased by one man's digging over the soil, it may perhaps be further increased by two men who may pulverize the soil still further: but it is not likely that the second man's labour will produce an addition equal to the first.

But there seems to be no reason whatever to suppose that this is the rule of the general case. Additional labour, and additional capital, may be employed upon land, and the result may be no additional produce. But also additional labour and additional capital, in other ways, may be employed so as to give additional produce to an extent of which we cannot prescribe the limits beforehand. The great point in such cases is to discover how this may be done. The result depends upon agricultural skill and inventiveness, and may be great or may be small. Though the law of decreasing productiveness to additional labour and capital had been laid down with great confidence, there seems to be no ground for asserting it as a law of the progress of agriculture. The great improvements in agriculture, improved machines, manures, drainage, do not appear to have followed this law. The improvements in agriculture have not consisted in trying more and more to squeeze from a given plot of ground the utmost crop that it can produce of one kind, but in introducing new kinds of food for animals, as turnips into the sandy soils of Norfolk, and artificial grasses of all kinds, and in making one part of the farm play into the hands of another, so as to feed an increased number of cattle, and yet to have an increased breadth of cereal crops. There have been improvements too in all agricultural machinery: new manures: new and improved modes of draining: and many other improvements. In these ways the produce of the land has been increased, and additional capital has been employed upon it: but there is no ground whatever for saying that each additional equal dose of capital so applied has produced smaller results.

To make improvements in agriculture must depend, as I have said, upon inventive skill and it is the skill which has been brought out in this pursuit in England which has been the cause of the agricultural progress of England; and this has been the reward of the care, study, and enter-

prize bestowed upon the subject. That this, and not the decreasing fertility of soils, is the cause of the increase of rents in England, is shown, as I have said, by the fact that the rent though greater absolutely, is a less fraction of the whole produce.

Proportion of agricultural and non-agricultural Population.

Besides the proportion which rent bears to produce, there is another large fact in the condition of England, which proves, in the most conclusive manner, that the course of events by which England has come into its present condition, has been an increase in the productive powers of its agriculture, such as has placed it in advance of other countries: in advance of France, and of other countries probably still more.

This fact is, the proportion of the non-agricultural to the agricultural population. In England the non-agriculturists are double the number of the agriculturists. In England, cultivators of the soil produce sustenance for 8 besides themselves; that is, for 12 persons altogether.

But in France before the Revolution, the cultivators were to the non-cultivators as 4 to 1: that is, 4 cultivators produced sustenance for 5 persons.

Perhaps now in France the cultivators are to the whole population as 2 to 3. Hence 4 cultivators produce sustenance for 6 persons. Thus the productive powers of the agricultural population are in England double of what they are in France.

What is the manner of the increase of the nonagricultural classes? Plainly the employment of Auxiliary Capital brings many of them into being. The Auxiliary Capital is employed in supporting those who are not directly engaged in agriculture, but in other ways auxiliary to agriculture: for instance, the machine-maker, who makes ploughs and carts, and now, thrashing and winnowing machines worked by steam-engines:—the brick-maker who makes draining tiles:—the sailor who brings guano from afar:—and many others. It is reckoned, as I have said, that (Jones, p. 232) the agriculturists, in using the results of such auxiliaries, employ 4 times as much capital as they expend in wages.

Hence, if wages be as 10, the whole capital employed must be as 50; and if the farmer's profit on his capital be 10 per cent., which is a reasonable rate, the farmer's income will be 5; that is, half the whole amount of the wages which he pays to his labourers,

Mr Jones, from whom I mainly take these details, has traced into

other results the effects of the employment of auxiliary capital. On this point of the great income of the capitalists employed in agriculture, he observes, (p. 233):

“While the revenue of the capitalists equals only one tenth that of the labourers, they form no prominent part of the community, and indeed must usually be peasants or labourers themselves. But a mass of profits equal to or exceeding one-half the wages of [agricultural] labour (which mass exists in England) naturally converts the class receiving it into a numerous and varied body. Their influence in a community in which they are the direct employers of almost all the labourers, becomes very considerable; and what is in some respects of more importance, such a rich and numerous body of capitalists,—as, descending from the higher ranks they approach the body of labourers by various gradations till they almost mingle with them— form a species of moral conductors by which the habits and feelings of the upper and middling classes are communicated downwards, and act more or less powerfully upon those of the very lowest ranks of the community.”

The above views of the effect of Auxiliary Capital on Rent are borrowed from a very able and original work on Rent, published in 1831, by Mr Richard Jones, who was subsequently Professor of Political Economy at Haileybury College. So far as I know, he was the first person who solved the problem which we have been considering; how Rents become absolutely larger and yet a smaller part of the produce.

Different kinds of Rent.

All that has been said applies only to Farmers' rents; that is, rents paid to a landlord by a capitalist who employs labourers. The capitalist employs his capital for Profit; and the rate of profit is determined by competition with other capitalists. If he could not get this profit by farming, he would remove his capital to some other employment.

But this fact thus assumed—that capitalists can remove their capital from farming, and will do so, if farming does not pay—is not generally true;—is, in fact, true only in England and a few districts elsewhere. Nor is it true that the land is cultivated by capitalists employing others to labour, selling their produce and living upon the proceeds. Over the greater part of the earth's surface, cultivation is carried on by persons who raise their subsistence from the soil, and pay a portion to the owner of the soil, in this case the payments to the owner of the soil—

rents, that is—are determined not by competition, but by custom.

And thus, in fact, land has been held, and rent has been paid, on very different principles from that which we have described. According to the mode of holding the cultivators have been classed as *Métayers*, *Serfs*, *Ryots*, *Cottiers*.

These are thus characterized by Mr Jones, who introduced this classification into Political Economy.

The *Métayer* is a peasant tenant, extracting his own wages and subsistence from the soil. He pays a produce rent to the owner of the land. The landlord supplies him with stock.

‘This mode of tenure prevails largely in France and Italy, and was the common tenure among the Greeks and Romans: (*Métayers* = *Medietarii*).

Serf rents are labour rents: that is, the owner of the land sets aside a portion of the land for cultivation by the peasant and leaves him to extract his own subsistence from it; and he exacts as a rent for the land, thus given to the cultivator, a certain quantity of labour to be employed on the remainder of the estate, for the benefit of the lord.

These rents have prevailed on a larger scale in Eastern Europe—in Russia, Hungary, Poland, Livonia and Esthonia, and in Germany. There are, or were lately, remnants of them in the Scottish highlands, (Jones, p. 45).

Ryot rents are produce rents paid by a labourer raising his own wages from the soil, to the sovereign, as the proprietor of the soil, (Jones, p. 109).

They are peculiar to Asia, India, Persia, Turkey; probably exist in China.

Cottier rents are rents contracted to be paid in money by peasant tenants, extracting their own subsistence from the soil. They exist in Ireland.

Mr Mill, who has borrowed Mr Jones’s classification in the main, puts *Ryot* rents and *Cottier* rents in the same chapter: but the differences between the two are important, as we shall see.

Mr Mill has an excellent chapter in which he shows how the difference between *Farmers’* rents and other rents depends on the difference between Competition and Custom, as the general rule of economical proceedings (Polit. Econ. p. 282).

“Under the rule of individual property, the division of the produce is the result of two determining agencies: Competition, and Custom. It is

important to ascertain the amount of influence which belongs to each of these causes, and in what manner the operation of one is modified by the other.

“Political economists generally, and English political economists above others, are accustomed to lay almost exclusive stress upon the first of these agencies; to exaggerate the effect of competition, and take into little account the other, and conflicting principle. They are apt to express themselves as if they thought that competition actually does, in all cases, whatever it can be shewn to be the tendency of competition to do. This is partly intelligible, if we consider that only through the principle of competition has political economy any pretension to the character of a science. So far as rents, profits, wages, prices, are determined by competition, laws may be assigned for them.”

And this applies especially to the tenure of land, (p. 285):

“The relations, more especially, between the landowner and the cultivator, and the payments made by the latter to the former, are, in all states of society but the most modern, determined by the usage of the country. Never until late times have the conditions of the occupancy of land been (as a general rule) an affair of competition. The occupier for the time has very commonly been considered to have a right to retain his holding, while he fulfils the customary requirements; and has thus become, in a certain sense, a co-proprietor of the soil. Even where the holder has not acquired this fixity of tenure, the terms of occupation have often been fixed and invariable.

“In India, for example, and other Asiatic communities similarly constituted, the ryots, or peasant-farmers, are not regarded as tenants at will, or even as tenants by virtue of a lease. In most villages there are indeed some ryots on this precarious footing, consisting of those, or the descendants of those, who have settled in the place at a known and comparatively recent period: but all who are looked upon as descendants or representatives of the original inhabitants, are thought entitled to retain their land, as long as they pay the customary rents. What these customary rents are, or ought to be, has indeed, in most cases, become a matter of obscurity; usurpation, tyranny, and foreign conquest having to a great degree obliterated the evidences of them. But when an old and purely Hindoo principality falls under the dominion of the British Government, or the management of its officers, and when the details of the revenue system come to be inquired into, it is often found that although the demands of the great landholder, the State, have been swelled by

fiscal rapacity until all limit is practically lost sight of, it has yet been thought necessary to have a distinct name and a separate pretext for each increase of exaction; so that the demand has sometimes come to consist of thirty or forty different items, in addition to the nominal rent. This circuitous mode of increasing the payments assuredly would not have been resorted to, if there had been an acknowledged right in the landlord to increase the rent. Its adoption is a proof that there was once an effective limitation, a real customary rent; and that the understood right of the ryot to the land, so long as he paid rent according to custom, was at some time or other more than nominal. The British Government of India always simplifies the tenure by consolidating the various assessments into one, thus making the rent nominally as well as really an arbitrary thing, or at least a matter of specific agreement: but it scrupulously respects the right of the ryot to the land, though it seldom leaves him much more than a bare subsistence.

“In modern Europe the cultivators have gradually emerged from a state of personal slavery. The barbarian conquerors of the Western empire found that the easiest mode of managing their conquests would be to leave the land in the hands in which they found it, and to save themselves a labour so uncongenial as the superintendence of troops of slaves, by allowing the slaves to retain in a certain degree the control of their own actions, under an obligation to furnish the lord with provisions and labour. A common expedient was to assign to the serf, for his exclusive use, as much land as was thought sufficient for his support, and to make him work on the other lands of his lord whenever required. By degrees these indefinite obligations were transformed into a definite one, of supplying a fixed quantity of provisions or a fixed quantity of labour: and as the lords, in time, became inclined to employ their income in the purchase of luxuries rather than in the maintenance of retainers, the payments in kind were commuted for payments in money. Each concession, at first voluntary, and revocable at pleasure, gradually acquired the force of custom, and was at last recognised and enforced by the tribunals. In this manner the serfs progressively rose into a free tenantry, who held their land in perpetuity on fixed conditions. The conditions were sometimes very onerous, and the people very miserable. But their obligations were determined by the usage or law of the country, and not by competition.

“Where the cultivators had never been, strictly speaking, in personal bondage, or after they had ceased to be so, the exigencies of a

poor and little advanced society gave rise to another arrangement, which in some parts of Europe, even highly improved parts, has been found sufficiently advantageous to be continued to the present day. I speak of the *métayer* system. Under this, the land is divided, in small farms, among single families, the landlord generally supplying the stock which the agricultural system of the country is considered to require, and receiving, in lieu of rent and profit, a fixed proportion of the produce. This proportion, which is generally paid in kind, is usually, (as is implied in the words *métayer*, *mezzaiuolo*, and *medietarius*,) one-half. There are places, however, such as the rich volcanic soil of the Province of Naples. where the landlord takes two-thirds, and yet the cultivator by means of an excellent agriculture contrives to live. But whether the proportion is two-thirds or one-half, it is a fixed proportion; not variable from farm to farm, or from tenant to tenant. The custom of the country is the universal rule; nobody thinks of raising or lowering rents, or of letting land on other than the customary conditions. Competition, as a regulator of rent, has no existence.”

LECTURE VI TRANSITIONS OF FORMS OF RENTS.

Transition from Métayer Rents.

I will resume what has just been said. The Doctrine of Rent as delivered by modern economists, has been considered as the most remarkable example of reasoning on such subjects. But this doctrine applies only to Farmers' Rents; now Farmers' Rents are the sums paid for the use of the Land by capitalist, farming for Profit: it being implied that profits are determined by competition; and that if the farmers do not make such an amount of profit they will remove their capital to some other employment. But these conditions are not generally verified in countries as they exist actually. The cultivator is not a capitalist, and the stock employed upon the land is not moveable. Taking the surface of the earth at large, the conditions on which the cultivator holds it are different in different countries; but Farmers' Rents exist nowhere except in England and a few regions elsewhere. Taking the actual conditions of culture, it appears that tenants may be divided, as I said before, into four classes;

Métayers, Serfs, Ryots, and Cottiers, in addition to Farmers.

It may be observed that we have, in this new view of the subject, an example of the inductive method applied to Political Economy, in distinction from the deductive method, which is that of Ricardo and his school. Their method consists in taking definitions, and reasoning downwards from them, as is done in geometry; and thus, as Mill says, we come to propositions which, like those of geometry, require an aptitude for such reasoning in the student. We take the definition of Rent, that it is what is paid by a capitalist for the use of the land, and we come to the proposition that Rent is the excess of good soils above the worst. In the other method we begin not from definitions, but from facts. We take the facts as we find them in the various countries of the globe: we classify these facts; and having so classified them, we see what propositions can be truly asserted concerning each class. And this method is the more useful, because the truths to which we are thus led are those which are characteristic of the social and political condition of each people; of the relations of ranks; and of the means and chances of change and progress. I will mention a few such propositions mainly as examples. The work of Mr Jones on Rent to which I have already referred, is occupied almost entirely with the consideration of such subjects.

Next to Farmers' Rents, which occupy the soil of England, we may consider Métayer Rents, which occupy a large part of the soil of France and Italy. The usual form of such rents is, as the name implies, that the proprietor and the cultivator divide the produce equally. A French gentleman who came from a Métayer part of France gave me a very definite image of this equal division. He said that the produce was every year garnered by the cultivator into two barns, locked up there with two keys, and then the proprietor took which key he chose, the cultivator taking the other, each being thus put in possession of his half of the harvest.

Countries in a state of Métayerage are commonly far less rich and populous than countries where Farmers' rents prevail: but the difference is not a difference which can be remedied by any alteration in the system. The system itself depends upon the general state of wealth and population in the country. M. de Lavergne has pointed out with great precision the difference of France and England in this respect: and has made a remark which appears to be of the highest importance, following Arthur Young: namely: that the progress of agriculture from the system of métayerage to the system of farmers depends on the existence of a

Market (*débouchés*) for agricultural produce. He says (p. 166):

“Beginning with the reign of Queen Anne, England visibly gets the start of France in industry and commerce; that is to say, in everything, for progress in these respects includes all other progress. After the American war, when the nation, afflicted at the loss of its principal colony, threw itself back upon itself to find compensation in its own resources, the vigour of its advance was quite without parallel. Then appears Adam Smith, who in an important work, examines the cause of the wealth and greatness of nations. Then appeared great inventors, as Arkwright and Watt, who are as it were the instruments of Adam Smith, to realize his theories in the practice of industry. Then appears William Pitt, who carries the same spirit into the administration of public affairs. Finally there appear Arthur Young and Bakewell, who apply the new ideas to agriculture.

“The system of Arthur Young is very simple. It is comprized in a single word, of which Adam Smith had recently fixed the meaning—a market. Till that time the English cultivators, like those of the continent, had worked but little with a view to a market. The greater part of agricultural produce had been consumed upon the spot by the producers themselves: and though more was sold in England than elsewhere, the idea of the market was not that which governed the process of production. Arthur Young is the first who made the English agriculturists understand the growing importance of a market, that is, of the sale of agricultural produce to a non-agricultural population. This non-agricultural population, till that time small, began to grow into importance; and since then, thanks to the expansion of industry and commerce, the multiplication of their population is become immense.

M. de Lavergne then notices the enormous progress which the use of steam has produced in England, especially in Lancashire and the West Riding of Yorkshire:—cotton at Manchester, iron at Sheffield, wool at Leeds, commerce at Liverpool. He notices the wealth arising from the coal-fields. “Under these circumstances,” he says, “the population of Great Britain rose between 1801 and 1851 from 10 millions to 21. The population of Lancashire and of the West Riding was tripled. France in no instance shews anything like this: in the same interval it increased only by a quarter [a third]. It advanced from 27 millions to 36. The most populous departments, those du Rhone and du Nord, have only two inhabitants per hectare.

“If we pass into the departments of France which are most back-

ward, those du Centre and du Midi, what do we find there A thin population reaching at most to the third of the English population, one inhabitant for two hectares, instead of three inhabitants. And this population is almost exclusively agricultural. Few or no cities: few or no manufactures: trade only so much as is strictly requisite for the narrow needs of the inhabitants: the centres of consumption being far asunder and the means of communication dear and difficult, the expenses of transport would absorb the whole value of the produce. Here the cultivator can find little or nothing to sell. For what purpose then does he labour? To feed himself and his master with the produce. The master shares the produce in kind, and consumes his part. If it is wheat or wine, the master and the métayer eat wheat and drink wine. If it is rye, sarrasin, potatoes, master and métayer eat rye, sarrasin, and potatoes. Wool and hemp are shared in like manner, and serve to make the coarse stuffs in which the two partners alike are dressed. If besides this there are a few lean sheep in the sheds, a few calves suckled with difficulty by cows exhausted with labour, and to which the milk is grudged, these they sell to pay the taxes.

“This system,” he goes on to say, “has been much blamed: but it is really the only possible system there, where there are no markets. In such a country as this, agriculture cannot be a profession, a speculation, a trade. In order to speculate a man must sell, and he cannot sell when he finds no one to buy. When I say no one, it is to push the supposition to an extreme point, which it seldom reaches in fact. In France, even in the most secluded cantons, there are always some small number of buyers: sometimes a tenth, sometimes a fifth, sometimes a fourth, of that population which lives solely on agriculture. And in proportion as the number of these consumers increases, the condition of the cultivator improves; except it happens that he himself supplies the income of these customers under the form of legal dues, or interest of loans, which happens at least in some instances. But the tenth, the fifth, even the fourth, is not enough to furnish a sufficient market; especially if this part of the population also is composed of producers, that is, of tradesmen and manufacturers.

“In this case the cultivator must grow food, in order to live. So long as the population is thin, this may be done; but when population increases, the want of subsistence is felt.

“But let us now pass to the part of France which is most populous and most industrious, that of the Western North. We find there not ex-

actly the counterpart of the English population; we find an inhabitant for each hectare, instead of 1½ (as in England): but this is already the double of what we had elsewhere; and of this population, one half applies itself to trade, manufactures, and the liberal professions. What is especially called the country is not more populous than in the centre, and the South; but in addition to the population we find cities numerous, rich, the seats of manufacturers; and among these, the largest and most opulent of them all, Paris. There is in this region a large trade in agricultural produce. On all sides, the grain, the wines, the cattle, the wools, the fowls, the eggs, the milk, stream from the country to the towns, which pay with their manufactures for what they purchase. When we reach this stage, farmers' rents become possible, and are found paid in fact: this is the true cause of farmers' rents. The existence of such rents is an infallible indication of an economical situation, where the sale of produce is the rule, and where consequently cultivation can become a trade."

And thus the transition from métayer rents to farmers' rents depends upon the existence of a regular market. And as the author says, that which was previously a series of problems, is perfectly explained.

M. de Lavergne traces the consequence of this view into various interesting details: but for these I have not time. I will turn to another transition from one form of Rent to another. For these transitions mark the great steps in the progress of each nation, and are really far more important than the greatest events, in their history, as history is commonly narrated.

Transition from Serf Rents.

Serf rents are, as I have said, the rents paid: in labour to the owner of the soil by a peasant who is allowed to raise his own subsistence by labouring on the soil. They prevail now in Russia and in the eastern part of Europe. But previously they existed over the whole of Europe: they existed in England. How were they got rid of in England? When did this great event take place. I will give you Mr Jones's account of this change, (p. 40):

"Thirteen hundred years have elapsed since the final establishment of the Saxons. Eight hundred of these had passed away, and the Normans had been for two centuries settled here, and a very large proportion of the body of cultivators was still precisely in the situation of the Russian

serf. During the next three hundred, the unlimited labour rents paid by the villeins for the lands allotted to them were gradually commuted for definite services, still payable in kind; and they had a legal right to the hereditary occupation of their copyholds. Two hundred years have barely elapsed since the change to this extent became quite universal, or since the personal bondage of the villeins ceased to exist among us. The last claim of villeinage recorded in our courts was in the 15th of James I., 1618. Instances probably existed some time after this. The ultimate cessation of the right to demand their stipulated services in kind has been since brought about, silently and imperceptibly, not by positive law; for, when other personal services were abolished at the Restoration, those of copyholders were excepted and reserved.”

Mr Jones goes on to say that throughout Germany, similar changes are taking place: though they are perfected perhaps nowhere, and in some large districts they exhibit themselves in very backward stages. We have heard lately that great changes in the condition of the Serfs are aimed at in Russia. The Emperor, we are told, has taken large steps for the emancipation of his Serfs. But such aims and such measures are far from new in Russia. Mr Jones describes these aims and attempts (p. 63):

“A wish to extend the authority and protection of the general government over the mass of cultivators and to increase their efficiency, and through that the wealth and financial resources of the state, has led the different sovereigns always to co-operate, and often to take the lead, in putting an end to the personal dependence of the serf, and modifying the terms of his tenure. To these reasons of the sovereigns and landlords, dictated by obvious self-interest, we must add other motives which do honor to their characters and to the age, the existence of which it would be a mere affectation of hard-hearted wisdom to doubt; namely, a paternal desire on the part of sovereigns to elevate the condition and increase the comforts of the most numerous class of the human beings committed to their charge; and a philanthropic dislike on the part of the proprietors to be surrounded by a race of wretched dependents, whose degradation and misery reflect discredit on themselves. These feelings have produced the fermentation on the subject of labour rents, which is at this moment working throughout the large division of Europe in which they prevail. From the crown lands in Russia, through Poland, Hungary, and Germany, there have been within the last century, or are now, plans and schemes on foot, either at once or gradually to get rid of the

tenure, or greatly to modify its effects and improve its character; and if the wishes or the authority of the state, or of the proprietors, could abolish the system, and substitute a better in its place, it would vanish from the face of Europe. The actual poverty of the serfs, however, and the degradation of their habits of industry, present an insurmountable obstacle to any general change which is to be complete and sudden. In their imperfect civilization and half-savage carelessness, the necessity originated which forced proprietors themselves to raise the produce on which their families were to subsist. That necessity has not ceased; the tenantry are not yet ripe—in some instances not riper than they were. a thousand years ago—to be entrusted with the responsibility of raising and paying produce rents. But as the past progress and actual circumstances of different districts are found unlike, so their capacity for present change differs in kind and degree.”

It must be for future years to determine whether the attempts made in our time to accelerate this change are effectual; and what is the result of the effort at so great a social revolution.

Transition from Ryot Rents.

Another kind of peasant rent prevails in Asia, and especially in India, called, as I have said, Ryot rents; Ryot being the name for the cultivator. These rents are a produce rent, paid to the sovereign as proprietor of the soil. Mr Jones says (p. 138):

“There is nothing mischievous in direct effect of ryot rents. They are usually moderate; and when restricted to a tenth, or even a sixth, fifth, or fourth of the produce, if collected peacefully and fairly, they become a species of land-tax, and leave the tenant a beneficial hereditary estate. It is from their indirect effects therefore, and from the form of government in which they originate, and which they serve to perpetuate, that they are full of evil, and are found in practice more hopelessly destructive of the property and progress of the people than any form of the relation of landlord and tenant known to us.

“The proprietary rights of the sovereign, and his large and practically indefinite interest in the produce, prevent the formation of any really independent body on time land. By the distribution of the rents, which his territory produces, the monarch maintains the most influential portion of the remaining population in the character of civil or military officers. There remain only the inhabitants of the towns to inter-

pose a check to his power; but the majority of these are fed by the expenditure of the sovereign or his servants. We shall have a fitter opportunity to point out how completely the prosperity or rather the existence of the towns of Asia, proceeds from the local expenditure of the government. 'As the citizens are thus destitute from their position of real strength, so the Asiatic sovereigns, having no body of powerful privileged landed proprietors to contend with, have not had the motives which the European monarchs had: to nurse and foster. the towns into engines of political, influence, and the citizens are proverbially the most helpless and prostrate of the slaves of Asia. There exists, therefore, nothing in the society beneath him which can modify the power of a sovereign who is the supreme proprietor of a territory cultivated by a population of ryot peasants. All that there is of real strength in such a population, looks to him as the sole source, not merely of protection, but of subsistence; he is by his position and necessarily a despot. But the results of Asiatic despotism have ever been the same: while it is strong it is delegated, and its power abused by its agents; when feeble and declining, that power is violently shared by its inferiors, and its stolen authority yet more abused. In its strength and in its weakness it is alike destructive of the industry and wealth of its subjects, and all the arts of peace; and it is this which makes that peculiar system of rents particularly objectionable and calamitous to the countries in which, it prevails.'

The land-tax in this system is in practice arbitrary, and thence oppressive. Mr Mill relates (§ 379) how the English rulers when they succeeded to the powers of the previous sovereigns attempted to remedy this oppression. They wished to found a class of great landlords, that India might prosper as England has prospered under her landlords. For this purpose they pitched upon a set of tax-gatherers called Zemindars. But this plan seems to have failed. It seems now, says Mr Jones (p. 118), to be generally admitted that the claims of the Zemindars were over-rated, and that if something less had been done for them and something more for the security and independence of the Ryots, the settlement, without being less just or generous, would have been more expedient.

But the system of cultivation in India seems on the point of undergoing a great change from causes extraneous to the ryot system. The Governor-General has instituted, it is recently stated, system of grants of the unoccupied land, on terms which make the grantees independent cultivators. The unoccupied land is wide and fertile, and thus a race of

cultivators may arise whose condition will be free from the evils of the ryot tenure. This however belongs to the Political Economy of the Future.

Transition from Cottier Rents.

I now take another case.

Ireland is cultivated in a great measure by Cottiers. Mr Mill has put these in the same chapter as the ryots of India. At this I marvel much; for he has himself pointed out the broad differences which exist between the two systems. He truly states that in India the payments have been regulated by custom; in Ireland by competition; a vast difference, of which he himself has forcibly pointed out the importance. Add to this that in India the owner of the land is the sovereign; in Ireland a private person. And we may add further—what is also a very important feature—that the rent is contracted to be paid in money, not in produce; and therefore does not vary with the amount of the crops. And this last circumstance especially has great importance in the progress of the country in which these systems are found.

Ryot rents have no tendency to change; they have existed in India from the time of the Greeks: probably much longer. The Cottiers' rents of Ireland offer remarkable facilities for change; Mr Jones says (p. 152):

“The principal advantage the cottier derives from his form of tenure is the great facility with which, when circumstances are favourable to him, he changes altogether his condition in society. In serf, métayer, or ryot countries extensive changes must take place in the whole framework of society before the peasants become capitalists and independent farmers. The serf has many stages to go through before he arrives at this point, and we have seen how hard it is to advance one step. The métayer too must become the owner of the stock on his farm, and be able to undertake to pay a money-rent. Both changes take place slowly and with difficulty, especially the last, the substitution of money-rents, which supposes a considerable previous improvement in the internal commerce of the nation, and is ordinarily the result, not the commencement of improvement in the condition of the cultivators. But the cottier is already the owner of his own stock; he exists in a society in which the power of paying money-rents is already established. If he thrives in his occupation, there is nothing to prevent his enlarging his holding, increasing his stock, and becoming a capitalist, and a farmer in the proper

sense of the word. It is pleasing to hear the resident Irish landlords, who have taken some pains and made some sacrifices to improve the character and condition of their tenantry, bearing their testimony to this fact, and stating the rapidity with which some of the cottiers have, under their auspices, acquired stock and become small farmers. Most of the countries occupied by *Métayers*, *Serfs*, and *Ryots*, will probably contain a similar race of tenantry for some ages. If the events of the last half century are favourable to Ireland, her Cottiers are likely to disappear, and to be merged into a very different race of cultivators. This facility for gliding out of their actual condition to a higher and a better, is an advantage, and a very great advantage, of the cottier over the other systems of peasant rents, and atones for some of its gloomier features.”

This auspicious anticipation. has been wonderfully verified since Mr Jones wrote. Circumstances in the recent history of Ireland, most disastrous in their first aspect, have done much to break up the system of cottier tenure and to introduce a better kind of cultivation. The Famine and the Exodus, the Poor Law and the Encumbered Estate Act, have produced a wonderful change in the condition of Ireland. I will read from a valuable article in the *Edinburgh Review*, for 1857, an account of the manner in which the cottier system was affected by these events.

The Poor Law had been introduced into Ireland in 1840: but had not been brought face to face with the needs of the people till the famine in 1847. In that year it was modified so as to shake the cottier system.

Ed. Rev. p. 110: “The Poor Law of 1847 provided for the problem of emancipating the soil from the cottier system. The Acts of 1838 and 1844 had probably had this object in view; for they had charged the Irish landlords with the entire poor-rate in respect of the smaller class of holdings; and this naturally tended to the consolidation of farms. But the Act of 1847 went much further; it refused relief altogether to occupiers of more than a quarter of a statute acre; and thus, by basing the right of public charity upon giving up the larger portion of their land, it forced off the Irish cottiers in masses from the soil, and left it free for a new race of agriculturists. The poorest of the cottiers abandoned their buildings for the workhouses, from which, however, the large majority of them have since emerged, while those among them who had still any residue of property, commenced that strange and unparalleled emigration, which has sent Irish energies to a hopeful field, and has opened the land of Ireland for a better system. The law which did this was stern, but it was not unjust, and no one can deny the good it has accomplished.

The Encumbered Estates Act operated in the same direction.

Ed. Rev. p. 116: “A law which ‘freed the land of Ireland from all checks on alienation, which broke down the equity mode of transfer, with its jealous impediments to puisne creditors, its fearful delays, its ruinous expense, and its cumbrous and unsatisfactory procedure, and which, besides, offered every security to purchasers, would necessarily, under any circumstances whatever, have brought a great many estates to the market. But passing at a time when the equity courts were crowded with embarrassed estates, when the ruin occasioned by the famine, and the poor-rates, and the panic resulting from the repeal of the corn-laws, and the lowness of prices, had made all creditors on real property in Ireland extremely anxious to realize their securities, it operated to an extent well nigh inconceivable. In a period of less than eight years, the Irish Encumbered Estates Commission has dealt with landed property representing a net rental of upwards of £1,450,000 sterling, and covering an area of more than four million one hundred thousand acres. A Court of Justice, sitting in a remote corner of Dublin, has peaceably changed the ownership of a larger mass of land that probably passed under Cromwell’s confiscations. Of the vast district brought within its grasp, about six-sevenths, containing three millions five hundred thousand acres, with a rental of one million two hundred and thirty thousand pounds sterling, has been sold and transferred, leaving a residue of six hundred thousand acres of the yearly value of two hundred and twenty thousand pounds sterling still undisposed of. The encumbrances upon the estates already sold, and which hitherto had been pent up in the courts of equity or left in the hands of ruined inheritors reached the extraordinary sum of thirty—six millions sterling, or upwards of twenty-four years’ purchase upon the net rental. This single fact shews the state of landed bankruptcy that existed in Ireland, and is an ample justification of the law.”

And again, p. 119

“The good done to Ireland by this important statute, and its vast results, are beyond all question. Large tracts of land, which hitherto had no real proprietors, which were either in the hands of Chancery receivers, or of inheritors sunk in debt, on which a lease could not be made, nor a secure tenure be obtained, and which, accordingly, were invariably the receptacles of the worst specimens of the cottier tenantry, have now fallen into the hands of owners who can use them for all the purposes of property. On a great portion of the surface of Ireland there is no

longer an impenetrable barrier to natural farming tenures, and to the legitimate conditions of a real agriculture. Even the breaking up of the large properties into small estates has been of advantage; for it has tended to extend the area of the farmer by reducing the size of private demesnes; it has stimulated provident and industrious habits, by opening the land-market to small capitalists; and probably it has considerably encouraged the investment of money in the improvement of the soil. In a word, a great breadth of Ireland has now been set free, and is subjected to more civilizing influences. The evidences of this most salutary change are perfectly clear in every part of the country. Moderate mansions, neat farmhouses, and good farm buildings, rising from among trim corn fields and pastures,—the true proofs of a substantial agricultural middle class,—are now to be met with, and that not unfrequently on estates which had long been mouldering in Chancery ruin. As regards this point, however, we prefer to cite a single example to making any general statements.

“In the years 1852, 1853, Mr Allan Pollok, of Glasgow, purchased estates in the county of Galway, under the Encumbered Estates Act, for which he gave £230,000. He has since expended £150,000 on them in fitting them with proper appliances for agriculture. In the year 1852 there were 100 acres of green crops on his lands, and in the year 1856 there were 2000 acres of green crops, and 3000 of corn. If the improvements effected by other purchasers under the Encumbered Estates Act, even remotely approach the changes accomplished by Mr Pollok, there can be no doubt that the wealth of Ireland will be increased in an extraordinary degree.”

The general results are thus stated:

“These laws have wrought a complete revolution in Irish agriculture; have transferred the soil from pauper cottiers to real farmers; have caused an evident improvement in every species of husbandry; have brought capital in large quantities to a hopeful field for investment; have planted in the land a numerous small proprietary, and have settled the true conditions of Irish prosperity. A few figures will demonstrate these results. In the year 1841, the farms in Ireland, exceeding thirty acres in area, were in the proportion of seven to the hundred; at the close of 1855 they had increased to more than 26 per cent., and occupied upwards of three-fourths of the country. In the year 1841, there were about six and a quarter millions of acres out of cultivation; in the year 1855 only four million eight hundred and ninety thousand. In 1847,

727,000 acres of Ireland were under a green crop; in 1855, the number had nearly doubled. In 1841, the livestock of Ireland was valued at £19,400,000. In 1855, at the same rates, it had reached thirty three millions and a half. The average circulation of all the banks of Ireland was in 1850 four millions and a half; at the close of 1855, it had almost increased a third. Lastly, while the Irish excise duties of 1850, amounted to £1,400,000, those of 1856, are £2,600,000. it may, we think, be stated, that so rapid and happy and economical a revolution, so quick a transition from a sinking and perilous, to a hopeful and flourishing landed system, is without a parallel in history. The foundations of Irish prosperity have at length been laid in reformed modes of owning and occupying the soil; and there can be no doubt but that they will support a superstructure of general welfare.”

One remark I will make in concluding this brief view. We live in an eventful age. That is a reflexion. which every one is ready to make; every one ready to assent to. But there is a further reflexion suggested by what I have been saying. Besides and beyond the events which make the age appear eventful to common observers—war and peace—revolutions of states and dynasties—the rise and fall of kingdoms and empires, republics and federations—events which shake the ground with their earthquake, and fill the air with their thunder; beside and beyond these, there are events taking place, noiseless and almost imperceptible—advancing like vegetation over a desert, or summer over the woods and fields—events of far more consequence than all that comes with convulsion and tumult—events which will by the political economist of the future be regarded as far more important than any political events—happier than any restoration, more glorious than any revolution:—the events of the decay and extinction—to be replaced by something better—in short, the Euthanasia—of Métayer Rents in France, Serf Rents in Russia, Ryot Rents in India, and Cottier Rents in Ireland.