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AN  
I N Q U I R Y  
INTO THE  
NATURE AND CAUSES  
OF THE  
WEALTH OF NATIONS.

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B O O K I V.  
Of Systems of political Oeconomy.

I N T R O D U C T I O N.

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

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

VOL. II.

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BOOK  
IV.  
Introduction.

The Reader is desired to correct with his Pen the two following ERRATA, which in this Second Volume affect the Sense.

Page 467, Line 6, counting from the Bottom; instead of *immoveable*, read *moveable*.

Page 488, Lines 3 and 4, counting from the Top; instead of *three shillings a bushel*, read *three shillings and four-pence a bushel*.

*Of the Principle of the commercial, or mercantile System.*

BOOK  
IV.

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

A RICH country, in the same manner as a rich man, is supposed to be a country abounding in money; and to heap up gold and silver in any country is supposed to be the readiest way to enrich it. For some time after the discovery of America, the first enquiry of the Spaniards, when they arrived upon any unknown coast, used to be, if there was any gold or silver to be found in the neighbourhood. By the information which they received, they judged whether it was worth while to make a settlement there, or if the country was worth the conquering. Plano Carpino, a monk

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sent ambassador from the king of France to one of the sons of the famous Gengis Khan, says that the Tartars used frequently to ask him if there was plenty of sheep and oxen in the kingdom of France. Their enquiry had the same object with that of the Spaniards. They wanted to know if the country was rich enough to be worth the conquering. Among the Tartars, as among all other nations of shepherds, who are generally ignorant of the use of money, cattle are the instruments of commerce and the measures of value. Wealth, therefore, according to them, consisted in cattle, as according to the Spaniards it consisted in gold and silver. Of the two, the Tartar notion, perhaps, was the nearest to the truth.

CHAP.  
I.

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

OTHERS admit that if a nation could be separated from all the world, it would be of no consequence how much, or how little money circulated in it. The consumable goods which were circulated by means of this money, would only be exchanged for a greater or a smaller number of pieces; but the real wealth or

B 2

poverty

poverty of the country, they allow, would depend altogether upon the abundance or scarcity of those consumable goods. But it is otherwise, they think, with countries which have connections with foreign nations, and which are obliged to carry on foreign wars, and to maintain fleets and armies in distant countries. This, they say, cannot be done, but by sending abroad money to pay them with; and a nation cannot send much money abroad, unless it has a good deal at home. Every such nation, therefore, must endeavour in time of peace to accumulate gold and silver, that, when occasion requires, it may have wherewithal to carry on foreign wars.

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

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

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

THEY represented, secondly, that this prohibition could not hinder the exportation of gold and silver, which, on account of the smallness of their bulk in proportion to their value, could easily be smuggled abroad. That this exportation could only be prevented by a proper attention to, what they called, the balance of trade. That when the country exported to a greater value than it imported, a balance became due to it from foreign nations, which was necessarily paid to it in gold and silver, and thereby increased the quantity of those metals in the kingdom. But that when it imported to a greater value than it exported, a contrary balance became due to foreign nations, which was necessarily paid to them in the same manner, and thereby diminished that quantity. That in this case to prohibit the exportation of those metals could not prevent it, but only, by making it more dangerous, render it more expensive. That the exchange was thereby turned more against the country which owed the balance, than it otherwise might have been; the merchant who purchased a bill upon the foreign country being obliged:

obliged to pay the banker who sold it, not only for the natural risk, trouble and expence of sending the money thither, but for the extraordinary risk arising from the prohibition. But that the more the exchange was against any country, the more the balance of trade became necessarily against it; the money of that country becoming necessarily of so much less value, in comparison with that of the country to which the balance was due. That if the exchange between England and Holland, for example, was five per cent. against England, it would require a hundred and five ounces of silver in England to purchase a bill for a hundred ounces of silver in Holland: that a hundred and five ounces of silver in England, therefore, would be worth only a hundred ounces of silver in Holland, and would purchase only a proportionable quantity of Dutch goods: but that a hundred ounces of silver in Holland, on the contrary, would be worth a hundred and five ounces in England, and would purchase a proportionable quantity of English goods: That the English goods which were sold to Holland would be sold so much cheaper; and the Dutch goods which were sold to England, so much dearer, by the difference of the exchange; that the one would draw so much less Dutch money to England, and the other so much more English money to Holland, as this difference amounted to: and that the balance of trade, therefore, would necessarily be so much more against England, and would require a greater balance of gold and silver to be exported to Holland.

THESE arguments were partly solid and partly sophistical. They were solid so far as they asserted that the exportation of gold and silver in trade might frequently be advantageous to the country. They were solid too in asserting that no prohibition could prevent their exportation, when private people found any advantage in exporting them. But they were sophistical in supposing, that either

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to preserve or to augment the quantity of those metals required more the attention of government, than to preserve or to augment the quantity of any other useful commodities, which the freedom of trade, without any such attention, never fails to supply in the proper quantity. They were sophistical too, perhaps, in asserting that the high price of exchange necessarily increased, what they called, the unfavourable balance of trade, or occasioned the exportation of a greater quantity of gold and silver. That high price, indeed, was extremely disadvantageous to the merchants who had any money to pay in foreign countries. They paid so much dearer for the bills which their bankers granted them upon those countries. But though the risk arising from the prohibition might occasion some extraordinary expence to the bankers, it would not necessarily carry any more money out of the country. This expence would generally be all laid out in the country, in smuggling the money out of it, and could seldom occasion the exportation of a single six-pence beyond the precise sum drawn for. The high price of exchange too would naturally dispose the merchants to endeavour to make their exports nearly balance their imports, in order that they might have this high exchange to pay upon as small a sum as possible. The high price of exchange, therefore, would tend, not to increase, but to diminish, what they called, the unfavourable balance of trade, and consequently the exportation of gold and silver.

CHAP.  
I.

SUCH as they were, however, those arguments convinced the people to whom they were addressed. They were addressed by merchants to parliaments, and to the councils of princes, to nobles and to country gentlemen; by those who were supposed to understand trade, to those who were conscious to themselves that they knew nothing about the matter. That foreign trade enriched the country, experience demonstrated to the nobles and country gentlemen,

4

gentlemen, as well as to the merchants; but how, or in what manner, none of them well knew. The merchants knew perfectly in what manner it enriched themselves. It was their business to know it. But to know in what manner it enriched the country, was no part of their business. This subject never came into their consideration, but when they had occasion to apply to their country for some change in the laws relating to foreign trade. It then became necessary to say something about the beneficial effects of foreign trade, and the manner in which those effects were obstructed by the laws as they then stood. To the judges who were to decide the business, it appeared a most satisfactory account of the matter, when they were told that foreign trade brought money into the country, but that the laws in question hindered it from bringing so much as it otherwise would do. Those arguments therefore produced the wished-for effect. The prohibition of exporting gold and silver was in France and England confined to the coin of those respective countries. The exportation of foreign coin and of bullion was made free. In Holland, and in some other places, this liberty was extended even to the coin of the country. The attention of government was turned away from guarding against the exportation of gold and silver, to watch over the balance of trade, as the only cause which could occasion any augmentation or diminution of those metals. From one fruitless care it was turned away to another care much more intricate, much more embarrassing, and just equally fruitless. The title of Mun's book, England's Treasure in Foreign Trade, became a fundamental maxim in the political œconomy, not of England only, but of all other commercial countries. The inland or home trade, the most important of all, the trade in which an equal capital affords the greatest revenue and creates the greatest employment to the people of the country, was considered as subsidiary only to foreign trade. It neither brought money into the country, it was said, nor carried any out of it.

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The country therefore could never become either richer or poorer by means of it, except so far as its prosperity or decay might indirectly influence the state of foreign trade. CHAP. I.

A COUNTRY that has no mines of its own must undoubtedly draw its gold and silver from foreign countries, in the same manner as one that has no vineyards of its own must draw its wines. It does not seem necessary, however, that the attention of government should be more turned towards the one than towards the other object. A country that has wherewithal to buy wine, will always get the wine which it has occasion for; and a country that has wherewithal to buy gold and silver, will never be in want of those metals. They are to be bought for a certain price like all other commodities, and as they are the price of all other commodities, so all other commodities are the price of those metals. We trust with perfect security that the freedom of trade, without any attention of government, will always supply us with the wine which we have occasion for: and we may trust with equal security that it will always supply us with all the gold and silver which we can afford to purchase or to employ, either in circulating our commodities or in other uses.

THE quantity of every commodity which human industry can either purchase or produce, naturally regulates itself in every country according to the effectual demand, or according to the demand of those who are willing to pay the whole rent, labour, and profits which must be paid in order to prepare and bring it to market. But no commodities regulate themselves more easily or more exactly according to this effectual demand than gold and silver; because on account of the small bulk and great value of those metals, no commodities can be more easily transported from one place to another, from the places where they are cheap, to those where they are dear, from the

VOL. II.

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places

places where they exceed, to those where they fall short of this effectual demand. If there was in England, for example, an effectual demand for an additional quantity of gold, a packet-boat could bring from Lisbon, or from wherever else it was to be had, fifty tuns of gold, which could be coined into more than five millions of guineas. But if there was an effectual demand for grain to the same value, to import it would require, at five guineas a tun, a million of tuns of shipping, or a thousand ships of a thousand tuns each. The navy of England would not be sufficient.

WHEN the quantity of gold and silver imported into any country exceeds the effectual demand, no vigilance of government can prevent their exportation. All the sanguinary laws of Spain and Portugal are not able to keep their gold and silver at home. The continual importations from Peru and Brazil exceed the effectual demand of those countries, and sink the price of those metals there below that in the neighbouring countries. If, on the contrary, in any particular country their quantity fell short of the effectual demand, so as to raise their price above that in the neighbouring countries, the government would have no occasion to take any pains to import them. If it was even to take pains to prevent their importation, it would not be able to effectuate it. Those metals, when the Spartans had got wherewithal to purchase them, broke through all the barriers which the laws of Lycurgus opposed to their entrance into Lacedæmon. All the sanguinary laws of the customs, are not able to prevent the importation of the teas of the Dutch and Gottenburg East India companies; because somewhat cheaper than those of the British company. A pound of tea, however, is about a hundred times the bulk of one of the highest prices, sixteen shillings, that is commonly paid for it in silver, and more than two thousand times the bulk of the

same price in gold, and consequently just so many times more difficult to smuggle. CHAP. I.

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

If notwithstanding all this, gold and silver should at any time fall short in a country which has wherewithal to purchase them, there are more expedients for supplying their place, than that of almost any other commodity. If the materials of manufacture are wanted, industry must stop. If provisions are wanted, the people must starve. But if money is wanted, barter will supply its place, though with a good deal of inconveniency. Buying and selling upon credit, and the different dealers compensating their credits with one another, once a month or once a year, will supply it with less inconveniency. A well regulated paper money will supply it, not only without any inconveniency, but with very

great advantages. Upon every account, therefore, the attention of government never was so unnecessarily employed, as when directed to watch over the preservation or increase of the quantity of money in any country.

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

scarcity of gold and silver; but the difficulty which such people find in borrowing, and which their creditors find in getting payment, that occasions the general complaint of the scarcity of money.

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

It is not because wealth consists more essentially in money than in goods, that the merchant finds it generally more easy to buy goods with money, than to buy money with goods; but because money is the known and established instrument of commerce, for which every thing is readily given in exchange, but which is not always with equal readiness to be got in exchange for every thing. The greater part of goods besides are more perishable than money, and he may frequently sustain a much greater loss by keeping them. When his goods are upon hand too, he is more liable to such demands for money as he may not be able to answer, than when he has got their price in his coffers. Over and above all this, his profit arises more directly from selling than from buying, and he is upon all these accounts generally much more anxious to exchange his goods for money, than his money for goods. But though a particular merchant, with abundance of goods in his warehouse, may sometimes be ruined by not being able to sell them in time, a nation or country is not liable to the same accident. The whole capital of a merchant frequently consists in perishable goods destined for purchasing money. But it is but a very small part of the annual produce of the land and labour of a country which can ever be destined for purchasing gold and silver  
from

BOOK IV. from their neighbours. The far greater part is circulated and consumed among themselves; and even of the surplus which is sent abroad, the greater part is generally destined for the purchase of other foreign goods. Though gold and silver, therefore, could not be had in exchange for the goods destined to purchase them, the nation would not be ruined. It might, indeed, suffer some loss and inconveniency, and be forced upon some of those expedients which are necessary for supplying the place of money. The annual produce of its land and labour, however, would be the same, or very nearly the same, as usual, because the same, or very nearly the same consumable capital would be employed in maintaining it. And though goods do not always draw money so readily as money draws goods, in the long-run they draw it more necessarily than even it draws them. Goods can serve many other purposes besides purchasing money, but money can serve no other purpose besides purchasing goods. Money, therefore, necessarily runs after goods, but goods do not always or necessarily run after money. The man who buys, does not always mean to sell again, but frequently to use or to consume; whereas he who sells, always means to buy again. The one may frequently have done the whole, but the other can never have done more than the one-half of his business. It is not for its own sake that men desire money, but for the sake of what they can purchase with it.

CONSUMABLE commodities, it is said, are soon destroyed; whereas gold and silver are of a more durable nature, and, were it not for this continual exportation, might be accumulated for ages together, to the incredible augmentation of the real wealth of the country. Nothing, therefore, it is pretended, can be more disadvantageous to any country, than the trade which consists in the exchange of such lasting for such perishable commodities. We do not, however, reckon that trade disadvantageous which consists in

in the exchange of the hardware of England for the wines of France; and yet hardware is a very durable commodity, and was it not for this continual exportation, might too be accumulated for ages together, to the incredible augmentation of the pots and pans of the country. But it readily occurs that the number of such utensils is in every country necessarily limited by the use which there is for them; that it would be absurd to have more pots and pans than were necessary for cooking the victuals usually consumed there; and that if the quantity of victuals were to increase, the number of pots and pans would readily increase along with it, a part of the increased quantity of victuals being employed in purchasing them, or in maintaining an additional number of workmen whose business it was to make them. It should as readily occur that the quantity of gold and silver is in every country limited by the use which there is for those metals; that their use consists in circulating commodities as coin, and in affording a species of household furniture as plate; that the quantity of coin in every country is regulated by the value of the commodities which are to be circulated by it: increase that value, and immediately a part of it will be sent abroad to purchase, wherever it is to be had, the additional quantity of coin requisite for circulating them: that the quantity of plate is regulated by the number and wealth of those private families who chuse to indulge themselves in that sort of magnificence: increase the number and wealth of such families, and a part of this increased wealth will most probably be employed in purchasing, wherever it is to be found, an additional quantity of plate: that to attempt to increase the wealth of any country, either by introducing or by detaining in it an unnecessary quantity of gold and silver, is as absurd as it would be to attempt to increase the good cheer of private families, by obliging them to keep an unnecessary number of kitchen utensils. As the expence of purchasing those unnecessary utensils would diminish instead



BOOK IV.  
 instead of increasing either the quantity or goodness of the family provisions; so the expence of purchasing an unnecessary quantity of gold and silver must, in every country, as necessarily diminish the wealth which feeds, cloaths and lodges, which maintains and employs the people. Gold and silver, whether in the shape of coin or of plate, are utensils, it must be remembered, as much as the furniture of the kitchen. Increase the use for them; increase the consumable commodities which are to be circulated, managed and prepared by means of them, and you will infallibly increase the quantity; but if you attempt, by extraordinary means, to increase the quantity, you will as infallibly diminish the use and even the quantity too, which in those metals can never be greater than what the use requires. Were they ever to be accumulated beyond this quantity, their transportation is so easy, and the loss which attends their lying idle and unemployed so great, that no law could prevent their being immediately sent out of the country.

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

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

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

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

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

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

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

scarcity of money, which always follows overtrading. Many people wanted it, who had neither wherewithal to buy it, nor credit to borrow it; and because the debtors found it difficult to borrow, the creditors found it difficult to get payment. Gold and silver, however, were generally to be had for their value, by those who had that value to give for them.

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

BESIDES the three sorts of gold and silver above mentioned, there is in all great commercial countries a good deal of bullion alter-

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

which, in some years, would scarce have paid four months expence of the late war.

THE commodities most proper for being transported to distant countries, in order to purchase there, either the pay and provisions of an army, or some part of the money of the mercantile republic to be employed in purchasing them, seem to be the finer and more improved manufactures; such as contain a great value in a small bulk, and can, therefore, be exported to a great distance at little expence. A country whose industry produces a great annual surplus of such manufactures, which are usually exported to foreign countries, may carry on for many years a very expensive foreign war, without either exporting any considerable quantity of gold and silver, or even having any such quantity to export. A considerable part of the annual surplus of its manufactures must, indeed, in this case be exported, without bringing back any returns. Some part of it, however, may still continue to bring back a return. The manufacturers, during the war, will have a double demand upon them, and be called upon, first, to work up goods to be sent abroad, for paying the bills drawn upon foreign countries for the pay and provisions of the army; and, secondly, to work up such as are necessary for purchasing the common returns that had usually been consumed in the country. In the midst of the most destructive foreign war, therefore, the greater part of manufactures may frequently flourish greatly; and, on the contrary, they may decline on the return of the peace. They may flourish amidst the ruin of their country, and begin to decay upon the return of its prosperity. The different state of many different branches of the British manufactures during the late war, and for some time after the peace, may serve as an illustration of what has been just now said.

No foreign war of great expence or duration could conveniently be carried on by the exportation of the rude produce of the soil. The expence of sending such a quantity of it to a foreign country as might purchase the pay and provisions of an army, would be too great. Few countries too produce much more rude produce than what is sufficient for the subsistence of their own inhabitants. To send abroad any great quantity of it therefore, would be to send abroad a part of the necessary subsistence of the people. It is otherwife with the exportation of manufactures. The maintenancé of the people employed in them is kept at home, and only the surplus part of their work is exported. Mr. Hume frequently takes notice of the inability of the antient kings of England to carry on, without interruption, any foreign war of long duration. The English, in those days, had nothing wherewithal to purchase the pay and provisions of their armies in foreign countries, but either the rude produce of the soil, of which no considerable part could be spared from the home consumption, or a few manufactures of the coarsest kind, of which, as well as of the rude produce, the transportation was too expensive. This inability did not arise from the want of money, but of the finer and more improved manufactures. Buying and selling was transacted by means of money in England then, as well as now. The quantity of circulating money must have borne the same proportion to the number and value of purchases and sales usually transacted at that time, which it does to those transacted at present; or rather it must have borne a greater proportion, because there was then no paper, which now occupies a great part of the employment of gold and silver. Among nations to whom commerce and manufactures are little known, the sovereign, upon extraordinary occasions, can seldom draw any considerable aid from his subjects, for reasons which shall be explained hereafter. It is in such countries, therefore, that he generally endeavours to accumulate a treasure, as the only resource against such emergencies. Independant of this necessity, he is in such

such a situation naturally disposed to the parsimony requisite for accumulation. In that simple state, the expence even of a sovereign is not directed by the vanity which delights in the gaudy finery of a court, but is employed in bounty to his tenants, and hospitality to his retainers. But bounty and hospitality very seldom lead to extravagance; though vanity almost always does. Every Tartar chief, accordingly, has a treasure. The treasures of Mazepa, chief of the Cossacks in the Ukraine, the famous ally of Charles the XIIth, are said to have been very great. The French kings of the Merovingian race had all treasures. When they divided their kingdom among their different children, they divided their treasure too. The Saxon princes, and the first kings after the conquest, seem likewise to have accumulated treasures. The first exploit of every new reign was commonly to seize the treasure of the preceeding king, as the most essential measure for securing the succession. The sovereigns of improved and commercial countries are not under the same necessity of accumulating treasures, because they can generally draw from their subjects extraordinary aids upon extraordinary occasions. They are likewise less disposed to do so. They naturally, perhaps necessarily, follow the mode of the times, and their expence comes to be regulated by the same extravagant vanity which directs that of all the other great proprietors in their dominions. The insignificant pageantry of their court becomes every day more brilliant, and the expence of it not only prevents accumulation, but frequently encroaches upon the funds destined for more necessary expences. What Dercyllidas said of the court of Persia, may be applied to that of several European princes, that he saw there much splendor but little strength, and many servants but few soldiers.

The importation of gold and silver is not the principal, much less the sole benefit which a nation derives from its foreign trade.

Between

BOOK  
IV.

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

It is not by the importation of gold and silver, that the discovery of America has enriched Europe. By the abundance of the American mines, those metals have become cheaper. A service of plate can now be purchased for about a third part of the corn, or a third part of the labour, which it would have cost in the

fifteenth century. With the same annual expence of labour and commodities, Europe can annually purchase about three times the quantity of plate which it could have purchased at that time. But when a commodity comes to be sold for a third part of what had been its usual price, not only those who purchased it before can purchase three times their former quantity, but it is brought down to the level of a much greater number of purchasers; perhaps to more than ten, perhaps to more than twenty times the former number. So that there may be in Europe at present, not only more than three times, but more than twenty or thirty, times the quantity of plate which would have been in it, even in its present state of improvement, had the discovery of the American mines never been made. So far Europe has, no doubt, gained a real conveniency; though surely a very trifling one. The cheapness of gold and silver renders those metals rather less fit for the purposes of money than they were before. In order to make the same purchases, we must load ourselves with a greater quantity of them; and carry about a shilling in our pocket where a groat would have done before. It is difficult to say which is most trifling, this inconveniency, or the opposite conveniency. Neither the one nor the other could have made any very essential change in the state of Europe. The discovery of America, however, certainly made a most essential one. By opening a new and inexhaustible market to all the commodities of Europe, it gave occasion to new divisions of labour and improvements of art, which, in the narrow circle of the antient commerce, could never have taken place for want of a market to take off the greater part of their produce. The productive powers of labour were improved, and its produce increased in all the different countries of Europe; and together with it the real revenue and wealth of the inhabitants. The commodities of Europe were almost all new to America, and many of those of America were new to Europe.

BOOK  
IV. A new set of exchanges, therefore, began to take place which had never been thought of before, and which should naturally have proved as advantageous to the new, as it certainly did to the old continent. The savage injustice of the Europeans rendered an event, which ought to have been beneficial to all, ruinous and destructive to several of those unfortunate countries.

THE discovery of a passage to the East Indies, by the Cape of Good Hope, which happened much about the same time, opened, perhaps, a still more extensive range to foreign commerce than even that of America, notwithstanding the greater distance. There were but two nations in America, in any respect superior to savages, and these were destroyed almost as soon as discovered. The rest were mere savages. But the empires of China, Indostan, Japan, as well as several others in the East Indies, without having richer mines of gold or silver, were in every other respect much richer, better cultivated, and more advanced in all arts and manufactures than either Mexico or Peru, even though we should credit, what plainly deserves no credit, the exaggerated accounts of the Spanish writers, concerning the ancient state of those empires. But rich and civilized nations can always exchange to a much greater value with one another, than with savages and barbarians. Europe, however, has hitherto derived much less advantage from its commerce with the East Indies, than from that with America. The Portuguese monopolised the East India trade to themselves for about a century, and it was only indirectly and through them, that the other nations of Europe could either send out or receive any goods from that country. When the Dutch, in the beginning of the last century, began to encroach upon them, they vested their whole East India commerce in an exclusive company. The English, French, Swedes, and Danes, have all followed their example, so that no great nation in Europe has ever yet had the benefit of a free

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

BOOK  
IV.

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

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

THE restraints upon importation were of two kinds.

FIRST, restraints upon the importation of such foreign goods for home-consumption as could be produced at home, from whatever country they were imported,

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SECONDLY,

SECONDLY, restraints upon the importation of goods of almost all kinds from those particular countries with which the balance of trade was supposed to be disadvantageous. CHAP. I.

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

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

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

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

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

By the establishment of colonies in distant countries, not only particular privileges, but a monopoly was frequently procured for

BOOK  
IV. for the goods and merchants of the country which established them.

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

## C H A P. II.

*Of Restraints upon the Importation of such Goods from Foreign Countries as can be produced at Home.*

BY restraining either by high duties or by absolute prohibitions the importation of such goods from foreign countries as can be produced at home, the monopoly of the home-market is more or less secured to the domestick industry employed in producing them. Thus the prohibition of importing either live cattle or salt provisions from foreign countries secures to the graziers of Great Britain the monopoly of the home-market for butchers-meat. The high duties upon the importation of corn, which in times of moderate plenty amount to a prohibition, give a like advantage to the growers of that commodity. The prohibition of the importation of foreign woollens is equally favourable to the woollen manufacturers. The silk manufacture, though altogether employed upon foreign materials, has lately obtained the same advantage. The linen manufacture has not yet obtained it, but is making great strides towards it. Many other sorts of manufacturers have, in the same manner, obtained in Great Britain, either altogether, or very nearly a monopoly against their countrymen.

CHAP.  
II.

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

to



BOOK IV. to increase the general industry of the society, or to give it the most advantageous direction, is not, perhaps, altogether so certain.

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

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

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

THUS upon equal or nearly equal profits, every wholesale merchant naturally prefers the home-trade to the foreign trade of consumption,

consumption, and the foreign trade of consumption to the carrying trade. In the home-trade his capital is never so long out of his sight as it frequently is in the foreign trade of consumption. He can know better the character and situation of the persons whom he trusts, and if he should happen to be deceived, he knows better the laws of the country from which he must seek redress. In the carrying trade, the capital of the merchant is, as it were, divided between two foreign countries, and no part of it is ever necessarily brought home, or placed under his own immediate view and command. The capital which an Amsterdam merchant employs in carrying corn from Konnigsberg to Lisbon, and fruit and wine from Lisbon to Konnigsberg, must generally be the one-half of it at Konnigsberg and the other half at Lisbon. No part of it need ever come to Amsterdam. The natural residence of such a merchant should either be at Konnigsberg or Lisbon, and it can only be some very particular circumstances which can make him prefer the residence of Amsterdam. The uneasiness, however, which he feels at being separated so far from his capital, generally determines him to bring part both of the Konnigsberg goods which he destines for the market of Lisbon, and of the Lisbon goods which he destines for that of Konnigsberg, to Amsterdam: and though this necessarily subjects him to a double charge of loading and unloading, as well as to the payment of some duties and customs, yet for the sake of having some part of his capital always under his own view and command, he willingly submits to this extraordinary charge; and it is in this manner that every country which has any considerable share of the carrying trade, becomes always the emporium or general market for the goods of all the different countries whose trade it carries on. The merchant, in order to save a second loading and unloading, endeavours always to sell in the home-market as much of the goods of all those different countries as he can, and thus, so far as he can, to  
VOL. II. F convert

convert his carrying trade into a foreign trade of consumption. A merchant, in the same manner, who is engaged in the foreign trade of consumption, when he collects goods for foreign markets, will always be glad, upon equal or nearly equal profits, to sell as great a part of them at home as he can. He saves himself the risk and trouble of exportation, when so far as he can, he thus converts his foreign trade of consumption into a home-trade. Home is in this manner the center, if I may say so, round which the capitals of the inhabitants of every country are continually circulating, and towards which they are always tending, though by particular causes they may sometimes be driven off and repelled from it towards more distant employments. But a capital employed in the home-trade, it has already been shown, necessarily puts into motion a greater quantity of domestick industry, and gives revenue and employment to a greater number of the inhabitants of the country, than an equal capital employed in the foreign trade of consumption: and one employed in the foreign trade of consumption has the same advantage over an equal capital employed in the carrying trade. Upon equal, or only nearly equal profits, therefore, every individual naturally inclines to employ his capital in the manner in which it is likely to afford the greatest support to domestick industry, and to give revenue and employment to the greatest number of the people of his own country.

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

THE produce of industry is what it adds to the subject or materials upon which it is employed. In proportion as the value of this produce is great or small, so will likewise be the profits of the employer. But it is only for the sake of profit that any man employs

employs a capital in the support of industry; and he will always, therefore, endeavour to employ it in the support of that industry of which the produce is likely to be of the greatest value, or to exchange for the greatest quantity either of money or of other goods. CHAP.  
II.

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

WHAT is the species of domestick industry which his capital can employ, and of which the produce is likely to be of the greatest value, every individual, it is evident, can, in his local situation, judge much better than any statesman or lawgiver can do for him.

The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would no where be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.

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

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

By means of such regulations, indeed, a particular manufacture may sometimes be acquired sooner than it could have been otherwise, and after a certain time may be made at home as cheap or cheaper than in the foreign country. But though the industry of the society may be thus carried with advantage into a particular channel sooner than it could have been otherwise, it will by no means follow that the sum total either of its industry or of its revenue can ever be augmented by any such regulation. The industry of the society can augment only in proportion as its capital augments, and its capital can augment only in proportion to what can be gradually saved out of its revenue. But the immediate effect of

every such regulation is to diminish its revenue, and what diminishes its revenue, is certainly not very likely to augment its capital faster than it would have augmented of its own accord, had both capital and industry been left to find out their natural employments.

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

THE natural advantages which one country has over another in producing particular commodities are sometimes so great, that it is acknowledged by all the world to be in vain to struggle with them. By means of glasses, hotbeds, and hotwalls, very good grapes can be raised in Scotland, and very good wine too can be made of them at about thirty times the expence for which at least equally good can be brought from foreign countries. Would it be a reasonable law to prohibit the importation of all foreign wines, merely to encourage the making of claret and burgundy in Scotland? But if there would be a manifest absurdity in turning towards any employment, thirty times more of the capital and industry of the country, than would be necessary to purchase from foreign countries, an equal quantity of the commodities wanted, there must be an absurdity, though not altogether so glaring, yet exactly of the same kind, in turning towards any such employment a thirtieth, or even a three hundredth part more of either. Whether the advantages which one country has over another, be natural or acquired,

quired, is in this respect of no consequence. As long as the one country has those advantages, and the other wants them, it will always be more advantageous for the latter, rather to buy of the former than to make. It is an acquired advantage only, which one artificer has over his neighbour, who exercises another trade, and yet they both find it more advantageous to buy of one another, than to make what does not belong to their particular trades.

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

If the importation of foreign cattle, for example, was made ever so free, so few could be imported, that the grazing trade of Great Britain

Britain could be little affected by it. Live cattle are, perhaps, the only commodity of which the transportation is more expensive by sea than by land. By land they carry themselves to market. By sea, not only the cattle, but their food and their water too must be carried at no small expence and inconveniency. The short sea between Ireland and Great Britain, indeed, renders the importation of Irish cattle more easy. But though the free importation of them, which was lately permitted only for a limited time, were rendered perpetual, it could have no considerable effect upon the interest of the graziers of Great Britain. Those parts of Great Britain which border upon the Irish sea are all grazing countries. Irish cattle could never be imported for their use, but must be drove through those very extensive countries, at no small expence and inconveniency, before they could arrive at their proper market. Fat cattle could not be drove so far. Lean cattle, therefore, only could be imported, and such importation could interfere, not with the interest of the feeding or fattening countries, to which by reducing the price of lean cattle, it would rather be advantageous, but with that of the breeding countries only. The small number of Irish cattle imported since their importation was permitted, together with the good price at which lean cattle still continue to sell, seem to demonstrate that even the breeding countries of Great Britain are never likely to be much affected by the free importation of Irish cattle. The common people of Ireland, indeed, are said to have sometimes opposed with violence the exportation of their cattle. But if the exporters had found any great advantage in continuing the trade, they could easily, when the law was on their side, have conquered this mobbish opposition.

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

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

EVEN the free importation of foreign corn could very little affect the interest of the farmers of Great Britain. Corn is a much more bulky commodity than butcher's-meat. A pound of  
Vol. II. G wheat

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

COUNTRY gentlemen and farmers are, to their great honour, of all people, the least subject to the wretched spirit of monopoly. The undertaker of a great manufactory is sometimes alarmed if another work of the same kind is established within twenty miles of him. The Dutch undertaker of the woollen manufacture at Abbeville, stipulated that no work of the same kind should be established within thirty leagues of that city. Farmers and country gentlemen

gentlemen, on the contrary, are generally disposed rather to promote than to obstruct the cultivation and improvement of their neighbours farms and estates. They have no secrets, such as those of the greater part of manufacturers, but are generally rather fond of communicating to their neighbours, and of extending as far as possible any new practice which they have found to be advantageous. *Pius Quæstus*, says old Cato, *stabilissimusque, minimeque invidiosus; minimeque male cogitantes sunt, qui in eo studio occupati sunt*. Country gentleman and farmers, dispersed in different parts of the country, cannot so easily combine as merchants and manufacturers, who being collected into towns, and accustomed to that exclusive corporation spirit which prevails in them, naturally endeavour to obtain against all their countrymen, the same exclusive privilege which they generally possess against the inhabitants of their respective towns. They accordingly seem to have been the original inventors of those restraints upon the importation of foreign goods, which secure to them the monopoly of the home market. It was probably in imitation of them, and to put themselves upon a level with those, who, they found were disposed to oppress them, that the country gentlemen and farmers of Great Britain so far forgot the generosity which is natural to their station, as to demand the exclusive privilege of supplying their countrymen with corn and butcher's-meat. They did not perhaps take time to consider, how much less their interest could be affected by the freedom of trade, than that of the people whose example they followed.

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

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

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

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

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

THIRDLY,

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

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

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

THE act of navigation is not favourable to foreign commerce, or to the growth of that opulence which can arise from it. The interest

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

THE second case, in which it will generally be advantageous to lay some burden upon foreign for the encouragement of domestick industry, is, when some tax is imposed at home upon the produce of the latter. In this case, it seems reasonable that an equal tax should be imposed upon the like produce of the former. This would not give the monopoly of the home market to domestick industry, nor turn towards a particular employment a greater share of the stock and labour of the country, than what would naturally go to it. It would only hinder any part of what would naturally

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go to it from being turned away by the tax, into a less natural direction, and would leave the competition between foreign and domestick industry, after the tax, as nearly as possible upon the same footing as before it. In Great Britain, when any such tax is laid upon the produce of domestick industry, it is usual at the same time, in order to stop the clamorous complaints of our merchants and manufacturers, that they will be underfold at home, to lay a much heavier duty upon the importation of all foreign goods of the same kind.

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

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

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

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

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

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

THE case in which it may sometimes be a matter of deliberation how far it is proper to continue the free importation of certain foreign goods, is, when some foreign nation restrains by high duties or prohibitions the importation of some of our manufactures into  
VOL. II. H their

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

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THERE may be good policy in retaliations of this kind, when there is a probability that they will procure the repeal of the high duties or prohibitions complained of. The recovery of a great foreign market will generally more than compensate the transitory inconvenience of paying dearer during a short time for some sorts of goods. To judge whether such retaliations are likely to produce such an effect, does not, perhaps, belong so much to the science of a legislator, whose deliberations ought to be governed by general principles which are always the same, as to the skill of that invidious and crafty animal, vulgarly called a statesman or politician, whose councils are directed by the momentary fluctuations of affairs. When there is no probability that any such repeal can be procured, it seems a bad method of compensating the injury done to certain classes of our people, to do another injury ourselves both to those classes and to almost all the other classes of them. When our neighbours prohibit some manufacture of ours, we generally prohibit, not only the same, for that alone would seldom affect them considerably, but some other manufacture of theirs. This may no doubt give encouragement to some particular class of workmen among ourselves, and by excluding some of their rivals, may enable them to raise their price in the home market. Those workmen, however, who suffered by our neighbours prohibition will not be benefited by ours. On the contrary, they, and almost all the other classes of our citizens will thereby be obliged to pay dearer than before for certain goods. Every such law, therefore, imposes a real tax upon the whole country, not in favour of that particular class of workmen who were injured by our neighbours prohibition, but of some other class.

THE case in which it may sometimes be a matter of deliberation how far or in what manner it is proper to restore the free importation of foreign goods, after it has been for some time interrupted,

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

FIRST, all those manufactures, of which any part is commonly exported to other European countries without a bounty, could be very little affected by the freest importation of foreign goods. Such manufactures must be sold as cheap abroad as any other foreign goods of the same quality and kind, and consequently must be sold cheaper at home. They would still, therefore, keep possession of the home market, and though a capricious man of fashion might sometimes prefer foreign wares, merely because they were foreign, to cheaper and better goods of the same kind that were made at home, this folly could from the nature of things extend to so few, that it could make no sensible impression upon the general employment of the people. But a great part of all the different branches of our woollen manufacture, of our tanned leather, and of our hardware, are annually exported to other European countries without any bounty, and these are the manufactures which employ the greatest number of hands. The silk, perhaps, is the manufacture which would suffer the most by this freedom of trade, and after it the linen, though the latter much less than the former.

SECONDLY,

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

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

To expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceana or Utopia should ever be established in it. Not only the prejudices of the publick, but what is much more unconquerable, the private interests of many individuals irresistably oppose it. Were the

officers of the army to oppose with the same zeal and unanimity any reduction in the number of forces, with which master manufacturers set themselves against every law that is likely to increase the number of their rivals in the home market, were the former to animate their soldiers in the same manner as the latter enflame their workmen to attack with violence and outrage the proposers of any such regulation, to attempt to reduce the army would be as dangerous as it has now become to attempt to diminish in any respect the monopoly which our manufacturers have obtained against us. This monopoly has so much increased the number of some particular tribes of them, that, like an overgrown standing army, they have become formidable to the government, and upon many occasions intimidate the legislature. The member of parliament who supports every proposal for strengthening this monopoly, is sure to acquire not only the reputation of understanding trade, but great popularity and influence with an order of men whose numbers and wealth render them of great importance. If he opposes them, on the contrary, and still more if he has authority enough to be able to thwart them, neither the most acknowledged probity, nor the highest rank, nor the greatest publick services can protect him from the most infamous abuse and detraction, from personal insults, nor sometimes from real danger, arising from the insolent outrage of furious and disappointed monopolists.

THE undertaker of a great manufacture who, by the home markets being suddenly laid open to the competition of foreigners, should be obliged to abandon his trade, would no doubt suffer very considerably. That part of his capital which had usually been employed in purchasing materials and in paying his workmen, might, without much difficulty, perhaps, find another employment. But that part of it which was fixed in workhouses, and in the instruments of trade, could scarce be disposed of without considerable

BOOK  
IV.

The equitable regard, therefore, to his interest requires that changes of this kind should never be introduced suddenly, but slowly, gradually, and after a very long warning. The legislature were it possible that its deliberations could be always directed, not by the clamorous importunity of partial interests, but by an extensive view of the general good, ought upon this very account perhaps, to be particularly careful neither to establish any new monopolies of this kind, nor to extend further those which are already established. Every such regulation introduces some degree of real disorder into the constitution of the state, which it will be difficult afterwards to cure without occasioning another disorder.

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

## C H A P. III.

*Of the extraordinary Restraints upon the Importation of Goods of almost all Kinds, from those Countries with which the Balance is supposed to be disadvantageous.*

TO lay extraordinary restraints upon the importation of goods of almost all kinds, from those particular countries with which the balance of trade is supposed to be disadvantageous, is the second expedient by which the commercial system proposes to increase the quantity of gold and silver. Thus in Great Britain higher duties are laid upon the wines of France than upon those of Portugal. German linen may be imported upon paying certain duties; but French linen is altogether prohibited. The principles which I have been examining, took their origin from private interest and the spirit of monopoly: those which I am going to examine from national prejudice and animosity. They are, accordingly, as might well be expected, still more unreasonable. They are so, even upon the principles of the commercial system.

FIRST, though it were certain that in the case of a free trade between France and England, for example, the balance would be in favour of France, it would by no means follow that such a trade would be disadvantageous to England, or that the general balance of its whole trade would thereby be turned more against it. If the wines of France are better and cheaper than those of Portugal, or its linens than those of Germany, it would be more advantageous for Great Britain to purchase both the wine and the foreign linen which it had occasion for of France, than of Portugal and Germany. Though the value of the annual importations from France would thereby be greatly augmented, the value of the whole annual importations would be diminished, in proportion as the French goods

THE NATURE AND CAUSES OF

BOOK  
IV.

goods of the same quality were cheaper than those of the other two countries. This would be the case, even upon the supposition that the whole French goods imported were to be consumed in Great Britain.

BUT, secondly, a great part of them might be re-exported to other countries, where, being sold with profit, they might bring back a return equal in value, perhaps, to the prime cost of the whole French goods imported. What has frequently been said of the East India trade might possibly be true of the French; that though the greater part of East India goods were bought with gold and silver, the re-exportation of a part of them to other countries, brought back more gold and silver to that which carried on the trade than the prime cost of the whole amounted to. One of the most important branches of the Dutch trade, at present, consists in the carriage of French goods to other European countries. A great part even of the French wine drunk in Great Britain is clandestinely imported from Holland and Zealand. If there was either a free trade between France and England, or if French goods could be imported upon paying only the same duties as those of other European nations, to be drawn back upon exportation, England might have some share of a trade which is found so advantageous to Holland.

THIRDLY, and lastly, there is no certain criterion by which we can determine on which side what is called the balance between any two countries lies, or which of them exports to the greatest value. National prejudice and animosity, prompted always by the private interest of particular traders, are the principles which generally direct our judgement upon all questions concerning it. There are two criterions, however, which have frequently been appealed to upon such occasions, the custom-house books and the course of exchange.

THE WEALTH OF NATIONS.

59

change. The custom-house books, I think, it is now generally acknowledged, are a very uncertain criterion, on account of the inaccuracy of the valuation at which the greater part of goods are rated in them. The course of exchange, at least, as it has hitherto been estimated, is, perhaps, almost equally so. CHAP.  
III.

WHEN the exchange between two places, such as London and Paris, is at par, it is said to be a sign that the debts due from London to Paris are compensated by those due from Paris to London. On the contrary, when a premium is paid at London for a bill upon Paris, it is said to be a sign that the debts due from London to Paris are not compensated by those due from Paris to London, but that a balance in money must be sent out from the latter place; for the risk, trouble, and expence of exporting which, the premium is both demanded and given. But the ordinary state of debt and credit between those two cities must necessarily be regulated, it is said, by the ordinary course of their dealings with one another. When neither of them imports from the other to a greater amount than it exports to it, the debts and credits of each may compensate one another. But when one of them imports from the other to a greater value than it exports to it, the former necessarily becomes indebted to the latter in a greater sum than the latter becomes indebted to it: the debts and credits of each do not compensate one another, and money must be sent out from that place of which the debts over-balance the credits. The common course of exchange, therefore, being an indication of the ordinary state of debt and credit between two places, must likewise be an indication of the ordinary course of their exports and imports, as these necessarily regulate that state.

BUT though this doctrine, of which some part is, perhaps, not a little doubtful, were supposed ever so certain, the manner in which the par of exchange has hitherto been computed, renders uncertain every conclusion that has ever yet been drawn from it.

WHEN for a sum of money paid in England, containing, according to the standard of the English mint, a certain number of ounces of pure silver, you receive a bill for a sum of money to be paid in France, containing, according to the standard of the French mint, an equal number of ounces of pure silver, exchange is said to be at par between England and France. When you pay more, you are supposed to give a premium, and exchange is said to be against England, and in favour of France. When you pay less, you are supposed to get a premium, and exchange is said to be against France, and in favour of England.

BUT, first we cannot always judge of the value of the current money of different countries by the standards of their respective mints. In some it is more, in others it is less worn, clipped, and otherwise degenerated from that standard. But the value of the current coin of every country, compared with that of any other country, is in proportion, not to the quantity of pure silver which it ought to contain, but to that which it actually does contain. Before the reformation of the silver coin in king William's time, exchange between England and Holland, computed, in the usual manner, according to the standards of their respective mints, was five and twenty per cent. against England. But the value of the current coin of England, as we learn from Mr. Lowndes, was at that time rather more than five and twenty per cent. below its standard value. The real exchange, therefore, may even at that time have been in favour of England, notwithstanding the computed exchange was so much against it; a smaller number of ounces of pure silver, actually paid in England, may have purchased a bill for a greater number of ounces of pure silver to be paid in Holland, and the man who was supposed to give, may in reality have got the premium. The French coin was, before the late reformation of the English gold coin, much less worn than the English, and was, perhaps, two or three

three per cent. nearer its standard. If the computed exchange with France, therefore, was not more than two or three per cent. against England, the real exchange might have been in its favour. Since the reformation of the gold coin, the exchange has been constantly in favour of England, and against France.

SECONDLY, in some countries, the expence of coinage is defrayed by the government, in others, it is defrayed by the private people who carry their bullion to the mint, and the government even derives some revenue from the coinage. In England, it is defrayed by the government, and if you carry a pound weight of standard silver to the mint, you get back sixty-two shillings, containing a pound weight of the like standard silver. In France, a duty of eight per cent. is deducted for the coinage, which not only defrays the expence of it, but affords a small revenue to the government. In England, as the coinage costs nothing, the current coin can never be much more valuable than the quantity of bullion which it actually contains. In France, the workmanship as you pay for it, adds to the value, in the same manner as to that of wrought plate. A sum of French money, therefore, containing a certain weight of pure silver, is more valuable than a sum of English money containing an equal weight of pure silver, and must require more bullion, or other commodities to purchase it. Though the current coin of the two countries, therefore, were equally near the standards of their respective mints, a sum of English money could not well purchase a sum of French money, containing an equal number of ounces of pure silver, nor consequently a bill upon France for such a sum. If for such a bill no more additional money was paid than what was sufficient to compensate the expence of the French coinage, the real exchange might be at par between the two countries, their debts and credits might mutually compensate one another, while the computed exchange was considerably in favour of France.

BOOK IV. If less than this was paid, the real exchange might be in favour of England, while the computed was in favour of France.

THIRDLY, and lastly, in some places, as at Amsterdam, Hamburgh, Venice, &c. foreign bills of exchange are paid in what they call bank money; while in others, as at London, Lisbon, Antwerp, Leghorn, &c. they are paid in the common currency of the country. What is called bank money is always of more value than the same nominal sum of common currency. A thousand guilders in the bank of Amsterdam, for example, are of more value than a thousand guilders of Amsterdam currency. The difference between them is called the agio of the bank, which, at Amsterdam, is generally about five per cent. Supposing the current money of two countries equally near to the standard of their respective mints, and that the one pays foreign bills in this common currency, while the other pays them in bank money, it is evident that the computed exchange may be in favour of that which pays in bank money, though the real exchange should be in favour of that which pays in current money; for the same reason that the computed exchange may be in favour of that which pays in better money, or in money nearer to its own standard, though the real exchange should be in favour of that which pays in worse. The computed exchange, before the late reformation of the gold coin, was generally against London with Amsterdam, Hamburgh, Venice, and, I believe, with all other places which pay in what is called bank money. It will by no means follow, however, that the real exchange was against it. Since the reformation of the gold coin, it has been in favour of London even with those places. The computed exchange has generally been in favour of London with Lisbon, Antwerp, Leghorn, and, if you except France, I believe, with most other parts of Europe that pay in common currency; and it is not improbable that the real exchange was so too.

*Digression concerning Banks of Deposit, particularly concerning that of Amsterdam.*

THE currency of a great state, such as France or England, generally consists almost entirely of its own coin. Should this currency, therefore, be at any time worn, clipped, or otherwise degraded below its standard value, the state by a reformation of its coin can effectually re-establish its currency. But the currency of a small state, such as Genoa or Hamburgh, can seldom consist altogether in its own coin, but must be made up, in a great measure, of the coins of all the neighbouring states with which its inhabitants have a continual intercourse. Such a state, therefore, by reforming its coin, will not always be able to reform its currency. If foreign bills of exchange are paid in this currency, the uncertain value of any sum, of what is in its own nature so uncertain, must render the exchange always very much against such a state, its currency being, in all foreign states, necessarily valued even below what it is worth.

CHAP. III.

IN order to remedy the inconvenience to which this disadvantageous exchange must have subjected their merchants, such small states, when they began to attend to the interest of trade, have frequently enacted, that foreign bills of exchange of a certain value should be paid, not in common currency, but by an order upon, or by a transfer in the books of a certain bank, established upon the credit, and under the protection of the state; this bank being always obliged to pay, in good and true money, exactly according to the standard of the state. The banks of Venice, Genoa, Amsterdam, Hamburgh, and Nuremberg, seem to have been all originally established with this view, though some of them may have afterwards



wards been made subservient to other purposes. The money of such banks being better than the common currency of the country, necessarily bore an agio, which was greater or smaller, according as the currency was supposed to be more or less degraded below the standard of the state. The agio of the bank of Hamburg, for example, which is said to be commonly about fourteen per cent, is the supposed difference between the good standard money of the state and the clipped, worn, and diminished currency poured into it from all the neighbouring states.

BEFORE 1609 the great quantity of clipped and worn foreign coin, which the extensive trade of Amsterdam brought from all parts of Europe, reduced the value of its currency about nine per cent. below that of good money fresh from the mint. Such money no sooner appeared than it was melted down or carried away, as it always is in such circumstances. The merchants, with plenty of currency, could not always find a sufficient quantity of good money to pay their bills of exchange; and the value of those bills, in spite of several regulations which were made to prevent it, became in a great measure uncertain.

IN order to remedy these inconveniencies, a bank was established in 1609 under the guarantee of the city. This bank received both foreign coin, and the light and worn coin of the country at its real intrinsic value in the good standard money of the country, deducting only so much as was necessary for defraying the expence of coinage, and the other necessary expence of management. For the value which remained after this small deduction was made, it gave a credit in its books. This credit was called bank money, which, as it represented money exactly according to the standard of the mint, was always of the same real value, and intrinsically worth more than current money. It was at the same time enacted, that

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all bills drawn upon or negotiated at Amsterdam of the value of six hundred guilders and upwards should be paid in bank money, which at once took away all uncertainty in the value of those bills. Every merchant, in consequence of this regulation, was obliged to keep an account with the bank in order to pay his foreign bills of exchange, which necessarily occasioned a certain demand for bank money.

BANK money, over and above both its intrinsic superiority to currency, and the additional value which this demand necessarily gives it, has likewise some other advantages. It is secure from fire, robbery, and other accidents; the city of Amsterdam is bound for it; it can be paid away by a simple transfer, without the trouble of counting, or the risk of transporting it from one place to another. In consequence of those different advantages, it seems from the beginning to have borne an agio, and it is generally believed that all the money originally deposited in the bank was allowed to remain there, nobody caring to demand payment of a debt which he could sell for a premium in the market. By demanding payment of the bank, the owner of a bank credit would lose this premium. As a shilling fresh from the mint will buy no more goods in the market than one of our common worn shillings, so the good and true money which might be brought from the coffers of the bank into those of a private person, being mixed and confounded with the common currency of the country, would be of no more value than that currency, from which it could no longer be readily distinguished. While it remained in the coffers of the bank, its superiority was known and ascertained. When it had come into those of a private person, its superiority could not well be ascertained without more trouble than perhaps the difference was worth. By being brought from the coffers of the bank, besides, it lost all the other advantages of bank money;

VOL. II.

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BOOK IV. its security, its easy and safe transferability, its use in paying foreign bills of exchange. Over and above all this, it could not be brought from those coffers, as it will appear by and by, without previously paying for the keeping.

THOSE deposits of coin, or which the bank was bound to restore in coin, constituted the original capital of the bank, or the whole value of what was represented by what is called bank money. At present they are supposed to constitute but a very small part of it. In order to facilitate the trade in bullion, the bank has been for these many years in the practice of giving credit in its books upon deposits of gold and silver bullion. This credit is generally about five per cent. below the mint price of such bullion. The bank grants at the same time what is called a receipt or receipt, intitling the person who makes the deposit, or the bearer, to take out the bullion again at any time within six months, upon re-transferring to the bank a quantity of bank money equal to that for which credit had been given in its books when the deposit was made, and upon paying one-fourth per cent. for the keeping, if the deposit was in silver; and one-half per cent. if it was in gold; but at the same time declaring, that in default of such payment, and upon the expiration of this term, the deposit should belong to the bank at the price at which it had been received, or for which credit had been given in the transfer books. What is thus paid for the keeping of the deposit may be considered as a sort of warehouse rent; and why this warehouse rent should be so much dearer for gold than for silver, several different reasons have been assigned. The fineness of gold, it has been said, is more difficult to be ascertained than that of silver. Frauds are more easily practised, and occasion a greater loss in the more precious metal. Silver, besides, being the standard metal, the state, it has been said,

said, wishes to encourage more the making of deposits of silver, than of those of gold. CHAP. III.

DEPOSITS of bullion are most commonly made when the price is somewhat lower than ordinary; and they are taken out again when it happens to rise. In Holland the market price of bullion is generally above the mint price, for the same reason that it was so in England before the late reformation of the gold coin. The difference is said to be commonly from about six to sixteen stivers upon the mark, or eight ounces of silver of eleven parts fine, and one part alloy. The bank price, or the credit which the bank gives for deposits of such silver (when made in foreign coin, of which the fineness is well known and ascertained, such as Mexico dollars) is twenty-two gilders, the mark; the mint price is about twenty-three gilders; and the market price is from twenty-three gilders six, to twenty-three gilders sixteen stivers, or from two to three per cent. above the mintprice.\* The Proportions between the bank price, the mint price, and the market price of gold bullion, are nearly the same. A person can generally sell his receipt for the difference between the mint price of bullion and the market price. A receipt for bullion is almost

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\* The following are the prices at which the bank of Amsterdam at present (September, 1775) receives bullion and coin of different kinds.

SILVER.		
Mexico dollars	}	Gilders.
French crowns		B-22 per mark.
English silver coin		
Mexico dollars new coin		- 21 10
Ducatoons		- 3
Rix dollars		- 2 8

Bar silver containing  $\frac{11}{12}$  fine silver 21 per mark, and in this proportion down to  $\frac{1}{2}$  fine, on which 5 gilders are given.

Fine bars, 23 per mark.

GOLD

always worth something, and it very seldom happens, therefore, that any body suffers his receipt to expire, or allows his bullion to fall to the bank at the price at which it had been received, either by not taking it out before the end of the six months, or by neglecting to pay the one-fourth or one-half per cent. in order to obtain a new receipt for another six months. This, however, though it happens seldom, is said to happen sometimes, and more frequently with regard to gold than with regard to silver, on account of the higher warehouse-rent which is paid for the keeping of the more precious metal.

THE person who by making a deposit of bullion obtains both a bank credit and a receipt, pays his bills of exchange as they become due with his bank credit; and either sells or keeps his receipt according as he judges that the price of bullion is likely to rise or to fall. The receipt and the bank credit seldom keep long together, and there is no occasion that they should. The person who has a receipt, and who wants to take out bullion, finds always plenty of bank credits, or bank money to buy at the ordinary price; and the person who has bank money, and wants to take out bullion, finds receipts always in equal abundance.

THE owners of bank credits and the holders of receipts constitute two different sorts of creditors against the bank. The holder of a receipt cannot draw out the bullion for which it is granted.

## GOLD.

Portugal coin	}	B— 310 per mark.
Guineas		
Louis d'ors new		
Ditto old	- - -	300
New ducats	- - -	4 19 8 per ducat.

Bar or ingot gold is received in proportion to its fineness compared with the above foreign gold coin. Upon fine bars the bank gives 340 per mark. In general, however, something more is given upon coin of a known fineness, than upon gold and silver bars, of which the fineness cannot be ascertained but by a process of melting and assaying.

granted, without re-assigning to the bank a sum of bank money equal to the price at which the bullion had been received. If he has no bank money of his own, he must purchase it of those who have it. The owner of bank money cannot draw out bullion without producing to the bank receipts for the quantity which he wants. If he has none of his own, he must buy them of those who have them. The holder of a receipt, when he purchases bank money, purchases the power of taking out a quantity of bullion, of which the mint price is five per cent. above the bank price. The agio of five per cent. therefore, which he commonly pays for it, is paid, not for an imaginary, but for a real value. The owner of bank money, when he purchases a receipt, purchases the power of taking out a quantity of bullion of which the market price is commonly from two to three per cent. above the mint price. The price which he pays for it, therefore, is paid likewise for a real value. The price of the receipt, and the price of the bank money, compound or make up between them the full value or price of the bullion.

UPON deposits of the coin current in the country, the bank grants receipts likewise as well as bank credits; but those receipts are frequently of no value, and will bring no price in the market. Upon ducatoons, for example, which in the currency pass for three gilders three stivers each, the bank gives a credit of three gilders only, or five per cent. below their current value. It grants a receipt likewise intitling the bearer to take out the number of ducatoons deposited at any time within six months, upon paying one-fourth per cent. for the keeping. This receipt will frequently bring no price in the market. Three gilders bank money generally sell in the market for three gilders three stivers, the full value of the ducatoons if they were taken out of the bank, and before they can be taken out, one-fourth per cent. must be paid.

BOOK  
IV.

paid for the keeping, which would be mere loss to the holder of the receipt. If the *agio* of the bank, however, should at any time fall to three per cent. such receipts might bring some price in the market, and might sell for one and three-fourths per cent. But the *agio* of the bank being now generally about five per cent. such receipts are frequently allowed to expire, or as they express it, to fall to the bank. The receipts which are given for deposits of gold ducats fall to it yet more frequently, because a higher warehouse-rent, or *one-half* per cent. must be paid for the keeping of them before they can be taken out again. The five per cent. which the bank gains, when deposits either of coin or bullion are allowed to fall to it, may be considered as the warehouse-rent for the perpetual keeping of such deposits.

THE sum of bank money for which the receipts are expired must be very considerable. It must comprehend the whole original capital of the bank, which, it is generally supposed, has been allowed to remain there from the time it was first deposited, nobody caring either to renew his receipt or to take out his deposit, as, for the reasons already assigned, neither the one nor the other could be done without loss. But whatever may be the amount of this sum, the proportion which it bears to the whole mass of bank money is supposed to be very small. The bank of Amsterdam has for these many years past been the great warehouse of Europe for bullion, for which the receipts are very seldom allowed to expire, or, as they express it, to fall to the bank. The far greater part of the bank money, or of the credits upon the books of the bank, is supposed to have been created, for these many years past, by such deposits which the dealers in bullion are continually both making and withdrawing.

No demand can be made upon the bank but by means of a receipt or receipt. The smaller mass of bank money, for which the receipts are expired, is mixed and confounded with the much

CHAP.  
III.

greater mass for which they are still in force; so that, though there may be a considerable sum of bank money, for which there are no receipts, there is no specific sum or portion of it, which may not at any time be demanded by one. The bank cannot be debtor to two persons for the same thing; and the owner of bank money who has no receipt cannot demand payment of the bank till he buys one. In ordinary and quiet times, he can find no difficulty in getting one to buy at the market price, which generally corresponds with the price at which he can sell the coin or bullion it in titles him to take out of the bank.

IT might be otherwise during a public calamity; an invasion, for example, such as that of the French in 1672. The owners of bank money being then all eager to draw it out of the bank, in order to have it in their own keeping, the demand for receipts might raise their price to an exorbitant height. The holders of them might form extravagant expectations, and, instead of two or three per cent. demand half the bank money for which credit had been given upon the deposits that the receipts had respectively been granted for. The enemy, informed of the constitution of the bank, might even buy them up in order to prevent the carrying away of the treasure. In such emergencies, the bank, it is supposed, would break through its ordinary rule of making payment only to the holders of receipts. The holders of receipts, who had no bank money, must have received within two or three per cent. of the value of the deposit for which their respective receipts had been granted. The bank, therefore, it is said, would in this case make no scruple of paying, either with money or bullion, the full value of what the owners of bank money who could get no receipts, were credited for in its books; paying at the same time two or three per cent. to such holders of receipts as had no bank money, that being the whole value which in this state of things could justly be supposed due to them.

EVEN in ordinary and quiet times it is the interest of the holders of receipts to depress the agio, in order either to buy bank money (and consequently the bullion, which their receipts would then enable them to take out of the bank) so much cheaper, or to sell their receipts to those who have bank money, and who want to take out bullion, so much dearer; the price of a receipt being generally equal to the difference between the market price of bank money, and that of the coin or bullion for which the receipt had been granted. It is the interest of the owners of bank money, on the contrary, to raise the agio, in order either to sell their bank money so much dearer, or to buy a receipt so much cheaper. To prevent the stock jobbing tricks which those opposite interests might sometimes occasion, the bank has of late years come to the resolution to sell at all times bank money for currency, at five per cent. agio, and to buy it in again at four per cent. agio. In consequence of this resolution, the agio can never either rise above five, or sink below four per cent. and the proportion between the market price of bank and that of current money, is kept at all times very near to the proportion between their intrinsic values. Before this resolution was taken, the market price of bank money used sometimes to rise so high as nine per cent. agio, and sometimes to sink so low as par, according as opposite interests happened to influence the market.

THE bank of Amsterdam professes to lend out no part of what is deposited with it, but, for every gilder for which it gives credit in its books, to keep in its repositories the value of a gilder either in money or bullion. That it keeps in its repositories all the money or bullion for which there are receipts in force, for which it is at all times liable to be called upon, and which, in reality, is continually going from it and returning to it again, cannot well be doubted. But whether it does so likewise with regard to that part of

of its capital, for which the receipts are long ago expired, for which in ordinary and quiet times it cannot be called upon, and which in reality is very likely to remain with it for ever, or as long as the States of the United Provinces subsist, may perhaps appear more uncertain. At Amsterdam, however, no point of faith is better established than that for every gilder, circulated as bank money, there is a correspondent gilder in gold or silver to be found in the treasure of the bank. The city is guarantee that it should be so. The bank is under the direction of the four reigning burgo-masters, who are changed every year. Each new sett of burgo-masters visits the treasure, compares it with the books, receives it upon oath, and delivers it over, with the same awful solemnity, to the sett which succeeds it; and in that sober and religious country oaths are not yet disregarded. A rotation of this kind seems alone a sufficient security against any practices which cannot be avowed. Amidst all the revolutions which faction has ever occasioned in the government of Amsterdam, the prevailing party has at no time accused their predecessors of infidelity in the administration of the bank. No accusation could have affected more deeply the reputation and fortune of the disgraced party, and if such an accusation could have been supported, we may be assured that it would have been brought. In 1672, when the French king was at Utrecht, the bank of Amsterdam paid so readily as left no doubt of the fidelity with which it had observed its engagements. Some of the pieces which were then brought from its repositories appeared to have been scorched with the fire which happened in the town-house soon after the bank was established. Those pieces, therefore, must have lain there from that time.

WHAT may be the amount of the treasure in the bank is a question which has long employed the speculations of the curious. Nothing but conjecture can be offered concerning it. It is generally reckoned that there are about two thousand people who keep

accounts with the bank, and allowing them to have, one with another, the value of fifteen hundred pounds sterling lying upon their respective accounts, (a very large allowance) the whole quantity of bank money, and consequently of treasure in the bank, will amount to about three millions sterling, or, at eleven gilders the pound sterling, thirty-three millions of gilders; a great sum, and sufficient to carry on a very extensive circulation, but vastly below the extravagant ideas which some people have formed of this treasure.

THE city of Amsterdam derives a considerable revenue from the bank. Besides what may be called the warehouse-rent above-mentioned, each person, upon first opening an account with the bank, pays a fee of ten gilders; and for every new account three gilders three stivers; for every transfer two stivers; and if the transfer is for less than three hundred gilders, six stivers, in order to discourage the multiplicity of small transactions. The person who neglects to balance his account twice in the year forfeits twenty-five gilders. The person who orders a transfer for more than is upon his account, is obliged to pay three per cent. for the sum overdrawn, and his order is set aside into the bargain. The bank is supposed too to make a considerable profit by the sale of the foreign coin or bullion which sometimes falls to it by the expiring of receipts, and which is always kept till it can be sold with advantage. It makes a profit likewise by selling bank money at five per cent. *agio*, and buying it in at four. These different emoluments amount to a good deal more than what is necessary for paying the salaries of officers, and defraying the expence of management. What is paid for the keeping of bullion upon receipts, is alone supposed to amount to a neat annual revenue of between one hundred and fifty thousand and two hundred thousand gilders. Public utility, however, and not revenue, was the original object of this institution. Its object was to relieve the merchants from the inconvenience of a disadvantageous exchange. The revenue which has arisen

fen from it was unforeseen, and may be considered as accidental. But it is now time to return from this long digression, into which I have been insensibly led in endeavouring to explain the reasons why the exchange between the countries which pay in what is called bank money, and those which pay in common currency, should generally appear to be in favour of the former, and against the latter. The former pay in a species of money of which the intrinsic value is always the same, and exactly agreeable to the standard of their respective mints; the latter in a species of money of which the intrinsic value is continually varying, and is almost always more or less below that standard. But though the computed exchange must generally be in favour of the former, the real exchange may frequently be in favour of the latter.

[*End of the Digression concerning Banks of Deposit.*]

THOUGH the computed exchange between any two places were in every respect the same with the real, it would not always follow that what is called the balance of trade was in favour of that place which had the ordinary course of exchange in its favour. The ordinary course of exchange might, indeed, in this case, be a tolerable indication of the ordinary state of debt and credit between them, and show which of the two countries usually had occasion to send out money to the other. But the ordinary state of debt and credit between any two places is not always entirely regulated by the ordinary course of their dealings with one another, but is influenced by that of the dealings of both with many other countries. If it was usual, for example, for the merchants of England to pay the goods which they buy from *Hamburgh*, *Dantzick*, *Riga*, &c. by bills upon *Holland*, the ordinary state of debt and credit between England and *Holland* would not be entirely regulated by the ordinary course of the dealings of those two countries with one another, but would be influenced by that of England with those other places. England might, in this case, be annually obliged to send out money to *Holland*, though its annual

exports to that country exceeded the annual value of its imports from it, and though what is called the balance of trade was very much in favour of England.

HITHERTO I have been endeavouring to shew, even upon the principles of the commercial system, how unnecessary it is to lay extraordinary restraints upon the importation of goods from those countries with which the balance of trade is supposed to be disadvantageous.

NOTHING, however, can be more absurd than this whole doctrine of the balance of trade, upon which, not only these restraints, but almost all the other regulations of commerce are founded. When two places trade with one another, this doctrine supposes that, if the balance be even, neither of them either loses or gains; but if it leans in any degree to one side, that one of them loses, and the other gains in proportion to its declension from the exact equilibrium. Both suppositions are false. A trade which is forced by means of bounties and monopolies, may be, and commonly is disadvantageous to the country in whose favour it is meant to be established, as I shall endeavour to shew hereafter. But that trade which, without force or constraint, is naturally and regularly carried on between any two places, is always advantageous, though not always equally so, to both.

By advantage or gain, I understand, not the increase of the quantity of gold and silver, but that of the exchangeable value of the annual produce of the land and labour of the country, or the increase of the annual revenue of its inhabitants.

If the balance be even, and if the trade between the two places consist altogether in the exchange of their native commodities, they will, upon most occasions, not only both gain, but they will gain equally, or very near equally: each will in this case afford a market for a part of the surplus produce of the other: each will  
replace

replace a capital which had been employed in raising this part of the surplus produce of the other, and which had been distributed among, and given revenue and maintenance to a certain number of its inhabitants. Some part of the inhabitants of each therefore will indirectly derive their revenue and maintenance from the other. As the commodities exchanged too are supposed to be of equal value, so the two capitals employed in the trade will, upon most occasions, be equal, or very nearly equal; and both being employed in raising the native commodities of the two countries, the revenue and maintenance which their distribution will afford to the inhabitants of each will be equal, or very nearly equal. This revenue and maintenance, thus mutually afforded, will be greater or smaller in proportion to the extent of their dealings. If these should annually amount to an hundred thousand pounds, for example, or to a million on each side, each of them would afford an annual revenue, in the one case, of an hundred thousand pounds, in the other, of a million, to the inhabitants of the other.

If their trade should be of such a nature that one of them exported to the other nothing but native commodities, while the returns of that other consisted altogether in foreign goods; the balance, in this case, would still be supposed even, commodities being paid for with commodities. They would, in this case too, both gain, but they would not gain equally; and the inhabitants of the country which exported nothing but native commodities would derive the greatest revenue from the trade. If England, for example, should import from France nothing but the native commodities of that country, and, not having such commodities of its own as were in demand there, should annually repay them by sending thither a large quantity of foreign goods, tobacco, we shall suppose, and East India goods; this trade, though it would give some revenue to the inhabitants of both countries, would give  
more

BOOK  
IV.

more to those of France than to those of England. The whole French capital annually employed in it would annually be distributed among the people of France. But that part of the English capital only which was employed in producing the English commodities with which those foreign goods were purchased, would be annually distributed among the people of England. The greater part of it would replace the capitals which had been employed in Virginia, Indostan, and China, and which had given revenue and maintenance to the inhabitants of those distant countries. If the capitals were equal, or nearly equal, therefore, this employment of the French capital would augment much more the revenue of the people of France, than that of the English capital would the revenue of the people of England. France would in this case carry on a direct foreign trade of consumption with England; whereas England would carry on a round-about trade of the same kind with France. The different effects of a capital employed in the direct, and of one employed in the round-about foreign trade of consumption, have already been fully explained.

THERE is not, probably, between any two countries, a trade which consists altogether in the exchange either of native commodities on both sides, or of native commodities on one side and of foreign goods on the other. Almost all countries exchange with one another partly native and partly foreign goods. That country, however, in whose cargoes there is the greatest proportion of native, and the least of foreign goods, will always be the principal gainer. If it was not with tobacco and East India goods, but with gold and silver, that England paid for the commodities annually imported from France, the balance, in this case, would be supposed uneven, commodities not being paid for with commodities, but with gold and silver. The trade, however, would, in this case, as in the foregoing, give some revenue to the inhabitants

CHAP.  
III.

of both countries, but more to those of France than to those of England. It would give some revenue to those of England. The capital which had been employed in producing the English goods that purchased this gold and silver, the capital which had been distributed among, and given revenue to certain inhabitants of England, would thereby be replaced, and enabled to continue that employment. The whole capital of England would no more be diminished by this exportation of gold and silver, than by the exportation of an equal value of any other goods. On the contrary, it would, in most cases, be augmented. No goods are sent abroad but those for which the demand is supposed to be greater abroad than at home, and of which the returns consequently, it is expected, will be of more value at home than the commodities exported. If the tobacco which, in England, is worth only a hundred thousand pounds, when sent to France will purchase wine which, in England, worth a hundred and ten thousand pounds, the exchange will augment the capital of England by ten thousand pounds. If a hundred thousand pounds of English gold, in the same manner, purchase French wine which, in England, is worth a hundred and ten thousand, this exchange will equally augment the capital of England by ten thousand pounds. As a merchant who has a hundred and ten thousand pounds worth of wine in his cellar, is a richer man than he who has only a hundred thousand pounds worth of tobacco in his warehouse, so is he likewise a richer man than he who has only a hundred thousand pounds worth of gold in his coffers. He can put into motion a greater quantity of industry, and give revenue, maintenance, and employment, to a greater number of people than either of the other two. But the capital of the country is equal to the capitals of all its different inhabitants, and the quantity of industry which can be annually maintained in it, is equal to what all those different capitals can maintain. Both the capital of the country, therefore,

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and the quantity of industry which can be annually maintained in it, must generally be augmented by this exchange. It would, indeed, be more advantageous for England that it could purchase the wines of France with its own hardware and broad-cloth, than with either the tobacco of Virginia, or the gold and silver of Brazil and Peru. A direct foreign trade of consumption is always more advantageous than a round-about one. But a round-about foreign trade of consumption which is carried on with gold and silver, does not seem to be less advantageous than any other equally round-about one. Neither is a country which has no mines more likely to be exhausted of gold and silver by this annual exportation of those metals, than one which does not grow tobacco by the like annual exportation of that plant. As a country which has wherewithal to buy tobacco will never be long in want of it, so neither will one be long in want of gold and silver which has wherewithal to purchase those metals.

It is a losing trade, it is said, which a workman carries on with the alehouse; and the trade which a manufacturing nation would naturally carry on with a wine country, may be considered as a trade of the same nature. I answer, that the trade with the alehouse is not necessarily a losing trade. In its own nature it is just as advantageous as any other, though, perhaps, somewhat more liable to be abused. The employment of a brewer, and even that of a retailer of fermented liquors, are as necessary divisions of labour as any other. It will generally be more advantageous for a workman to buy of the brewer the quantity he has occasion for than to make it himself, and if he is a poor workman, it will generally be more advantageous for him to buy it by little and little of the retailer, than a large quantity of the brewer. He may no doubt buy too much of either, as he may of any other dealers in his neighbourhood, of the butcher, if he is a glutton, or of the draper, if he affects to be a beau among his companions. It is  
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advantageous to the great body of workmen notwithstanding, that all these trades should be free, though this freedom may be abused in all of them, and is more likely to be so, perhaps, in some than in others. Though individuals, besides, may sometimes ruin their fortunes by an excessive consumption of fermented liquors, there seems to be no risk that a nation should do so. Though in every country there are many people who spend upon such liquors more than they can afford, there are always many more who spend less. It deserves to be remarked too that, if we consult experience, the cheapness of wine seems to be a cause, not of drunkenness, but of sobriety. The inhabitants of the wine countries are in general the soberest people in Europe; witness the Spaniards, the Italians, and the inhabitants of the southern provinces of France. People are seldom guilty of excess in what is their daily fare. Nobody affects the character of liberality and good fellowship, by being profuse of a liquor which is as cheap as small beer. On the contrary, in the countries which from either excessive heat or cold produce no grapes, and where wine consequently is dear and a rarity, drunkenness is a common vice, as among the northern nations, and all those who live between the tropicks, the negroes, for example, on the coast of Guinea. When a French regiment comes from some of the northern provinces of France, where wine is somewhat dear, to be quartered in the southern, where it is very cheap, the soldiers, I have frequently heard it observed, are at first debauched by the cheapness and novelty of good wine; but after a few months residence, the greater part of them become as sober as the rest of the inhabitants. Were the duties upon foreign wines, and the excises upon malt, beer, and ale, to be taken away all at once, it might, in the same manner, occasion in Great Britain a pretty general and temporary drunkenness among the middling and inferior ranks of people, which would probably be soon followed by a permanent and almost universal

fobriety. At present drunkenness is by no means the vice of people of fashion, or of those who can easily afford the most expensive liquors. A gentleman drunk with ale, has scarce ever been seen among us. The restraints upon the wine trade in Great Britain besides, do not so much seem calculated to hinder the people from going, if I may say so, to the alehouse, as from going where they can buy the best and cheapest liquor. They favour the wine trade of Portugal, and discourage that of France. The Portuguese, it is said, indeed, are better customers for our manufactures than the French, and should therefore be encouraged in preference to them. As they give us their custom, it is pretended, we should give them ours. The sneaking arts of underling tradesmen are thus erected into political maxims for the conduct of a great empire: for it is the most underling tradesmen only who make it a rule to employ chiefly their own customers. A great trader purchases his goods always where they are cheapest and best, without regard to any little interest of this kind.

By such maxims as these, however, nations have been taught that their interest consisted in beggaring all their neighbours. Each nation has been made to look with an invidious eye upon the prosperity of all the nations with which it trades, and to consider their gain as its own loss. Commerce, which ought naturally to be, among nations, as among individuals, a bond of union and friendship, has become the most fertile source of discord and animosity. The capricious ambition of kings and ministers has not, during the present and the preceding century, been more fatal to the repose of Europe than the impertinent jealousy of merchants and manufacturers. The violence and injustice of the rulers of mankind is an ancient evil, for which, I am afraid the nature of human affairs can scarce admit of a remedy. But the mean rapacity, the monopolizing spirit of merchants and manufacturers,

facturers, who neither are, nor ought to be the rulers of mankind, though it cannot perhaps be corrected, may very easily be prevented from disturbing the tranquillity of any body but themselves.

THAT it was the spirit of monopoly which originally both invented and propagated this doctrine, cannot be doubted; and they who first taught it were by no means such fools as they who believed it. In every country it always is and must be the interest of the great body of the people to buy whatever they want of those who sell it cheapest. The proposition is so very manifest, that it seems ridiculous to take any pains to prove it; nor could it ever have been called in question had not the interested sophistry of merchants and manufacturers confounded the common sense of mankind. Their interest is, in this respect, directly opposite to that of the great body of the people. As it is the interest of the freemen of a corporation to hinder the rest of the inhabitants from employing any workmen but themselves, so it is the interest of the merchants and manufacturers of every country to secure to themselves the monopoly of the home market. Hence in Great Britain and in most other European countries the extraordinary duties upon almost all goods imported by alien merchants. Hence the high duties and prohibitions upon all those foreign manufactures which can come into competition with our own. Hence too the extraordinary restraints upon the importation of almost all sorts of goods from those countries with which the balance of trade is supposed to be disadvantageous; that is, from those against whom national animosity happens to be most violently inflamed.

THE wealth of a neighbouring nation, however, though dangerous in war and politics, is certainly advantageous in trade. In a

state of hostility it may enable our enemies to maintain fleets and armies superior to our own; but in a state of peace and commerce it must likewise enable them to exchange with us to a greater value, and to afford a better market, either for the immediate produce of our own industry, or for whatever is purchased with that produce. As a rich man is likely to be a better customer to the industrious people in his neighbourhood, than a poor, so is likewise a rich nation. A rich man, indeed, who is himself a manufacturer, is a very dangerous neighbour to all those who deal in the same way. All the rest of the neighbourhood, however, by far the greatest number, profit by the good market which his expence affords them. They even profit by his underselling the poorer workmen who deal in the same way with him. The manufacturers of a rich nation, in the same manner, may no doubt be very dangerous rivals to those of their neighbours. This very competition, however, is advantageous to the great body of the people, who profit greatly besides by the good market which the great expence of such a nation affords them in every other way. Private people who want to make a fortune, never think of retiring to the remote and poor provinces of the country, but resort either to the capital or to some of the great commercial towns. They know, that where little wealth circulates there is little to be got, but that where a great deal is in motion, some share of it may fall to them. The same maxims which would in this manner direct the common sense of one, or ten, or twenty individuals, should regulate the judgement of one, or ten, or twenty millions, and should make a whole nation regard the riches of its neighbours, as a probable cause and occasion for itself to acquire riches. A nation that would enrich itself by foreign trade is certainly most likely to do so when its neighbours are all rich, industrious, and commercial nations. A great nation surrounded

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on all sides by wandering savages and poor barbarians might, no doubt, acquire riches by the cultivation of its own lands, and by its own interior commerce, but not by foreign trade. It seems to have been in this manner that the ancient Egyptians and the modern Chinese acquired their great wealth. The ancient Egyptians, it is said, neglected foreign commerce, and the modern Chinese, it is known, hold it in the utmost contempt, and scarce deign to afford it the decent protection of the laws. The modern maxims of foreign commerce, by aiming at the impoverishment of all our neighbours, so far as they are capable of producing their intended effect, tend to render that very commerce insignificant and contemptible.

THERE is no commercial country in Europe of which the approaching ruin has not frequently been foretold by the pretended doctors of this system, from an unfavourable balance of trade. After all the anxiety however which they have excited about this, after all the vain attempts of almost all trading nations to turn that balance in their own favour and against their neighbours, it does not appear that any one nation in Europe has been in any respect impoverished by this cause. Every town and country, on the contrary, in proportion as they have opened their ports to all nations; instead of being ruined by this free trade, as the principles of the commercial system would lead us to expect, have been enriched by it. Though there are in Europe, indeed, a few towns which in some respects deserve the name of free ports, there is no country which does so. Holland, perhaps, approaches the nearest to this character of any, though still very remote from it; and Holland, it is acknowledged, not only derives its whole wealth, but a great part of its necessary subsistence, from foreign-trade.

THERE

BOOK  
IV.

THERE is another balance indeed, which has already been explained, very different from the balance of trade, and which, according as it happens to be either favourable or unfavourable, necessarily occasions the prosperity or decay of every nation. This is the balance of the annual produce and consumption. If the exchangeable value of the annual produce, it has already been observed, exceeds that of the annual consumption, the capital of the society must annually increase in proportion to this excess. The society in this case lives within its revenue, and what is annually saved out of its revenue, is naturally added to its capital, and employed so as to increase still further the annual produce. If the exchangeable value of the annual produce, on the contrary, fall short of the annual consumption, the capital of the society must annually decay in proportion to this deficiency. The expence of the society in this case exceeds its revenue, and necessarily encroaches upon its capital. Its capital, therefore, must necessarily decay, and together with it, the exchangeable value of the annual produce of its industry.

THIS balance of produce and consumption is entirely different from, what is called, the balance of trade. It might take place in a nation which had no foreign trade, but which was entirely separated from all the world. It may take place in the whole globe of the earth, of which the wealth, population, and improvement may be either gradually increasing or gradually decaying.

THE balance of produce and consumption may be constantly in favour of a nation, though what is called the balance of trade be generally against it. A nation may import to a greater value than it exports for half a century, perhaps, together; the gold and silver which comes into it during all this time may be all immediately sent out of it; its circulating coin may gradually decay,  
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different sorts of paper money being substituted in its place, and even the debts too which it contracts in the principal nations with whom it deals may be gradually increasing; and yet its real wealth, the exchangeable value of the annual produce of its lands and labour may, during the same period, have been increasing in a much greater proportion. The state of our North American colonies, and the trade which they carried on with Great Britain, before the commencement of the late disturbances, may serve as a proof that this is by no means an impossible supposition.

CHAP.  
IV.

## C H A P. IV.

*Of Drawbacks.*

MERCHANTS and manufacturers are not contented with the monopoly of the home market, but desire likewise the most extensive foreign sale for their goods. Their country has no jurisdiction in foreign nations, and therefore can seldom procure them any monopoly there. They are generally obliged therefore to content themselves with petitioning for certain encouragements to exportation.

OF these encouragements what are called Drawbacks seem to be the most reasonable. To allow the merchant to draw back upon exportation, either the whole or a part of whatever excise or inland duty is imposed upon domestick industry, can never occasion the exportation of a greater quantity of goods than what would have been exported had no duty been imposed. Such encouragements do not tend to turn towards any particular employment, a greater share of the capital of the country, than what would go  
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to it of its own accord, but only to hinder the duty from driving away any part of that share to other employments. They tend not to overturn that balance which naturally establishes itself among all the various employments of the society; but to hinder it from being overturned by the duty. They tend not to destroy but to preserve, what it is in most cases advantageous to preserve, the natural division and distribution of labour in the society.

THE same thing may be said of the drawbacks upon the re-exportation of foreign goods imported; which in Great Britain generally amount to by much the largest part of the duty upon importation. Half the duties imposed by what is called the old subsidy, are drawn back universally, except upon goods exported to the British plantations; and frequently the whole, almost always a part of those imposed by later subsidies and imposts. Drawbacks were, perhaps, originally granted for the encouragement of the carrying trade, which, as the freight of the ships is frequently paid by foreigners in money, was supposed to be peculiarly fitted for bringing gold and silver into the country. But though the carrying trade certainly deserves no peculiar encouragement, though the motive of the institution was, perhaps, abundantly foolish, the institution itself seems reasonable enough. Such drawbacks cannot force into this trade a greater share of the capital of the country than what would have gone to it of its own accord, had there been no duties upon importation. They only prevent its being excluded altogether by those duties. The carrying trade, though it deserves no preference, ought not to be precluded, but to be left free like all other trades. It is a necessary resource for those capitals which cannot find employment either in the agriculture or in the manufactures of the country, either in its home trade or in its foreign trade of consumption.

THE revenue of the customs, instead of suffering, profits from such drawbacks, by that part of the duty which is retained. If the whole duties had been retained, the foreign goods upon which they are paid, could seldom have been exported, nor consequently imported, for want of a market. The duties, therefore, of which a part is retained, would never have been paid.

THESE reasons seem sufficiently to justify drawbacks, and would justify them, though the whole duties, whether upon the produce of domestick industry, or upon foreign goods, were always drawn back upon exportation. The revenue of excise would in this case, indeed, suffer a little, and that of the customs a good deal more; but the natural balance of industry, the natural division and distribution of labour, which is always more or less disturbed by such duties, would be more nearly re-established by such a regulation.

THESE reasons, however, will justify drawbacks only upon exporting goods to those countries which are altogether foreign and independent, not to those in which our merchants and manufacturers enjoy a monopoly. A drawback, for example, upon the exportation of European goods to our American colonies, will not always occasion a greater exportation than what would have taken place without it. By means of the monopoly which our merchants and manufacturers enjoy there, the same quantity might frequently, perhaps, be sent thither, though the whole duties were retained. The drawback, therefore, may frequently be pure loss to the revenue of excise and customs, without altering the state of the trade, or rendering it in any respect more extensive. How far such drawbacks can be justified, as a proper encouragement to the industry of our colonies, or how far it is advantageous

advantageous to the mother country, that they should be exempted from taxes which are paid by all the rest of their fellow subjects, will appear hereafter when I come to treat of colonies.

DRAWBACKS however, it must always be understood, are useful only in those cases in which the goods for the exportation of which they are given, are really exported to some foreign country; and not clandestinely reimported into our own. That some drawbacks, particularly those upon tobacco, have frequently been abused in this manner, and have given occasion to many frauds equally hurtful both to the revenue and to the fair trader, is well known.

## C H A P. V.

*Of Bounties.*

**B**OUNTIES upon exportation are, in Great Britain, frequently petitioned for, and sometimes granted to the produce of particular branches of domestick industry. By means of them our merchants and manufacturers, it is pretended, will be enabled to sell their goods as cheap or cheaper than their rivals in the foreign market. A greater quantity, it is said, will thus be exported, and the balance of trade consequently turned more in favour of our own country. We cannot give our workmen a monopoly in the foreign, as we have done in the home market. We cannot force foreigners to buy their goods, as we have done our own countrymen. The next best expedient, it has been thought, therefore, is to pay them for buying. It is in this manner that the mercantile system proposes to enrich the whole country, and to put money into all our pockets by means of the balance of trade.

BOUNTIES;

**B**OUNTIES, it is allowed, ought to be given to those branches of trade only which cannot be carried on without them. But every branch of trade in which the merchant can sell his goods for a price which replaces to him, with the ordinary profits of stock, the whole capital employed in preparing and sending them to market, can be carried on without a bounty. Every such branch is evidently upon a level with all the other branches of trade which are carried on without bounties, and cannot therefore require one more than they. Those trades only require bounties in which the merchant is obliged to sell his goods for a price which does not replace to him his capital, together with the ordinary profit; or in which he is obliged to sell them for less than it really costs him to send them to market. The bounty is given in order to make up this loss, and to encourage him to continue, or perhaps to begin, a trade of which the expence is supposed to be greater than the returns, of which every operation eats up a part of the capital employed in it, and which is of such a nature, that, if all other trades resembled it, there would soon be no capital left in the country.

**T**HE trades, it is to be observed, which are carried on by means of bounties, are the only ones which can be carried on between two nations for any considerable time together, in such a manner as that one of them shall always and regularly lose, or sell its goods for less than it really costs to send them to market. But if the bounty did not repay to the merchant what he would otherwise lose upon the price of his goods, his own interest would soon oblige him to employ his stock in another way, or to find out a trade in which the price of the goods would replace to him, with the ordinary profit, the capital employed in sending them to market. The effect of bounties, like that of all the other expedients of the mercantile system, can only be to force the trade of a country into a

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BOOK  
IV. channel much less advantageous than that in which it would naturally run of its own accord.

THE ingenious and well informed author of the tracts upon the corn trade has shown very clearly, that since the bounty upon the exportation of corn was first established, the price of the corn exported, valued moderately enough, has exceeded that of the corn imported, valued very high, by a much greater sum than the amount of the whole bounties which have been paid during that period. This, he imagines, upon the true principles of the mercantile system, is a clear proof that this forced corn trade is beneficial to the nation; the value of the exportation exceeding that of the importation by a much greater sum than the whole extraordinary expence which the publick has been at in order to get it exported. He does not consider that this extraordinary expence, or the bounty, is the smallest part of the expence which the exportation of corn really costs the society. The capital which the farmer employed in raising it must likewise be taken into the account. Unless the price of the corn when sold in the foreign markets replaces, not only the bounty, but this capital, together with the ordinary profits of stock, the society is a loser by the difference, or the national stock is so much diminished. But the very reason for which it has been thought necessary to grant a bounty is the supposed insufficiency of the price to do this.

THE average price of corn, it has been said, has fallen considerably since the establishment of the bounty. That the average price of corn began to fall somewhat towards the end of the last century, and has continued to do so during the course of the sixty-four first years of the present, I have already endeavoured to show. But this event, supposing it to be as real as I believe it to be, must have happened in spite of the bounty, and cannot possibly have happened in consequence of it.

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IN years of plenty, it has already been observed, the bounty, by occasioning an extraordinary exportation, necessarily keeps up the price of corn in the home market above what it would naturally fall to. To do so was the avowed purpose of the institution. In years of scarcity, though the bounty is frequently suspended, yet the great exportation which it occasions in years of plenty, must frequently hinder more or less the plenty of one year from relieving the scarcity of another. Both in years of plenty, and in years of scarcity, therefore, the bounty necessarily tends to raise the money price of corn somewhat higher than it otherwise would be in the home market.

THAT, in the actual state of tillage, the bounty must necessarily have this tendency, will not, I apprehend, be disputed by any reasonable person. But it has been thought by many people, that by securing to the farmer a better price than he could otherwise expect in the actual state of tillage, it tends to encourage tillage; and that the consequent increase of corn may, in a long period of years, lower its price more than the bounty can raise it in the actual state which tillage may, at the end of that period, happen to be in.

ANSWER, that this might be the case if the effect of the bounty was to raise the real price of corn, or to enable the farmer with an equal quantity of it to maintain a greater number of labourers in the same manner, whether liberal, moderate, or scanty, than other labourers are commonly maintained in his neighbourhood. But neither the bounty, it is evident, nor any other human institution, can have any such effect. It is not the real, but the nominal price of corn only, which can be at all affected by the bounty.

THE real effect of the bounty is not so much to raise the real value of corn, as to degrade the real value of silver; or to make an equal quantity of it exchange for a smaller quantity, not only of corn,

CHAP.  
V.

corn, but of all other commodities: for the money price of corn regulates that of all other commodities.

It regulates the money price of labour, which must always be such as to enable the labourer to purchase a quantity of corn sufficient to maintain him and his family either in the liberal, moderate, or scanty manner in which the advancing, stationary, or declining circumstances of the society oblige his employers to maintain him.

It regulates the money price of all the other parts of the rude produce of land, which, in every period of improvement, must bear a certain proportion to that of corn, though this proportion is different in different periods. It regulates, for example, the money price of grass and hay, of butcher's meat, of horses, and the maintenance of horses, of land carriage consequently, or of the greater part of the inland commerce of the country.

By regulating the money price of all the other parts of the rude produce of land, it regulates that of the materials of all manufactures. By regulating the money price of labour, it regulates that of manufacturing art and industry. And by regulating both, it regulates that of the compleat manufacture. The money price of labour, and of every thing that is the produce either of land or labour, must necessarily either rise or fall in proportion to the money price of corn.

THOUGH in consequence of the bounty, therefore, the farmer should be enabled to sell his corn for four shillings the bushel instead of three and sixpence, and to pay his landlord a money rent proportionable to this rise in the money price of his produce; yet, if in consequence of this rise in the price of corn, four shillings will purchase no more goods of any other kind than three and sixpence

pence would have done before, neither the circumstances of the farmer, nor those of the landlord, will be in the smallest degree mended by this change. The farmer will not be able to cultivate better: the landlord will not be able to live better. CHAP. V.

THAT degradation in the value of silver which is the effect of the fertility of the mines, and which operates equally, or very near equally, through the greater part of the commercial world, is a matter of very little consequence to any particular country. The consequent rise of all money prices, though it does not make those who receive them really richer, does not make them really poorer. A service of plate becomes really cheaper, and every thing else remains precisely of the same real value as before.

BUT that degradation in the value of silver which, being the effect either of the peculiar situation, or of the political institutions of a particular country, takes place only in that country, is a matter of very great consequence, which, far from tending to make any body really richer, tends to make every body really poorer. The rise in the money price of all commodities, which is in this case peculiar to that country, tends to discourage more or less every sort of industry which is carried on within it, and to enable foreign nations, by furnishing almost all sorts of goods for a smaller quantity of silver than its own workmen can afford to do, to undersell them, not only in the foreign, but even in the home market.

IT is the peculiar situation of Spain and Portugal, as proprietors of the mines, to be the distributors of gold and silver to all the other countries of Europe. Those metals ought naturally, therefore, to be somewhat cheaper in Spain and Portugal than in any other part of Europe. The difference, however, should be no more



more than the amount of the freight and insurance; and, on account of the great value and small bulk of those metals, their freight is no great matter, and their insurance is the same as that of any other goods of equal value. Spain and Portugal, therefore, could suffer very little from their peculiar situation, if they did not aggravate its disadvantages by their political institutions.

SPAIN by taxing, and Portugal by prohibiting the exportation of gold and silver, load that exportation with the expence of smuggling, and raise the value of those metals in other countries so much more above what it is in their own, by the whole amount of this expence. When you dam up a stream of water, as soon as the dam is full, as much water must run over the dam-head as if there was no dam at all. The prohibition of exportation cannot detain a greater quantity of gold and silver in Spain and Portugal than what they can afford to employ, than what the annual produce of their land and labour will allow them to employ, in coin, plate, gilding, and other ornaments of gold and silver. When they have got this quantity the dam is full, and the whole stream which flows in afterwards must run over. The annual exportation of gold and silver from Spain and Portugal accordingly is, by all accounts, notwithstanding these restraints, very near equal to the whole annual importation. As the water, however, must always be deeper behind the dam-head than before it, so the quantity of gold and silver which these restraints detain in Spain and Portugal must, in proportion to the annual produce of their land and labour, be greater than what is to be found in other countries. The higher and stronger the dam-head, the greater must be the difference in the depth of water behind and before it. The higher the tax, the higher the penalties with which the prohibition is guarded, the more vigilant and severe the police which looks after the execution of the law, the greater must be the difference in the

proportion of gold and silver to the annual produce of the land and labour of Spain and Portugal, and to that of other countries. It is said accordingly to be very considerable, and that you frequently find there a profusion of plate in houses, where there is nothing else which would, in other countries, be thought suitable or correspondent to this sort of magnificence. The cheapness of gold and silver, or, what is the same thing, the dearthness of all commodities, which is the necessary effect of this redundancy of the precious metals, discourages both the agriculture and manufactures of Spain and Portugal, and enables foreign nations to supply them with many sorts of rude, and with almost all sorts of manufactured produce, for a smaller quantity of gold and silver, than what they themselves can either raise or make them for at home. The tax and prohibition operate in two different ways. They not only lower very much the value of the precious metals in Spain and Portugal, but by detaining there a certain quantity of those metals which would otherwise flow over other countries, they keep up their value in those other countries somewhat above what it otherwise would be, and thereby give those countries a double advantage in their commerce with Spain and Portugal. Open the flood-gates and there will presently be less water above, and more below, the dam-head, and it will soon come to a level in both places. Remove the tax and the prohibition, and as the quantity of gold and silver will diminish considerably in Spain and Portugal, so it will increase somewhat in other countries, and the value of those metals, their proportion to the annual produce of land and labour, will soon come to a level, or very near to a level, in all. The loss which Spain and Portugal could sustain by this exportation of their gold and silver would be altogether nominal and imaginary. The nominal value of their goods, and of the annual produce of their land and labour would fall, and would be expressed or represented by a smaller quantity of silver than before: but their real value would

be the same as before, and would be sufficient to maintain, command, and employ, the same quantity of labour. As the nominal value of their goods would fall, the real value of what remained of their gold and silver would rise, and a smaller quantity of those metals would answer all the same purposes of commerce and circulation which had employed a greater quantity before. The gold and silver which would go abroad would not go abroad for nothing, but would bring back an equal value of goods of some kind or another. Those goods too would not be all matters of mere luxury and expence, to be consumed by idle people who produce nothing in return for their consumption. As the real wealth and revenue of idle people would not be augmented by this extraordinary exportation of gold and silver, so neither would their consumption be much augmented by it. Those goods would, probably, the greater part of them, and certainly some part of them, consist in materials, tools, and provisions, for the employment and maintenance of industrious people, who would reproduce, with a profit, the full value of their consumption. A part of the dead stock of the society would thus be turned into active stock, and would put into motion a greater quantity of industry than had been employed before. The annual produce of their land and labour would immediately be augmented a little, and in a few years would, probably, be augmented a great deal; their industry being thus relieved from one of the most oppressive burdens which it at present labours under.

THE bounty upon the exportation of corn necessarily operates exactly in the same way as this absurd policy of Spain and Portugal. Whatever be the actual state of tillage, it renders our corn somewhat dearer in the home market than it otherwise would be in that state, and somewhat cheaper in the foreign; and as the average money price of corn regulates more or less that of all

all other commodities, it lowers the value of silver considerably in the one, and tends to raise it a little in the other. It enables foreigners, the Dutch in particular, not only to eat our corn cheaper than they otherwise could do, but sometimes to eat it cheaper than even our own people can do upon the same occasions; as we are assured by an excellent authority, that of Sir Mathew Decker. It hinders our own workmen from furnishing their goods for so small a quantity of silver as they otherwise might do; and enables the Dutch to furnish their's for a smaller. It tends to render our manufactures somewhat dearer in every market, and their's somewhat cheaper than they otherwise would be, and consequently to give their industry a double advantage over our own.

THE bounty, as it raises in the home market, not the real, but only the nominal price of our corn, as it augments, not the quantity of labour which a certain quantity of corn can maintain and employ, but only the quantity of silver which it will exchange for, it discourages our manufactures without rendering the smallest real service either to our farmers or country gentlemen. It puts, indeed, a little more money into the pockets of both, and it will perhaps be somewhat difficult to persuade the greater part of them that this is not rendering them a very real service. But if this money sinks in its value, in the quantity of labour, provisions, and commodities of all different kinds which it is capable of purchasing, as much as it rises in its quantity, the service will be merely nominal and imaginary.

THERE is, perhaps, but one set of men in the whole commonwealth to whom the bounty either was or could be really serviceable. These were the corn merchants, the exporters and importers of corn. In years of plenty the bounty necessarily

BOOK  
IV.

occasioned a greater exportation than would otherwise have taken place; and by hindering the plenty of one year from relieving the scarcity of another, it occasioned in years of scarcity a greater importation than would otherwise have been necessary. It increased the business of the corn merchant in both, and in years of scarcity it not only enabled him to import a greater quantity, but to sell it for a better price, and consequently with a greater profit than he could otherwise have made, if the plenty of one year had not been more or less hindered from relieving the scarcity of another. It is in this sett of men, accordingly, that I have observed the greatest zeal for the continuance or renewal of the bounty.

Our country gentlemen, when they imposed the high duties upon the importation of foreign corn, which in times of moderate plenty amount to a prohibition, and when they established the bounty, seem to have imitated the conduct of our manufacturers. By the one institution, they secured to themselves the monopoly of the home market, and by the other they endeavoured to prevent that market from ever being overstocked with their commodity. By both they endeavoured to raise its real value, in the same manner as our manufacturers had, by the like institutions, raised the real value of many different sorts of manufactured goods. They did not perhaps attend to the great and essential difference which nature has established between corn and almost every other sort of goods. When either by the monopoly of the home market, or by a bounty upon exportation, you enable our woollen or linen manufacturers to sell their goods for somewhat a better price than they otherwise could get for them, you raise, not only the nominal, but the real price of those goods. You render them equivalent to a greater quantity of labour and subsistence; you increase, not only the nominal, but the real profit, the real wealth and revenue

CHAP.  
V.

revenue of those manufacturers, and you enable them either to live better themselves, or to employ a greater quantity of labour in those particular manufactures. You really encourage those manufactures, and direct towards them a greater quantity of the industry of the country, than what would probably go to them of its own accord. But when by the like institutions you raise the nominal or money price of corn, you do not raise its real value. You do not increase the real wealth, the real revenue either of our farmers or country gentlemen. You do not encourage the growth of corn, because you do not enable them to maintain and employ more labourers in raising it. The nature of things has stamped upon corn a real value which no human institution can alter. No bounty upon exportation, no monopoly of the home market can raise it. The freest competition cannot lower it. Through the world in general that value is equal to the quantity of labour which it can maintain, and in every particular place it is equal to the quantity of labour which it can maintain in the way, whether liberal, moderate, or scanty, in which labour is commonly maintained in that place. Woollen or linen cloth are not the regulating commodities by which the real value of all other commodities must be finally measured and determined. Corn is. The real value of every other commodity is finally measured and determined by the proportion which its average money price bears to the average money price of corn. The real value of corn does not vary with those variations in its average money price, which sometimes occur from one century to another. It is the real value of silver which varies with them.

BOUNTIES upon the exportation of any home-made commodity are liable, first, to that general objection which may be made to all the different expedients of the mercantile system; the objection of forcing some part of the industry of the country into a channel less

less advantageous than that in which it would run of its own accord: and, secondly, to the particular objection of forcing it, not only into a channel that is less advantageous, but into one that is actually disadvantageous; the trade which cannot be carried on but by means of a bounty being necessarily a losing trade. The bounty upon the exportation of corn is liable to this further objection, that it can in no respect promote the raising of that particular commodity of which it was meant to encourage the production. When our country gentlemen, therefore, demanded the establishment of the bounty, though they acted in imitation of our merchants and manufacturers, they did not act with that complete comprehension of their own interest which commonly directs the conduct of those two other orders of people. They loaded the publick revenue with a very considerable expence; but they did not in any respect increase the real value of their own commodity, and by lowering somewhat the real value of silver they discouraged in some degree the general industry of the country, and instead of advancing, retarded more or less the improvement of their own lands, which necessarily depends upon the general industry of the country.

To encourage the production of any commodity, a bounty upon production, one should imagine, would have a more direct operation than one upon exportation. It has, however, been more rarely granted. The prejudices established by the commercial system have taught us to believe that national wealth arises more immediately from exportation than from production. It has been more favoured accordingly, as the more immediate means of bringing money into the country. Bounties upon production, it has been said too, have been found by experience more liable to frauds than those upon exportation. How far this is true, I know not. That bounties upon exportation have been abused to many

fraudulent

fraudulent purposes, is very well known. But it is not the interest of merchants and manufacturers, the great inventors of all these expedients, that the home market should be overstocked with their goods, an event which a bounty upon production might sometimes occasion. A bounty upon exportation, by enabling them to send abroad the surplus part, and to keep up the price of what remains in the home market, effectually prevents this. Of all the expedients of the mercantile system, accordingly, it is the one of which they are the fondest. I have known the different undertakers of some particular works agree privately among themselves to give a bounty out of their own pockets upon the exportation of a certain proportion of the goods which they dealt in. This expedient succeeded so well that it more than doubled the price of their goods in the home market, notwithstanding a very considerable increase in the produce. The operation of the bounty upon corn must have been wonderfully different, if it has lowered the money price of that commodity.

SOMETHING like a bounty upon production, however, has been granted upon some particular occasions. The encouragements given to the white-herring and whale-fisheries may, perhaps, be considered as somewhat of this nature. They tend directly to render the goods cheaper in the home market than they otherwise would be in the actual state of production. In other respects their effects are the same as those of bounties upon exportation. By means of them a part of the capital of the country is employed in bringing goods to market, of which the price does not repay the cost, together with the ordinary profits of stock. But though the bounties to those fisheries do not contribute to the opulence of the nation, they may perhaps be defended as conducing to its defence, by augmenting the number of its sailors and shipping. This may frequently be done by means of such bounties,

BOOK  
IV. bounties, at a much smaller expence than by keeping up a great standing navy, if I may use such an expression, in time of peace, in the same manner as a standing army.

SOME other bounties may be vindicated perhaps upon the same principle. It is of importance that the kingdom should depend as little as possible upon its neighbours for the manufactures necessary for its defence; and if these cannot otherwise be maintained at home, it is reasonable that all other branches of industry should be taxed in order to support them. The bounties upon the importation of naval stores from America, upon British made sail-cloth, and upon British made gunpowder, may perhaps all three be vindicated upon this principle. The first is a bounty upon the production of America, for the use of Great Britain. The two others are bounties upon exportation.

WHAT is called a bounty is sometimes no more than a drawback, and consequently is not liable to the same objections as what is properly a bounty. The bounty, for example, upon refined sugar exported may be considered as a drawback of the duties upon the brown and muscovado sugars, from which it is made. The bounty upon wrought silk exported, a drawback of the duties upon raw and thrown silk imported. The bounty upon gunpowder exported, a drawback of the duties upon brimstone and saltpetre imported. In the language of the customs those allowances only are called drawbacks, which are given upon goods exported in the same form in which they are imported. When that form has been altered by manufacture of any kind, they are called bounties.

PREMIUMS given by the publick to artists and manufacturers who excell in their particular occupations, are not liable to the same objections as bounties. By encouraging extraordinary dexterity

CHAP.  
V. terity and ingenuity, they serve to keep up the emulation of the workmen actually employed in those respective occupations, and are not considerable enough to turn towards any one of them a greater share of the capital of the country than what would go to it of its own accord. Their tendency is not to overturn the natural balance of employments, but to render the work which is done in each as perfect and compleat as possible. The expence of premiums, besides, is very trifling; that of bounties very great. The bounty upon corn alone has sometimes cost the publick in one year, more than three hundred thousand pounds.

BOUNTIES are sometimes called premiums, as drawbacks are sometimes called bounties. But we must in all cases attend to the nature of the thing, without paying any regard to the word.

I CANNOT conclude this chapter concerning bounties, without observing that the praises which have been bestowed upon the law which establishes the bounty upon the exportation of corn, and upon that system of regulations which is connected with it, are altogether unmerited. A particular examination of the nature of the corn trade, and of the principal British laws which relate to it, will sufficiently demonstrate the truth of this assertion. The great importance of this subject must justify the length of the digression.

THE trade of the corn merchant is composed of four different branches, which, though they may sometimes be all carried on by the same person, are in their own nature four separate and distinct trades. These are, first, the trade of the inland dealer; secondly, that of the merchant importer for home consumption; thirdly, that of the merchant exporter of home produce for foreign consumption; and, fourthly, that of the merchant carrier, or of the importer of corn in order to export it again.

I. THE interest of the inland dealer, and that of the great body of the people, how opposite soever they may at first sight appear, are, even in years of the greatest scarcity, exactly the same. It is his interest to raise the price of his corn as high as the real scarcity of the season requires, and it can never be his interest to raise it higher. By raising the price he discourages the consumption, and puts every body more or less, but particularly the inferior ranks of people, upon thrift and good management. If, by raising it too high, he discourages the consumption so much that the supply of the season is likely to go beyond the consumption of the season, and to last for some time after the next crop begins to come in, he runs the hazard, not only of losing a considerable part of his corn by natural causes, but of being obliged to sell what remains of it for much less than what he might have had for it several months before. If by not raising the price high enough he discourages the consumption so little, that the supply of the season is likely to fall short of the consumption of the season, he not only loses a part of the profit which he might otherwise have made, but he exposes the people to suffer before the end of the season, instead of the hardships of a dearth, the dreadful horrors of a famine. It is the interest of the people that their daily, weekly, and monthly consumption, should be proportioned as exactly as possible to the supply of the season. The interest of the inland corn dealer is the same. By supplying them, as nearly as he can judge, in this proportion, he is likely to sell all his corn for the highest price, and with the greatest profit; and his knowledge of the state of the crop, and of his daily, weekly, and monthly sales, enable him to judge, with more or less accuracy, how far they really are supplied in this manner. Without intending the interest of the people, he is necessarily led, by a regard to his own interest, to treat them, even in years of scarcity, pretty much in the same manner as the prudent master of a vessel is sometimes obliged to treat his crew. When he

he foresees that provisions are likely to run short, he puts them upon short allowance. Though from excess of caution he should sometimes do this without any real necessity, yet all the inconveniences which his crew can thereby suffer are inconsiderable in comparison of the danger, misery, and ruin, to which they might sometimes be exposed by a less provident conduct. Though from excess of avarice, in the same manner, the inland corn merchant should sometimes raise the price of his corn somewhat higher than the scarcity of the season requires, yet all the inconveniences which the people can suffer from this conduct, which effectually secures them from a famine in the end of the season, are inconsiderable in comparison of what they might have been exposed to by a more liberal way of dealing in the beginning of it. The corn merchant himself is likely to suffer the most by this excess of avarice; not only from the indignation which it generally excites against him, but, though he should escape the effects of this indignation, from the quantity of corn which it necessarily leaves upon his hands in the end of the season, and which, if the next season happens to prove favourable, he must always sell for a much lower price than he might otherwise have had.

WERE it possible, indeed, for one great company of merchants to possess themselves of the whole crop of an extensive country, it might, perhaps, be their interest to deal with it as the Dutch are said to do with the spices of the Molluccas, to destroy or throw away a considerable part of it, in order to keep up the price of the rest. But it is scarce possible, even by the violence of law, to establish such an extensive monopoly with regard to corn; and, wherever the law leaves the trade free, it is of all commodities the least liable to be engrossed or monopolised by the force of a few large capitals, which buy up the greater part of it. Not only its value far exceeds what the capitals of a few private men are capable of

BOOK  
IV.

purchasing, but, supposing they were capable of purchasing it, the manner in which it is produced renders this purchase altogether impracticable. As in every civilized country it is the commodity of which the annual consumption is the greatest, so a greater quantity of industry is annually employed in producing corn than in producing any other commodity. When it first comes from the ground too, it is necessarily divided among a greater number of owners than any other commodity; and these owners can never be collected into one place like a number of independent manufacturers, but are necessarily scattered through all the different corners of the country. These first owners either immediately supply the consumers in their own neighbourhood, or they supply other inland dealers who supply those consumers. The inland dealers in corn, therefore, including both the farmer and the baker, are necessarily more numerous than the dealers in any other commodity, and their dispersed situation renders it altogether impossible for them to enter into any general combination. If in a year of scarcity, therefore, any of them should find that he had a good deal more corn upon hand than, at the current price, he could hope to dispose of before the end of the season, he would never think of keeping up this price to his own loss, and to the sole benefit of his rivals and competitors, but would immediately lower it in order to get rid of his corn before the new crop began to come in. The same motives, the same interests, which would thus regulate the conduct of any one dealer, would regulate that of every other, and oblige them all in general to sell their corn at the price which, according to the best of their judgement, was most suitable to the scarcity or plenty of the season.

WHOEVER examines, with attention, the history of the dearths and famines which have afflicted any part of Europe, during either the course of the present or that of the two preceding centuries,  
of

CHAP.  
V.

of several of which we have pretty exact accounts, will find, I believe, that a dearth never has arisen from any combination among the inland dealers in corn, nor from any other cause but a real scarcity, occasioned sometimes perhaps, and in some particular places, by the waste of war, but in by far the greatest number of cases, by the fault of the seasons; and that a famine has never arisen from any other cause but the violence of government attempting, by improper means, to remedy the inconveniencies of a dearth.

In an extensive corn country, between all the different parts of which there is a free commerce and communication, the scarcity occasioned by the most unfavourable seasons can never be so great as to produce a famine; and the scantiest crop, if managed with frugality and economy, will maintain, through the year, the same number of people that are commonly fed in a more affluent manner by one of moderate plenty. The seasons most unfavourable to the crop are those of excessive drought or excessive rain. But, as corn grows equally upon high and low lands, upon grounds that are disposed to be too wet, and upon those that are disposed to be too dry, either the drought or the rain which is hurtful to one part of the country is favourable to another; and though both in the wet and in the dry season the crop is a good deal less than in one more properly tempered, yet in both what is lost in one part of the country is in some measure compensated by what is gained in the other. In rice countries, where the crop not only requires a very moist soil, but where in a certain period of its growing it must be laid under water, the effects of a drought are much more dismal. Even in such countries, however, the drought is, perhaps, scarce ever so universal as necessarily to occasion a famine, if the government would allow a free trade. The drought in Bengal, a few years ago, might probably have occasioned a very great dearth. Some improper regulations, some injudicious restraints imposed by  
the

the servants of the East India Company upon the rice trade, contributed, perhaps, to turn that dearth into a famine.

WHEN the government, in order to remedy the inconveniencies of a dearth, orders all the dealers to sell their corn at what it supposes a reasonable price, it either hinders them from bringing it to market, which may sometimes produce a famine, even in the beginning of the season; or if they bring it thither, it enables the people, and thereby encourages them to consume it so fast, as must necessarily produce a famine before the end of the season. The unlimited, unrestrained freedom of the corn trade, as it is the only effectual preventative of the miseries of a famine, so it is the best palliative of the inconveniencies of a dearth; for the inconveniencies of a real scarcity cannot be remedied; they can only be palliated. No trade deserves more the full protection of the law, and no trade requires it so much; because no trade is so much exposed to popular odium.

IN years of scarcity the inferior ranks of people impute their distress to the avarice of the corn merchant, who becomes the object of their hatred and indignation. Instead of making profit upon such occasions, therefore, he is often in danger of being utterly ruined, and of having his magazines plundered and destroyed by their violence. It is in years of scarcity, however, when prices are high, that the corn merchant expects to make his principal profit. He is generally in contract with some farmers to furnish him for a certain number of years with a certain quantity of corn at a certain price. This contract price is settled according to what is supposed to be the moderate and reasonable, that is, the ordinary or average price, which, before the late years of scarcity, was commonly about eight and twenty shillings for the quarter of wheat, and for that of other grain in proportion.

IN years of scarcity, therefore, the corn merchant buys a great part of his corn for the ordinary price, and sells it for a much higher. That this extraordinary profit, however, is no more than sufficient to put his trade upon a fair level with other trades, and to compensate the many losses which he sustains upon other occasions, both from the perishable nature of the commodity itself, and from the frequent and unforeseen fluctuations of its price, seems evident enough, from this single circumstance, that great fortunes are as seldom made in this as in any other trade. The popular odium, however, which attends it in years of scarcity, the only years in which it can be very profitable, renders people of character and fortune averse to enter into it. It is abandoned to an inferior set of dealers; and millers, bakers, mealmen and meal factors, together with a number of wretched hucksters, are almost the only middle people that, in the home market, come between the grower and the consumer.

THE ancient policy of Europe, instead of discountenancing this popular odium against a trade so beneficial to the publick, seems, on the contrary, to have authorized and encouraged it.

BY the 5th and 6th of Edward VI. cap. 14. it was enacted, That whoever should buy any corn or grain with intent to sell it again, should be reputed an unlawful engrosser, and should, for the first fault, suffer two months imprisonment, and forfeit the value of the corn; for the second, suffer six months imprisonment, and forfeit double the value; and for the third, be set in the pillory, suffer imprisonment during the king's pleasure, and forfeit all his goods and chattels. The ancient policy of most other parts of Europe was no better than that of England.



OUR ancestors seem to have imagined that the people would buy their corn cheaper of the farmer than of the corn merchant, who, they were afraid, would require, over and above the price which he paid to the farmer, an exorbitant profit to himself. They endeavoured, therefore, to annihilate his trade altogether. They even endeavoured to hinder as much as possible any middle man of any kind from coming in between the grower and the consumer; and this was the meaning of the many restraints which they imposed upon the trade of those whom they called kidders or carriers of corn, a trade which nobody was allowed to exercise without a licence ascertaining his qualifications as a man of probity and fair dealing. The authority of three justices of the peace was, by the statute of Edward VI. necessary, in order to grant this licence. But even this restraint was afterwards thought insufficient, and by a statute of Elizabeth, the privilege of granting it was confined to the quarter-sessions.

THE ancient policy of Europe endeavoured in this manner to regulate agriculture, the great trade of the country, by maxims quite different from those which it established with regard to manufactures, the great trade of the towns. By leaving the farmer no other customers but either the consumer or his immediate factors, the kidders and carriers of corn, it endeavoured to force him to exercise the trade, not only of a farmer, but of a corn merchant or corn retailer. On the contrary, it in many cases prohibited the manufacturer from exercising the trade of a shopkeeper, or from selling his own goods by retail. It meant by the one law to promote the general interest of the country, or to render corn cheap, without, perhaps, its being well understood how this was to be done. By the other it meant to promote that of a particular order of men, the shopkeepers, who would be so much

much underfold by the manufacturer, it was supposed, that their trade would be ruined if he was allowed to retail at all. CHAP.  
V.

THE manufacturer, however, though he had been allowed to keep a shop, and to sell his own goods by retail, could not have underfold the common shopkeeper. Whatever part of his capital he might have placed in his shop, he must have withdrawn it from his manufacture. In order to carry on his business on a level with that of other people, as he must have had the profit of a manufacturer on the one part, so he must have had that of a shopkeeper upon the other. Let us suppose, for example, that in the particular town where he lived, ten per cent. was the ordinary profit both of manufacturing and shopkeeping stock; he must in this case have charged upon every piece of his own goods which he sold in his shop, a profit of twenty per cent. When he carried them from his workhouse to his shop, he must have valued them at the price for which he could have sold them to a dealer or shopkeeper, who would have bought them by wholesale. If he valued them lower, he lost a part of the profit of his manufacturing capital. When again he sold them from his shop, unless he got the same price at which a shopkeeper would have sold them, he lost a part of the profit of his shopkeeping capital. Though he might appear, therefore, to make a double profit upon the same piece of goods, yet as these goods made successively a part of two distinct capitals, he made but a single profit upon the whole capital employed about them; and if he made less than this profit, he was a loser, or did not employ his whole capital with the same advantage as the greater part of his neighbours.

WHAT the manufacturer was prohibited to do, the farmer was in some measure enjoined to do; to divide his capital between two different employments; to keep one part of it in his granaries

ries and stack yard, for supplying the occasional demands of the market; and to employ the other in the cultivation of his land. But as he could not afford to employ the latter for less than the ordinary profits of farming stock, so he could as little afford to employ the former for less than the ordinary profits of mercantile stock. Whether the stock which really carried on the business of the corn merchant belonged to the person who was called a farmer, or to the person who was called a corn merchant, an equal profit was in both cases requisite, in order to indemnify its owner for employing it in this manner; in order to put his business upon a level with other trades, and in order to hinder him from having an interest to change it as soon as possible for some other. The farmer, therefore, who was thus forced to exercise the trade of a corn merchant, could not afford to sell his corn cheaper than any other corn merchant would have been obliged to do in the case of a free competition.

THE dealer who can employ his whole stock in one single branch of business, has an advantage of the same kind with the workman who can employ his whole labour in one single operation. As the latter acquires a dexterity which enables him, with the same two hands, to perform a much greater quantity of work; so the former acquires so easy and ready a method of transacting his business, of buying and disposing of his goods, that with the same capital he can transact a much greater quantity of business. As the one can commonly afford his work a good deal cheaper, so the other can commonly afford his goods somewhat cheaper than if his stock and attention were both employed about a greater variety of objects. The greater part of manufacturers could not afford to retail their own goods so cheap as a vigilant and active shopkeeper, whose sole business it was to buy them by wholesale, and to retail them again. The greater part of farmers could still less afford to retail their own corn, or to supply the

the inhabitants of a town, at perhaps four or five miles distance from the greater part of them, so cheap as a vigilant and active corn merchant, whose sole business it was to purchase corn by wholesale, to collect it into a great magazine, and to retail it again.

THE law which prohibited the manufacturer from exercising the trade of a shopkeeper, endeavoured to force this division in the employment of stock to go on faster than it might otherwise have done. The law which obliged the farmer to exercise the trade of a corn merchant, endeavoured to hinder it from going on so fast. Both laws were evident violations of natural liberty, and therefore unjust; and they were both too as impolitic as they were unjust. It is the interest of every society, that things of this kind should never either be forced or obstructed. The man who employs either his labour or his stock in a greater variety of ways than his situation renders necessary, can never hurt his neighbour by under-selling him. He may hurt himself, and he generally does so. Jack of all trades will never be rich, says the proverb. But the law ought always to trust people with the care of their own interest, as in their local situations they must generally be able to judge better of it than the legislator can do. The law, however, which obliged the farmer to exercise the trade of a corn merchant, was by far the most pernicious of the two.

IT obstructed, not only that division in the employment of stock which is so advantageous to every society, but it obstructed likewise the improvement and cultivation of the land. By obliging the farmer to carry on two trades instead of one, it forced him to divide his capital into two parts, of which one only could be employed in cultivation. But if he had been at liberty to sell his whole crop to a corn merchant as fast as he could thresh it out,

his whole capital might have returned immediately to the land, and have been employed in buying more cattle, and hiring more servants, in order to improve and cultivate it better. But by being obliged to sell his corn by retail, he was obliged to keep a great part of his capital in his granaries and stack yard through the year, and could not, therefore, cultivate so well as with the same capital he might otherwise have done. This law, therefore, necessarily obstructed the improvement of the land, and, instead of tending to render corn cheaper, must have tended to render it scarcer, and therefore dearer, than it would otherwise have been.

AFTER the business of the farmer, that of the corn merchant is in reality the trade which, if properly protected and encouraged, would contribute the most to the raising of corn. It would support the trade of the farmer in the same manner as the trade of the wholesale dealer supports that of the manufacturer.

THE wholesale dealer, by affording a ready market to the manufacturer, by taking his goods off his hand as fast as he can make them, and by sometimes even advancing their price to him before he has made them, enables him to keep his whole capital, and sometimes even more than his whole capital, constantly employed in manufacturing, and consequently to manufacture a much greater quantity of goods than if he was obliged to dispose of them himself to the immediate consumers, or even to the retailers. As the capital of the wholesale merchant too is generally sufficient to replace that of many manufacturers, this intercourse between him and them interests the owner of a large capital to support the owners of a great number of small ones, and to assist them in those losses and misfortunes which might otherwise prove ruinous to them.

AN intercourse of the same kind universally established between the farmers and the corn merchants, would be attended with effects equally beneficial to the farmers. They would be enabled to keep their whole capitals, and even more than their whole capitals, constantly employed in cultivation. In case of any of those accidents, to which no trade is more liable than theirs, they would find in their ordinary customer, the wealthy corn merchant, a person who had both an interest to support them, and the ability to do it, and they would not, as at present, be entirely dependent upon the forbearance of their landlord, or the mercy of his steward. Were it possible, as perhaps it is not, to establish this intercourse universally, and all at once, were it possible to turn all at once the whole farming stock of the kingdom to its proper business, the cultivation of land, withdrawing it from every other employment into which any part of it may be at present diverted, and were it possible, in order to support and assist upon occasion the operations of this great stock, to provide all at once another stock almost equally great, it is not perhaps very easy to imagine how great, how extensive, and how sudden would be the improvement which this change of circumstances would alone produce upon the whole face of the country.

THE statute of Edward VI. therefore, by prohibiting as much as possible any middle man from coming in between the grower and the consumer, endeavoured to annihilate a trade of which the free exercise is not only the best palliative of the inconveniencies of a dearth, but the best preventative of that calamity: after the trade of the farmer, no trade contributing so much to the growing of corn as that of the corn merchant.

THE rigour of this law was afterwards softened by several subsequent statutes, which successively permitted the engrossing of corn when the price of wheat should not exceed twenty, twenty-four, thirty-two, and forty shillings the quarter. At last, by the 15th.

15th of Charles II. c. 7. the engrossing or buying of corn in order to sell it again, as long as the price of wheat did not exceed forty-eight shillings the quarter, and that of other grain in proportion, was declared lawful to all persons not being forestallers, that is, not selling again in the same market within three months. All the freedom which the trade of the inland corn dealer has ever yet enjoyed, was bestowed upon it by this statute. The statute of the twelfth of the present king, which repeals almost all the other ancient laws against engrossers and forestallers, does not repeal the restrictions of this particular statute, which therefore still continue in force.

This statute, however, authorizes in some measure two very absurd popular prejudices.

FIRST, it supposes that when the price of wheat has risen so high as forty-eight shillings the quarter, and that of other grain in proportion, corn is likely to be so engrossed as to hurt the people. But from what has been already said, it seems evident enough that corn can at no price be so engrossed by the inland dealers as to hurt the people; and forty-eight shillings the quarter besides, though it may be considered as a very high price, yet in years of scarcity it is a price which frequently takes place immediately after harvest, when scarce any part of the new crop can be sold off, and when it is impossible even for ignorance to suppose that any part of it can be so engrossed as to hurt the people.

SECONDLY, it supposes that there is a certain price at which corn is likely to be forestalled, that is, bought up in order to be sold again soon after in the same market, so as to hurt the people. But if a merchant ever buys up corn, either going to a particular market or in a particular market, in order to sell it again soon after in the same market,

ket, it must be because he judges that the market cannot be so liberally supplied through the whole season as upon that particular occasion, and that the price, therefore, must soon rise. If he judges wrong in this, and if the price does not rise, he not only loses the whole profit of the stock which he employs in this manner, but a part of the stock itself, by the expence and loss which necessarily attends the storing and keeping of corn. He hurts himself, therefore, much more essentially than he can hurt even the particular people whom he may hinder from supplying themselves upon that particular market day, because they may afterwards supply themselves just as cheap upon any other market day. If he judges right, instead of hurting the great body of the people, he renders them a most important service. By making them feel the inconveniencies of a dearth somewhat earlier than they otherwise might do, he prevents their feeling them afterwards so severely as they certainly would do, if the cheapness of price encouraged them to consume faster than suited the real scarcity of the season. When the scarcity is real, the best thing that can be done for the people is to divide the inconveniencies of it as equally as possible through all the different months, and weeks, and days of the year. The interest of the corn merchant makes him study to do this as exactly as he can; and as no other person can have either the same interest, or the same knowledge, or the same abilities to do it so exactly as he, this most important operation of commerce ought to be trusted entirely to him; or, in other words, the corn trade, so far at least as concerns the supply of the home market, ought to be left perfectly free.

THE popular fear of engrossing and forestalling may be compared to the popular terrors and suspicions of witchcraft. The unfortunate wretches accused of this latter crime were not more innocent of the misfortunes imputed to them, than those who have

have been accused of the former. The law which put an end to all prosecutions against witchcraft, which put it out of any man's power to gratify his own malice by accusing his neighbour of that imaginary crime, seems effectually to have put an end to those fears and suspicions, by taking away the great cause which encouraged and supported them. The law which should restore entire freedom to the inland trade of corn, would probably prove as effectual to put an end to the popular fears of engrossing and forestalling.

THE 15th of Charles II. c. 7. however, with all its imperfections, has perhaps contributed more both to the plentiful supply of the home market, and to the increase of tillage, than any other law in the statute book. It is from this law that the inland corn trade has derived all the liberty and protection which it has ever yet enjoyed; and both the supply of the home market, and the interest of tillage, are much more effectually promoted by the inland, than either by the importation or exportation trade.

THE proportion of the average quantity of all sorts of grain imported into Great Britain to that of all sorts of grain consumed, it has been computed by the author of the tracts upon the corn trade, does not exceed that of one to five hundred and seventy. For supplying the home market, therefore, the importance of the inland trade must be to that of the importation trade as five hundred and seventy to one.

THE average quantity of all sorts of grain exported from Great Britain does not, according to the same author, exceed the one and thirtieth part of the annual produce. For the encouragement of tillage, therefore, by providing a market for the home produce, the importance of the inland trade must be to that of the exportation trade as thirty to one.

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I HAVE no great faith in political arithmetick, and I mean not to warrant the exactness of either of these computations. I mention them only in order to show of how much less consequence, in the opinion of the most judicious and experienced persons, the foreign trade of corn is than the home trade. The great cheapness of corn in the years immediately preceeding the establishment of the bounty, may perhaps, with reason, be ascribed in some measure to the operation of this statute of Charles II. which had been enacted about five and twenty years before, and which had therefore full time to produce its effect.

A VERY few words will sufficiently explain all that I have to say concerning the other three branches of the corn trade.

II. THE trade of the merchant importer of foreign corn for home consumption, evidently contributes to the immediate supply of the home market, and must so far be immediately beneficial to the great body of the people. It tends, indeed, to lower somewhat the average money price of corn, but not to diminish its real value, or the quantity of labour which it is capable of maintaining. If importation was at all times free, our farmers and country gentlemen would, probably, one year with another, get less money for their corn than they do at present, when importation is at most times in effect prohibited; but the money which they got would be of more value, would buy more goods of all other kinds, and would employ more labour. Their real wealth, their real revenue, therefore, would be the same as at present, though it might be expressed by a smaller quantity of silver; and they would neither be disabled nor discouraged from cultivating corn as much as they do at present. On the contrary, as the rise in the real value of silver, in consequence of lowering the money price of corn, lowers somewhat the money price of all other commodities, it gives the

VOL. II.

R

industry

industry of the country where it takes place some advantage in all foreign markets, and thereby tends to encourage and increase that industry. But the extent of the home market for corn must be in proportion to the general industry of the country where it grows, or to the number of those who produce something else, and therefore have something else, or what comes to the same thing, the price of something else, to give in exchange for corn. But in every country the home market, as it is the nearest and most convenient, so is it likewise the greatest and most important market for corn. That rise in the real value of silver, therefore, which is the effect of lowering the average money price of corn, tends to enlarge the greatest and most important market for corn, and thereby to encourage, instead of discouraging, its growth.

By the 22d of Charles II. c. 13. the importation of wheat, whenever the price in the home market did not exceed fifty-three shillings and four pence the quarter, was subjected to a duty of sixteen shillings the quarter; and to a duty of eight shillings whenever the price did not exceed four pounds. The former of these two prices has, for more than a century past, taken place only in times of very great scarcity; and the latter has, so far as I know, not taken place at all. Yet, till wheat had risen above this latter price, it was by this statute subjected to a very high duty; and, till it had risen above the former, to a duty which amounted to a prohibition. The importation of other sorts of grain was restrained by duties proportionably high.

THE distress which, in years of scarcity, the strict execution of this statute might have brought upon the people, would probably have been very great. But, upon such occasions, its execution was generally suspended by temporary statutes, which permitted, for a limited time, the importation of foreign corn. The necessity of these

these temporary statutes sufficiently demonstrates the impropriety of this general one. CHAP.  
V.

THESE restraints upon importation, though prior to the establishment of the bounty, were dictated by the same spirit, by the same principles, which afterwards enacted that regulation. How hurtful soever in themselves, these or some other restraints upon importation became necessary in consequence of that regulation. If, when wheat was either below forty-eight shillings the quarter, or not much above it, foreign corn could have been imported either duty free, or upon paying only a small duty, it might have been exported again, with the benefit of the bounty, to the great loss of the publick revenue, and to the intire perversion of the institution, of which the object was to extend the market for the home growth, not that for the growth of foreign countries.

III. THE trade of the merchant exporter of corn for foreign consumption, certainly does not contribute directly to the plentiful supply of the home market. It does so, however, indirectly. From whatever source this supply may be usually drawn, whether from home growth or from foreign importation, unless more corn is either usually grown, or usually imported into the country, than what is usually consumed in it, the supply of the home market can never be very plentiful. But, unless the surplus can, in all ordinary cases, be exported, the growers will be careful never to grow more, and the importers never to import more, than what the bare consumption of the home market requires. That market will very seldom be overstocked; but it will generally be understocked, the people, whose business it is to supply it, being generally afraid lest their goods should be left upon their hands. The prohibition of exportation limits the improvement and cultivation of the country to what the supply of its own inhabitants requires.

BOOK  
IV. requires. The freedom of exportation enables it to extend its cultivation for the supply of foreign nations.

By the 12th of Charles II. c. 4. the exportation of corn was permitted whenever the price of wheat did not exceed forty shillings the quarter, and that of other grain in proportion. By the 15th of the same prince this liberty was extended till the price of wheat exceeded forty-eight shillings the quarter; and by the 22d, to all higher prices. A poundage, indeed, was to be paid to the king upon such exportation. But all grain was rated so low in the book of rates, that this poundage amounted only upon wheat to a shilling, upon oats to four-pence, and upon all other grain to sixpence the quarter. By the 1st of William and Mary, the act which established the bounty, this small duty was virtually taken off whenever the price of wheat did not exceed forty-eight shillings the quarter; and by the 11th and 12th of William III. c. 20. it was expressly taken off at all higher prices.

THE trade of the merchant exporter was in this manner, not only encouraged by a bounty, but rendered much more free than that of the inland dealer. By the last of these statutes, corn could be engrossed at any price for exportation; but it could not be engrossed for inland sale, except when the price did not exceed forty-eight shillings the quarter. The interest of the inland dealer, however, it has already been shown, can never be opposite to that of the great body of the people. That of the merchant exporter may, and in fact sometimes is. If, while his own country labours under a dearth, a neighbouring country should be afflicted with a famine, it might be his interest to carry corn to the latter country in such quantities as might very much aggravate the calamities of the dearth. The plentiful supply of the home market was not the direct object of those statutes; but, under the pretence of encouraging

CHAP.  
V. raging agriculture, to raise the money price of corn as high as possible, and thereby to occasion, as much as possible, a constant dearth in the home market. By the discouragement of importation, the supply of that market, even in times of great scarcity, was confined to the home growth; and by the encouragement of exportation, when the price was so high as forty-eight shillings the quarter, that market was not, even in times of considerable scarcity, allowed to enjoy the whole of that growth. The temporary laws, prohibiting for a limited time the exportation of corn, and taking off for a limited time the duties upon its importation, expedients to which Great Britain has been obliged so frequently to have recourse, sufficiently demonstrate the impropriety of her general system: Had that system been good, she would not so frequently have been reduced to the necessity of departing from it.

WERE all nations to follow the liberal system of free exportation and free importation, the different states into which a great continent was divided would so far resemble the different provinces of a great empire. As among the different provinces of a great empire the freedom of the inland trade appears, both from reason and experience, not only the best palliative of a dearth, but the most effectual preventative of a famine; so would the freedom of the exportation and importation trade be among the different states into which a great continent was divided. The larger the continent, the easier the communication through all the different parts of it, both by land and by water, the less would any one particular part of it ever be exposed to either of these calamities, the scarcity of any one country being more likely to be relieved by the plenty of some other. But very few countries have entirely adopted this liberal system. The freedom of the corn trade is almost every where more or less restrained, and, in many countries, is confined by such absurd regulations, as frequently aggravate the unavoidable misfortune of a dearth into the dreadful calamity of a famine.

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The demand of such countries for corn may frequently become so great and so urgent, that a small state in their neighbourhood, which happened at the same time to be labouring under some degree of dearth, could not venture to supply them without exposing itself to the like dreadful calamity. The very bad policy of one country may thus render it in some measure dangerous and imprudent to establish what would otherwise be the best policy in another. The unlimited freedom of exportation, however, would be much less dangerous in great states, in which the growth being much greater, the supply could seldom be much affected by any quantity of corn that was likely to be exported. In a Swiss canton, or in some of the little states of Italy, it may, perhaps, sometimes be necessary to restrain the exportation of corn. In such great countries as France or England it scarce ever can. To hinder, besides, the farmer from sending his goods at all times to the best market, is evidently to sacrifice the ordinary laws of justice to an idea of public utility, to a sort of reasons of state; an act of legislative authority which ought to be exercised only, which can be pardoned only in cases of the most urgent necessity. The price at which the exportation of corn is prohibited, if it is ever to be prohibited, ought always to be a very high price.

THE laws concerning corn may every where be compared to the laws concerning religion. The people feel themselves so much interested in what relates either to their subsistence in this life, or to their happiness in a life to come, that government must yield to their prejudices, and, in order to preserve the public tranquillity, establish that system which they approve of. It is upon this account, perhaps, that we so seldom find a reasonable system established with regard to either of those two capital objects.

IV. THE trade of the merchant carrier, or of the importer of foreign corn, in order to export it again, contributes to the plentiful

plentiful supply of the home market. It is not indeed the direct purpose of his trade to sell his corn there. But he will generally be willing to do so, and even for a good deal less money than he might expect in a foreign market; because he saves in this manner the expence of loading and unloading, of freight and insurance. The inhabitants of the country which, by means of the carrying trade, becomes the magazine and storehouse for the supply of other countries, can very seldom be in want themselves. Though the carrying trade might thus contribute to reduce the average money price of corn in the home market, it would not thereby lower its real value. It would only raise somewhat the real value of silver.

THE carrying trade was in effect prohibited in Great Britain upon all ordinary occasions, by the high duties upon the importation of foreign corn; and upon extraordinary occasions, when a scarcity made it necessary to suspend those duties by temporary statutes, exportation was always prohibited. By this system of laws, therefore, the carrying trade was in effect prohibited upon all occasions.

THAT system of laws, therefore, which is connected with the establishment of the bounty, seems to deserve no part of the praise which has been bestowed upon it. The improvement and prosperity of Great Britain, which has been so often ascribed to those laws, may very easily be accounted for by other causes. That security which the laws in Great Britain give to every man that he shall enjoy the fruits of his own labour, is alone sufficient to make any country flourish, notwithstanding these and twenty other absurd regulations of commerce; and this security was perfected by the revolution, much about the same time that the bounty was established. The natural effort of every individual



to better his own condition, when suffered to exert itself with freedom and security, is so powerful a principle that it is alone, and without any assistance, not only capable of carrying on the society to wealth and prosperity, but of surmounting a hundred impertinent obstructions with which the folly of human laws too often incumbers its operations; though the effect of these obstructions is always more or less either to encroach upon its freedom, or to diminish its security. In Great Britain industry is perfectly secure; and though it is far from being perfectly free, it is as free or freer than in any other part of Europe.

THOUGH the period of the greatest prosperity and improvement of Great Britain, has been posterior to that system of laws which is connected with the bounty, we must not upon that account impute it to those laws. It has been posterior likewise to the national debt. But the national debt has most assuredly not been the cause of it.

THOUGH the system of laws which is connected with the bounty, has exactly the same tendency with the police of Spain and Portugal; to lower somewhat the value of the precious metals in the country where it takes place; yet Great Britain is certainly one of the richest countries in Europe, while Spain and Portugal are perhaps among the most beggarly. This difference of situation, however, may easily be accounted for from two different causes. First, the tax in Spain, the prohibition in Portugal of exporting gold and silver, and the vigilant police which watches over the execution of those laws, must, in two very poor countries, which between them import annually upwards of six millions sterling, operate, not only more directly, but much more forcibly in reducing the value of those metals there, than the corn laws can do in Great Britain. And, secondly, this bad policy is not in those countries counter-balanced by the general liberty

liberty and security of the people. Industry is there neither free nor secure, and the civil and ecclesiastical governments of both Spain and Portugal, are such as would alone be sufficient to perpetuate their present state of poverty, even though their regulations of commerce were as wise as the greater part of them are absurd and foolish. CHAP.  
V.

THE 13th of the present king, c. 43. seems to have established a new system with regard to the corn laws, in many respects better than the ancient one, but in one respect perhaps not quite so good.

By this statute the high duties upon importation for home consumption are taken off as soon as the price of wheat is so high as forty-eight shillings the quarter, and instead of them a small duty is imposed of only sixpence upon the quarter of wheat, and upon that of other grain in proportion. The home market is in this manner not so totally excluded from foreign supplies as it was before.

By the same statute the old bounty of five shillings upon the quarter of wheat ceases when the price rises so high as forty-four shillings, and upon that of other grain in proportion. The bounties too upon the coarser sorts of grain are reduced somewhat lower than they were before, even at the prices at which they take place. If bounties are as improper as I have endeavoured to prove them to be, the sooner they cease and the lower they are, so much the better.

THE same statute permits at all prices the importation of corn in order to be exported again, duty free; provided it is in the meantime lodged in the king's warehouse. This liberty indeed extends to no more than twenty-five of the different ports of

BOOK  
IV. Great Britain. They are, however, the principal ones, and there may not perhaps be warehouses proper for this purpose in the greater part of the others. Some provision is thus made for the establishment of the carrying trade.

So far this law seems evidently an improvement upon the ancient system.

BUT by the same law exportation is prohibited as soon as the price of wheat rises to forty-four shillings the quarter, and that of other grain in proportion. The price seems to be a good deal too low, and there seems to be an impropriety besides in stopping exportation altogether, at the very same price at which that bounty which was given in order to force it, is withdrawn. The bounty ought certainly either to have been withdrawn at a much lower price, or exportation ought to have been allowed at a much higher. So far, therefore, this law seems to be inferior to the ancient system.

#### CHAP. VI.

##### *Of treaties of commerce.*

WHEN a nation binds itself by treaty either to permit the entry of certain goods from one foreign country which it prohibits from all others, or to exempt the goods of one country from duties to which it subjects those of all others, the country, or at least the merchants and manufacturers of the country, whose commerce is so favoured, must necessarily derive

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great advantage from the treaty. Those merchants and manufacturers enjoy a sort of monopoly in the country which is so indulgent to them. That country becomes a market both more extensive and more advantageous for their goods: more extensive, because the goods of other nations being either excluded or subjected to heavier duties, it takes off a greater quantity of theirs: more advantageous, because the merchants of the favoured country, enjoying a sort of monopoly there, will often sell their goods for a better price than if exposed to the free competition of all other nations.

CHAP.  
VI.

SUCH treaties, however, though they may be advantageous to the merchants and manufacturers of the favoured, are necessarily disadvantageous to those of the favouring country. A monopoly is thus granted against them to a foreign nation; and they must frequently buy the foreign goods they have occasion for dearer than if the free competition of other nations was admitted. That part of its own produce with which such a nation purchases foreign goods, must consequently be sold cheaper, because when two things are exchanged for one another, the cheapness of the one is a necessary consequence, or rather is the same thing with the dearth of the other. The exchangeable value of its annual produce, therefore, is likely to be diminished by every such treaty. This diminution, however, can scarce amount to any positive loss, but only to a lessening of the gain which it might otherwise make. Though it sells its goods cheaper than it otherwise might do, it will not probably sell them for less than they cost; nor, as in the case of bounties, for a price which will not replace the capital employed in bringing them to market, together with the ordinary profits of stock. The trade could not go on long if it did. Even the favouring country, therefore, may still gain by the trade, though less than if there was a free competition.

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SOME treaties of commerce, however, have been supposed advantageous upon principles very different from these; and a commercial country has sometimes granted a monopoly of this kind against itself to certain goods of a foreign nation, because it expected that in the whole commerce between them, it would annually sell more than it would buy, and that a balance in gold and silver would be annually returned to it. It is upon this principle that the treaty of commerce between England and Portugal, concluded in 1703 by Mr. Methuen, has been so much commended. The following is a literal translation of that treaty, which consists of three articles only.

## A R T. I.

HIS sacred royal majesty of Portugal promises, both in his own name, and that of his successors, to admit, for ever hereafter, into Portugal, the woollen cloths, and the rest of the woollen manufactures of the British, as was accustomed, till they were prohibited by the law; nevertheless upon this condition:

## A R T. II.

THAT is to say, that her sacred royal majesty of Great Britain shall, in her own name, and that of her successors, be obliged for ever hereafter, to admit the wines of the growth of Portugal into Britain; so that at no time, whether there shall be peace or war between the kingdoms of Britain and France, any thing more shall be demanded for these wines by the name of custom or duty, or by whatsoever other title, directly or indirectly, whether they shall be imported into Great Britain in pipes or hogheads, or other casks, than what shall be demanded for the like quantity or measure of French wine, deducting or abating a third-part of the custom or duty. But if at any time this deduction or abatement of customs, which is to be made as aforesaid, shall in any

any manner be attempted and prejudiced, it shall be just and lawful for his sacred royal majesty of Portugal, again to prohibit the woollen cloths, and the rest of the British woollen manufactures. CHAP.  
VI.

## A R T. III.

THE most excellent lords the plenipotentiaries promise and take upon themselves, that their above-named masters shall ratify this treaty, and within the space of two months, the ratifications shall be exchanged.

By this treaty the crown of Portugal becomes bound to admit the English woollens upon the same footing as before the prohibition, that is, not to raise the duties which had been paid before that time. But it does not become bound to admit them upon any better terms than those of any other nation, of France or Holland, for example. The crown of Great Britain, on the contrary, becomes bound to admit the wines of Portugal, upon paying only two-thirds of the duty, which is paid for those of France, the wines most likely to come into competition with them. So far this treaty, therefore, is evidently advantageous to Portugal, and disadvantageous to Great Britain.

It has been celebrated, however, as a master-piece of the commercial policy of England. Portugal receives annually from the Brazils a greater quantity of gold than can be employed in its domestick commerce, whether in the shape of coin or of plate. The surplus is too valuable to be allowed to lie idle and locked up in coffers, and as it can find no advantageous market at home, it must, notwithstanding any prohibition, be sent abroad and exchanged for something for which there is a more advantageous market at home. A large share of it comes annually to England, in return either for English goods, or for those of other European

European nations that receive their returns through England. Mr. Baretti was informed that the weekly packet-boat from Lisbon brings, one week with another, more than fifty thousand pounds in gold to England. The sum had probably been exaggerated. It would amount to more than two millions six hundred thousand pounds a year, which is more than the Brazils are supposed to afford.

OUR merchants were some years ago out of humour with the crown of Portugal. Some privileges which had been granted them, not by treaty, but by the free grace of that crown, at the solicitation, indeed, it is probable, and in return for much greater favours, defence and protection, from the crown of Great Britain, had been either infringed or revoked. The people, therefore, usually most interested in celebrating the Portugal trade, were then rather disposed to represent it as less advantageous than it had commonly been imagined. The far greater part, almost the whole, they pretended, of this annual importation of gold, was not on account of Great Britain, but of other European nations; the fruits and wines of Portugal annually imported into Great Britain nearly compensating the value of the British goods sent thither.

LET us suppose, however, that the whole was on account of Great Britain, and that it amounted to a still greater sum than Mr. Baretti seems to imagine: this trade would not, upon that account, be more advantageous than any other in which for the same value sent out, we received an equal value of consumable goods in return.

It is but a very small part of this importation which, it can be supposed, is employed as an annual addition either to the plate or to the coin of the kingdom. The rest must all be sent abroad and exchanged

exchanged for consumable goods of some kind or other. But if those consumable goods were purchased directly with the produce of English industry, it would be more for the advantage of England than first to purchase with that produce the gold of Portugal, and afterwards to purchase with that gold those consumable goods. A direct foreign trade of consumption is always more advantageous than a round-about one; and to bring the same value of foreign goods to the home market, requires a much smaller capital in the one than in the other. If a smaller share of its industry, therefore, had been employed in producing goods fit for the Portugal market, and a greater in producing those fit for the other markets where those consumable goods for which there is a demand in Great Britain are to be had, it would have been more for the advantage of England. To procure both the gold, which it wants for its own use, and the consumable goods, would, in this way, employ a much smaller capital than at present. There would be a spare capital, therefore, to be employed for other purposes, in exciting an additional quantity of industry, and in raising a greater annual produce.

THOUGH Britain were entirely excluded from the Portugal trade, it could find very little difficulty in procuring all the annual supplies of gold which it wants, either for the purposes of plate, or of coin, or of foreign trade. Gold, like every other commodity, is always somewhere or another to be got for its value by those who have that value to give for it. The annual surplus of gold in Portugal, besides, would still be sent abroad, and, though not carried away by Great Britain, would be carried away by some other nation, which would be glad to sell it again for its price, in the same manner as Great Britain does at present. In buying gold of Portugal, indeed, we buy it at the first hand; whereas, in buying it of any other nation, except Spain, we should buy it at the second, and

BOOK  
IV. and might pay somewhat dearer. This difference, however, would surely be too insignificant to deserve the publick attention.

ALMOST all our gold, it is said, comes from Portugal. With other nations the balance of trade is either against us, or not much in our favour. But we should remember, that the more gold we import from one country, the less we must necessarily import from all others. The effectual demand for gold, like that for every other commodity, is in every country limited to a certain quantity. If nine-tenths of this quantity are imported from one country, there remains a tenth only to be imported from all others. The more gold besides that is annually imported from some particular countries, over and above what is requisite for plate and for coin, the more must necessarily be exported to some others; and the more, that most insignificant object of modern policy, the balance of trade, appears to be in our favour with some particular countries, the more it must necessarily appear to be against us with many others.

It was upon this silly notion, however, that England could not subsist without the Portugal trade, that, towards the end of the late war, France and Spain, without pretending either offence or provocation, required the king of Portugal to exclude all British ships from his ports, and for the security of this exclusion, to receive into them French or Spanish garrisons. Had the king of Portugal submitted to those ignominious terms which his brother-in-law the king of Spain proposed to him, Britain would have been freed from a much greater inconvenience than the loss of the Portugal trade, the burden of supporting a very weak ally, so unprovided of every thing for his own defence, that the whole power of England, had it been directed to that single purpose, could scarce perhaps have defended him for another campaign.

campaign. The loss of the Portugal trade would, no doubt, have occasioned a considerable embarrassment to the merchants at that time engaged in it, who might not, perhaps, have found out, for a year or two, any other equally advantageous method of employing their capitals; and in this would probably have consisted all the inconvenience which England could have suffered from this notable piece of commercial policy.

THE great annual importation of gold and silver is neither for the purpose of plate nor of coin, but of foreign trade. A round-about foreign trade of consumption can be carried on more advantageously by means of these metals than of almost any other goods. As they are the universal instruments of commerce, they are more readily received in return for all commodities than any other goods; and on account of their small bulk and great value, it costs less to transport them backward and forwards from one place to another than almost any other sort of merchandise, and they lose less of their value by being so transported. Of all the commodities, therefore, which are bought in one foreign country, for no other purpose but to be sold or exchanged again for some other goods in another, there are none so convenient as gold and silver. In facilitating all the different round-about foreign trades of consumption which are carried on in Great Britain, consists the principal advantage of the Portugal trade; and though it is not a capital advantage, it is, no doubt, a considerable one.

THAT any annual addition which, it can reasonably be supposed, is made either to the plate or to the coin of the kingdom, could require but a very small annual importation of gold and silver, seems evident enough; and, though we had no direct trade with Portugal, this small quantity could always, somewhere or another, be very easily got.

THOUGH the goldsmiths trade be very considerable in Great Britain, the far greater part of the new plate which they annually

fell, is made from other old plate melted down; so that the addition annually made to the whole plate of the kingdom cannot be very great, and could require but a very small annual importation.

It is the same case with the coin. Nobody imagines, I believe, that even the greater part of the annual coinage, amounting, for ten years together before the late reformation of the gold coin, to upwards of eight hundred thousand pounds a year in gold, was an annual addition to the money before current in the kingdom. In a country where the expence of the coinage is defrayed by the government, the value of the coin, even when it contains its full standard weight of gold and silver, can never be much greater than that of an equal quantity of those metals uncoined; because it requires only the trouble of going to the mint, and the delay perhaps of a few weeks, to procure for any quantity of uncoined gold and silver an equal quantity of those metals in coin. But, in every country, the greater part of the current coin is almost always more or less worn, or otherwise degenerated from its standard. In Great Britain it was, before the late reformation, a good deal so, the gold being more than two per cent. and the silver more than eight per cent. below its standard weight. But if forty-four guineas and a half, containing their full standard weight, a pound weight of gold, could purchase very little more than a pound weight of uncoined gold, forty-four guineas and a half wanting a part of their weight could not purchase a pound weight, and something was to be added in order to make up the deficiency. The current price of gold bullion at market, therefore, instead of being the same with the mint price, or 46l. 14s. 6d. was then about 47l. 14s. and sometimes about forty-eight pounds. When the greater part of the coin, however, was in this degenerate condition, forty-four guineas and a half, fresh from the mint, would purchase no more goods in the market than any other ordinary guineas, because when they come into the coffers of the merchant, being confounded with other money, they could

could not afterwards be distinguished without more trouble than the difference was worth. Like other guineas they were worth no more than 46l. 14s. 6d. If thrown into the melting pot, however, they produced, without any sensible loss, a pound weight of standard gold, which could be sold at any time for between 47l. 14s. and 48l. either in gold or silver, as fit for all the purposes of coin as that which had been melted down. There was an evident profit, therefore, in melting down new coined money, and it was done so instantaneously, that no precaution of government could prevent it. The operations of the mint were, upon this account, somewhat like the web of Penelope; the work that was done in the day was undone in the night. The mint was employed, not so much in making daily additions to the coin, as in replacing the very best part of it which was daily melted down.

WERE the private people, who carry their gold and silver to the mint, to pay themselves for the coinage, it would add to the value of those metals in the same manner as the fashion does to that of plate. Coined gold and silver would be more valuable than uncoined. The seignorage, if it was not exorbitant, would add to the bullion the whole value of the duty; because, the government having every where the exclusive privilege of coining, no coin can come to market cheaper than they think proper to afford it. If the duty was exorbitant indeed, that is, if it was very much above the real value of the labour and expence requisite for coinage, false coiners, both at home and abroad, might be encouraged, by the great difference between the value of bullion and that of coin, to pour in so great a quantity of counterfeit money as might reduce the value of the government money. In France, however, though the seignorage is eight per cent. no sensible inconveniency of this kind is found to arise from it. The dangers to which a false coinage is every where exposed, if he lives in the country of which he coun-

terfeits the coin, and to which his agents or correspondents are exposed if he lives in a foreign country, are by far too great to be incurred for the sake of a profit of six or seven per cent.

THE seignorage in France raises the value of the coin higher than in proportion to the quantity of pure gold which it contains. Thus by the edict of January, 1726, \* the mint price of fine gold of twenty-four carats was fixed at seven hundred and forty livres, nine sous and one denier one-eleventh, the mark of eight Paris ounces. The gold coin of France, making an allowance for the remedy of the mint, contains twenty-one carats and three-fourths of fine gold, and two carats one-fourth of alloy. The mark of standard gold, therefore, is worth no more than about six hundred and seventy-one livres ten deniers. But in France this mark of standard gold is coined into thirty Louis d'ors of twenty-four livres each, or into seven hundred and twenty livres. The coinage, therefore, increases the value of a mark of standard gold bullion, by the difference between six hundred and seventy-one livres ten deniers and seven hundred and twenty livres; or by forty-eight livres, nineteen sous, and two deniers.

A SEIGNORAGE will, in many cases, take away altogether, and will, in all cases, diminish the profit of melting down the new coin. This profit always arises from the difference between the quantity of bullion which the common currency ought to contain, and that which it actually does contain. If this difference is less than the seignorage, there will be loss instead of profit. If it is equal to the seignorage, there will neither be profit nor loss. If it is greater than the seignorage, there will indeed be some profit, but

\* See Dictionnaire des Monnoies, tom. 1. article Seigneurage, p. 489. par M. Abot de Bazinthen, Conseiller-Commissaire en la Cour des Monnoies à Paris.

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less than if there was no seignorage. If, before the late reformation of the gold coin, for example, there had been a seignorage of five per cent. upon the coinage, there would have been a loss of three per cent. upon the melting down of the gold coin. If the seignorage had been two per cent. there would have been neither profit nor loss. If the seignorage had been one per cent. there would have been a profit, but of one per cent. only instead of two per cent. Wherever money is received by tale, therefore, and not by weight, a seignorage is the most effectual preventative of the melting down of the coin, and, for the same reason, of its exportation. It is the best and heaviest pieces that are commonly either melted down or exported; because it is upon such that the largest profits are made.

THE law for the encouragement of the coinage, by rendering it duty-free, was first enacted, during the reign of Charles II. for a limited time; and afterwards continued, by different prolongations, till 1769, when it was rendered perpetual. The bank of England, in order to replenish their coffers with money, are frequently obliged to carry bullion to the mint; and it was more for their interest, they probably imagined, that the coinage should be at the expence of the government, than at their own. It was, probably, out of complaisance to this great company that the government agreed to render this law perpetual. Should the custom of weighing gold, however, come to be disused, as it is very likely to be on account of its inconveniency; should the gold coin of England come to be received by tale, as it was before the late re-coinage, this great company may, perhaps, find that they have upon this, as upon some other occasions, mistaken their own interest not a little.

BEFORE the late re-coinage, when the gold currency of England was two per cent. below its standard weight, as there was

no seignorage, it was two per cent. below the value of that quantity of standard gold bullion which it ought to have contained. When this great company, therefore, bought gold bullion in order to have it coined, they were obliged to pay for it two per cent. more than it was worth after the coinage. But if there had been a seignorage of two per cent. upon the coinage, the common gold currency, though two per cent. below its standard weight, would notwithstanding have been equal in value to the quantity of standard gold which it ought to have contained; the value of the fashion compensating in this case the diminution of the weight. They would indeed have had the seignorage to pay, which being two per cent. their loss upon the whole transaction would have been two per cent. exactly the same, but no greater than it actually was.

If the seignorage had been five per cent. and the gold currency only two per cent. below its standard weight, the bank would in this case have gained three per cent. upon the price of the bullion; but as they would have had a seignorage of five per cent. to pay upon the coinage, their loss upon the whole transaction would, in the same manner, have been exactly two per cent.

If the seignorage had been only one per cent. and the gold currency two per cent. below its standard weight, the bank would in this case have lost only one per cent. upon the price of the bullion; but as they would likewise have had a seignorage of one per cent. to pay, their loss upon the whole transaction would have been exactly two per cent. in the same manner as in all other cases.

If there was a reasonable seignorage, while at the same time the coin contained its full standard weight, as it has done very  
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nearly since the late re-coinage, whatever the bank might lose by the seignorage, they would gain upon the price of the bullion; and whatever they might gain upon the price of the bullion, they would lose by the seignorage. They would neither lose nor gain, therefore, upon the whole transaction, and they would in this, as in all the foregoing cases, be exactly in the same situation as if there was no seignorage.

WHEN the tax upon a commodity is so moderate as not to encourage smuggling, the merchant, who deals in it, though he advances, does not properly pay the tax, as he gets it back in the price of the commodity. The tax is finally paid by the last purchaser or consumer. But money is a commodity with regard to which every man is a merchant. Nobody buys it but in order to sell it again; and with regard to it there is in ordinary cases no last purchaser or consumer. When the tax upon coinage, therefore, is so moderate as not to encourage false coining, though every body advances the tax, nobody finally pays it; because every body gets it back in the advanced value of the coin.

A MODERATE seignorage, therefore, would not in any case augment the expence of the bank, or of any other private persons who carry their bullion to the mint in order to be coined, and the want of a moderate seignorage does not in any case diminish it. Whether there is or is not a seignorage, if the currency contains its full standard weight, the coinage costs nothing to any body, and if it is short of that weight, the coinage must always cost the difference between the quantity of bullion which ought to be contained in it, and that which actually is contained in it.

THE government, therefore, when it defrays the expence of coinage, not only incurs some small expence, but loses some  
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small revenue which it might get by a proper duty; and neither the bank nor any other private persons are in the smallest degree benefited by this useless piece of public generosity.

THE directors of the bank, however, would probably be unwilling to agree to the imposition of a seignorage upon the authority of a speculation which promises them no gain, but only pretends to insure them from any loss. In the present state of the gold coin, and as long as it continues to be received by weight, they certainly would gain nothing by such a change. But if the custom of weighing the gold coin should ever go into disuse, as it is very likely to do, and if the gold coin should ever fall into the same state of degradation in which it was before the late re-coinage, the gain, or more properly the savings of the bank, in consequence of the imposition of a seignorage, would probably be very considerable. The bank of England is the only company which sends any considerable quantity of bullion to the mint, and the burden of the annual coinage falls entirely or almost entirely upon it. If this annual coinage had nothing to do but to repair the unavoidable losses and necessary tear and wear of the coin, it could seldom exceed fifty thousand or at most a hundred thousand pounds. But when the coin is degraded below its standard weight, the annual coinage must, besides this, fill up the large vacancies which exportation and the melting pot are continually making in the current coin. It was upon this account that during the ten or twelve years immediately preceeding the late reformation of the gold coin, the annual coinage amounted at an average to more than eight hundred and fifty thousand pounds. But if there had been a seignorage of four or five per cent. upon the gold coin, it would probably, even in the state in which things then were, have put an effectual stop to the business both of exportation and of the melting pot. The bank, instead of losing every

every year about two and a half per cent. upon the bullion which was to be coined into more than eight hundred and fifty thousand pounds, or incurring an annual loss of more than twenty one thousand two hundred and fifty pounds, would not probably have incurred the tenth part of that loss.

THE revenue allotted by parliament for defraying the expence of the coinage is but fourteen thousand pounds a year, and the real expence which it costs the government, or the fees of the officers of the mint, do not upon ordinary occasions, I am assured, exceed the half of that sum. The saving of so very small a sum, or even the gaining of another which could not well be much larger, are objects too inconsiderable, it may be thought, to deserve the serious attention of government. But the saving of eighteen or twenty thousand pounds a year in case of an event which is not improbable, which has frequently happened before, and which is very likely to happen again, is surely an object which well deserves the serious attention even of so great a company as the bank of England.

SOME of the foregoing reasonings and observations might perhaps have been more properly placed in those chapters of the first book which treat of the origin and use of money, and of the difference between the real and the nominal price of commodities. But as the law for the encouragement of coinage derives its origin from those vulgar prejudices which have been introduced by the mercantile system; I judged it more proper to reserve them for this chapter. Nothing could be more agreeable to the spirit of that system than a sort of bounty upon the production of money, the very thing which, it supposes, constitutes the wealth of every nation. It is one of its many admirable expedients for enriching the country.