

return, that the first be indulged in a permission to exercise those branches of toil and labour which are the least profitable, though the most necessary for the subsistence of the latter.

When the eye of humanity considers the toil of the farmer, and the indifference of his rich countryman in squandering, the abuse appears offensive. The rich man is advised to consider of the pain incurred by the poor husbandman, in consequence of his dissipation. Upon this the rich, touched with compassion, simplifies his way of life. The husbandman in a fury falls upon the reformer, and, in his rough way, gives him to understand, that he by no means looks upon him as his friend: for, says he, do you take me for the rich man's slave; or do you imagine that I toil as I do, either by his command, or for any consideration for him? Not in the least, it is purely for his money; and from the time you persuaded him to become an oeconomist, here am I, and my poor family, starving. We are not the only people in this situation; there is my neighbour who has all his hay and oats upon hand, since, by your instigation, likewise, he dismissed his useless horses. Do you think he will give his oats in charity to feed the poor? He is poor enough himself, and all those who have been working to get this provision together are in no better humour than I am. Hold your tongue, says the reformer, you are a parcel of extravagant fellows, you labourers. A hundred years ago, one could have got as many of you as one pleased, for the half of what you cost us at present. Give us back our lands, says the other, at the rate we had them; and let us all be well fed before we give you a farthing, and you shall have us as cheap as ever. But do you think that after you have chased one half of us into towns, and raised your rents with the price of their food, that we can work twice as hard, and serve you as formerly? No, Sir! you ought to have more sense than to expect it.

This is a sketch of the first book; I thought a short abridgment of it might be of service for recollecting ideas, and ranging them in order before I proceed.

END OF THE FIRST BOOK.

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I N Q U I R Y
I N T O T H E
P R I N C I P L E S O F P O L I T I C A L O E C O N O M Y .

B O O K I I .
O F T R A D E A N D I N D U S T R Y .

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

BEFORE I enter upon this second book, I must premise a word of connexion, in order to conduct the ideas of my reader by the same way through which the chain of my own thoughts, and the distribution of my plan have naturally led me.

My principal view hitherto has been to prepare the way for an examination of the principles of modern politics, by inquiring into those which have, less or more, operated regular effects in all the ages of the world.

In doing this, I confess, it has been impossible for me not to anticipate many things which, according to the plan I have laid down, will in some measure involve me in repetitions.

I propose to investigate principles which are all relative and depending upon one another. It is impossible to treat of these with
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distinctness, without applying them to the objects on which they have an influence; and as the same principles extend their influence to several branches of my subject, those of my readers who keep them chiefly in their eye, will not find great variety in the different applications of them.

In all compositions of this kind, two things are principally requisite. The first is, to represent such ideas as are abstract, clearly, simply, and uncompounded. This part resembles the forging out the links of a chain. The second is, to dispose those ideas in a proper order; that is, according to their most immediate relations. When such a composition is laid before a good understanding, memory finishes the work, by cementing the links together; and providing any one of them can be retained, the whole will follow of course.

Now the relations between the different principles of which I treat, are indeed striking to such as are accustomed to abstract reasoning, but not near so much so, as when the application of them is made to different examples.

The principle of self-interest will serve as a general key to this inquiry; and it may, in one sense, be considered as the ruling principle of my subject, and may therefore be traced throughout the whole. This is the main spring, and only motive which a statesman should make use of, to engage a free people to concur in the plans which he lays down for their government.

I beg I may not here be understood to mean, that self-interest should conduct the statesman: by no means. Self-interest, when considered with regard to him, is public spirit; and it can only be called self-interest, when it is applied to those who are to be governed by it.

From this principle men are engaged to act in a thousand different ways, and every action draws after it certain necessary consequences. The question therefore constantly under consideration comes to be, what will mankind find it their interest to do, under such and such circumstances?

In order to exhaust the subject of political oeconomy, I have proposed to treat the principles of it in relation to circumstances; and as these are infinite, I have taken them by categories; that is, by the more general combinations, which modern policy has formed. These, for the sake of order, I have represented as all hanging in a chain of consequences, and depending on one another. See Book I. Chap. ii.

I found this the best method for extending my plan, from which it is natural to infer, that it will also prove the best for enabling my readers to retain it.

I shall do what I can to diversify, by various circumstances, the repetitions which this disposition must lead me into. There is no seeing a whole kingdom, without passing (now and then) through a town which one has seen before. I shall therefore imitate the traveller, who, upon such occasions, makes his stay very short, unless some new curiosity should happen to engage his attention.

I have said, that self-interest is the ruling principle of my subject, and I have so explained myself, as to prevent any one from supposing, that I consider it as the universal spring of human actions. Here is the light in which I want to represent this matter.

The best way to govern a society, and to engage every one to conduct himself according to a plan, is for the statesman to form a system of administration, the most consistent possible with the interest of every individual, and never to flatter himself that his people will be brought to act in general, and in matters which purely regard the public, from any other principle than private interest. This is the utmost length to which I pretend to carry my position. As to what regards the merit and demerit of actions in general, I think it fully as absurd to say, that no action is truly virtuous, as to affirm, that none is really vitious.

It might perhaps be expected, that, in treating of politics, I should have brought in public spirit also, as a principle of action; whereas all I require with respect to this principle is, only a restraint from it;

and even this is, perhaps, too much to be taken for granted. Were public spirit, instead of private utility, to become the spring of action in the individuals of a well-governed state, I apprehend, it would spoil all. I explain myself.

Public spirit, in my way of treating this subject, is as superfluous in the governed, as it ought to be all-powerful in the statesman; at least, if it is not altogether superfluous, it is fully as much so, as miracles are in a religion once fully established. Both are admirable at setting out, but would shake every thing loose were they to continue to be common and familiar. Were miracles wrought every day, the laws of nature would no longer be laws: and were every one to act for the public, and neglect himself, the statesman would be bewildered, and the supposition is ridiculous.

I expect, therefore, that every man is to act for his own interest in what regards the public; and, politically speaking, every one ought to do so. It is the combination of every private interest which forms the public good, and of this the public, that is, the statesman, only can judge. You must love your country. Why? Because it is yours. But you must not prefer your own interest to that of your country. This, I agree, is perfectly just and right: but this means no more, than that you are to abstain from acting to its prejudice, even though your own private interest should demand it; that is, you should abstain from unlawful gain. Count Julian, for example, who, from private resentment, it is said, brought the Moors into Spain, and ruined his country, transgressed this maxim. A spy in an army, or in a cabinet, who betrays the secrets of his country, and he who sells his trust, are in the same case: defrauding the state is, among many others, a notorious example of this. To suppose men, in general, honest in such matters, would be absurd. The legislature therefore ought to make good laws, and those who transgress them ought to be speedily, severely, and most certainly punished. This belongs to the coercive part of government, and falling beyond the limits of my subject, is ever taken for granted.

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Were the principle of public spirit carried farther; were a people to become quite disinterested, there would be no possibility of governing them. Every one might consider the interest of his country in a different light, and many might join in the ruin of it, by endeavouring to promote its advantages. Were a rich merchant to begin and sell his goods without profit, what would become of trade? Were another to defray the extraordinary expence of some workmen in a hard year, in order to enable them to carry on their industry, without raising their price, what would become of others, who had not the like advantages? Were a man of a large landed estate to distribute his corn rents at a low price in a year of scarcity, what would become of the poor farmers? Were people to feed all who would ask charity, what would become of industry? These operations of public spirit ought to be left to the public, and all that is required of individuals is, not to endeavour to defeat them.

This is the regular distribution of things, and it is only this which comes under my consideration.

In ill-administred governments I admire as much as any one every act of public spirit, every sentiment of disinterestedness, and nobody can have a higher esteem for every person remarkable for them.

The less attentive any government is to do their duty, the more essential it is that every individual be animated by *that* spirit, which then languishes in the very part where it ought to flourish with the greatest strength and vigour; and on the other hand, the more public spirit is shewn in the administration of public affairs, the less occasion has the state for assistance from individuals.

Now as I suppose my statesman to do his duty in the most minute particulars, so I allow every one of his subjects to follow the dictates of his private interest. All I require is an exact obedience to the laws. This also is the interest of every one; for he who transgresses ought most undoubtedly to be punished: and this is all the public spirit which any perfect government has occasion for.

C H A P. I.

Of the reciprocal Connections between Trade and Industry.

I AM now going to treat of trade and industry, two different subjects, but which are as thoroughly blended together, as those we have discussed in the first book. Similar to these in their mutual operations, they are reciprocally aiding and assisting to each other, and it is by the constant vibration of the balance between them, that both are carried to their height of perfection and refinement.

TRADE is an operation, by which the wealth, or work, either of individuals, or of societies, may be exchanged, by a set of men called merchants, for an equivalent, proper for supplying every want, without any interruption to industry, or any check upon consumption.

INDUSTRY is the application to ingenious labour in a free man, in order to procure, by the means of trade, an equivalent, fit for the supplying every want.

I must observe, that these definitions are only just, relatively to my subject, and to one another: for trade may exist without industry, because things produced partly by nature may be exchanged between men; industry may be exercised without trade, because a man may be very ingenious in working to supply his own consumption, and where there is no exchange, there can be no trade. Industry likewise is different from labour. Industry, as I understand the term, must be voluntary; labour may be forced: the one and the other may produce the same effect, but the political consequences are vastly different.

Industry, therefore, is only applicable to free men; labour may be performed by slaves.

Let me examine this last distinction a little more closely, the better to try whether it be just, and to point out the consequences which result from it.

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I have said, that without the assistance of one of the three principles of multiplication, to wit, slavery, industry, or charity, there was no possibility of making mankind subsist, so as to be serviceable to one another, in greater numbers than those proportioned to the spontaneous fruits of the earth. Slavery and industry are quite compatible with the selfish nature of man, and may therefore be generally established in any society: charity again is a refinement upon humanity, and therefore, I apprehend, it must ever be precarious.

Now I take slavery and industry to be equally compatible with great multiplication, but incompatible with one another, without great restrictions laid upon the first. It is a very hard matter to introduce industry into a country where slavery is established; because of the unequal competition between the work of slaves and that of free men, supposing both equally admitted to market. Here is the reason:

The slaves have all their particular masters, who can take better care of them, than any statesman can take of the industrious freemen; because their liberty is an obstacle to his care. The slaves have all their wants supplied by the master, who may keep them within the limits of sobriety. He may either recruit their numbers from abroad, or take care of the children, just as he finds it his advantage. If the latter should prove unprofitable, either the children die for want of care, or by promiscuous living few are born, or by keeping the sexes asunder, they are prevented from breeding at all. A troop of manufacturing slaves, considered in a political light, will be found all employed, all provided for, and their work, when brought to market by the master, may be afforded much cheaper, than the like performed by freemen, who must every one provide for himself, and who may perhaps have a separate house, a wife, and children, to maintain, and all this from an industry, which produces no more, nay not so much, as that of a single slave, who has no avocation from labour. Why do large undertakings in the manufacturing way ruin private industry,

dustry, but by coming nearer to the simplicity of slaves. Could the fugar islands be cultivated to any advantage by hired labour? Were not the expences of rearing children supposed to be great, would slaves ever be imported? Certainly not: and yet it is still a doubt with me, whether or not a proper regulation for bringing up the children of slaves might not turn this expedient to a better account, than the constant importation of them. But this is foreign to the present purpose. All I intend here to observe is, the consequences of a *competition* between the work of slaves and of free men; from which competition I infer, that, without judicious regulations, it must be impossible for industry ever to get the better of the disadvantages to which it will necessarily be exposed at first, in a state where slavery is already introduced.

These regulations ought to prevent the competition between the industrious freemen and the masters of slaves, by appropriating the occupation of each to different objects: to confine slavery, for example, to the country; that is, to set the slaves apart for agriculture, and to exclude them from every other service of work. With such a regulation *perhaps* industry might succeed. This was not the case of old; industry did not succeed as at present: and to this I attribute the simplicity of those times.

It is not so difficult to introduce slavery into a state where liberty is established; because such a revolution might be brought about by force and violence, which make every thing give way; and, for the reasons above-mentioned, I must conclude, that the consequences of such a revolution would tend to extinguish, or at least, without the greatest precaution, greatly check the progress of industry: but were such precautions properly taken; were slavery reduced to a temporary and conditional service, and put under proper regulations; it might prove, of all others, the most excellent expedient for rendering the lower classes of a people happy and flourishing; and for preventing that vitious procreation, from which the great misery to which they are exposed at present chiefly proceeds. But as every modification of slavery is quite contrary to
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the spirit of modern times, I shall carry such speculations no farther. Thus much I have thought it necessary to observe, only by the way, for the sake of some principles which I shall have occasion afterwards to apply to our own oeconomy; for wherever any notable advantage is found accompanying slavery, it is the duty of a modern statesman to fall upon a method of profiting by it, without wounding the spirit of European liberty. And this he may accomplish in a thousand ways, by the aid of good laws, calculated to cut off from the lower classes of a people any interest they can have in involving themselves in want and misery, opening to them at the same time an easy progress towards prosperity and ease.

Here follows an exposition of the principles, from which I was led to say, in a former chapter, that the failure of the slavish form of feudal government, and the extension thereby given to civil and domestic liberty, were the source from which the whole system of modern polity has sprung.

Under the feudal form, the higher classes were perhaps more free than at present, but the lower classes were either slaves, or under a most servile dependence, which is entirely the same thing as to the consequence of interrupting the progress of private industry.

I cannot pretend to advance, as a confirmation of this doctrine, that the establishment of slavery in our colonies (in America was made with a view to promote agriculture, and to curb manufactures in the new world, because I do not know much of the sentiments of politicians at that time: but if it be true, that slavery has the effect of advancing agriculture, and other laborious operations which are of a simple nature, and at the same time of discouraging invention and ingenuity; and if the mother-country has occasion for the produce of the first, in order to provide or to employ those who are taken up (at home) in the prosecution of the latter; then I must conclude, that slavery *has been very luckily*, if not *politically*, established to compass such an end: and therefore, if any colony, where slavery is not common, shall ever begin to rival
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the industry of the mother-country, a very good way of frustrating the attempt will be, to encourage the introduction of slaves into such colonies without any restrictions, and allow it to work its natural effect.

Having given the definition of trade and industry, as relative to my inquiry, I come now to examine their immediate connections, the better to cement the subject of this book, with the principles deduced in the former.

In treating of the reciprocal wants of a society, and in shewing how their being supplied by labour and ingenuity naturally tends to increase population on one hand, and agriculture on the other, the better to simplify our ideas, we supposed the transition to be direct from the manufacturer to the consumer, and both to be members of the same society. Matters now become more complex, by the introduction of trade among different nations, which is a method of collecting and distributing the produce of industry, by the interposition of a third principle. Trade receives from a thousand hands, and distributes to as many.

To ask, whether trade owes its beginning to industry, or industry to trade, is like asking, whether the motion of the heart is owing to the blood, or the motion of the blood to the heart. Both the one and the other, I suppose, are formed by such insensible degrees, that it is impossible to determine where the motion begins. But so soon as the body comes to be perfectly formed, I have little doubt of the heart's being the principle of circulation. Let me apply this to the present question.

A man must first exist, before he can feel want; he must want, that is, desire, before he will demand; and he must demand, before he can receive. This is a natural chain, and from it we have concluded in Book I. that population is the cause, and agriculture the effect.

By a parallel reason it may be alledged, that as wants excite to industry, and are considered as the cause of it; and as the produce of industry cannot be exchanged without trade; so trade must be
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an effect of industry. To this I agree: but I must observe, that this exchange does not convey my idea of trade, although I admit, that it is the root from which the other springs; it is the seed, but not the plant; and trade, as we have defined it, conveys another idea. The workman must not be interrupted, in order to seek for an exchange, nor the consumer put to the trouble of finding out the manufacturer. The object of trade therefore is no more than a new-want, which calls for a set of men to supply it; and trade has a powerful effect in promoting industry, by facilitating the consumption of its produce.

While wants continue simple and few, a workman finds time enough to distribute all his work: when wants become more multiplied, men must work harder; time becomes precious; hence trade is introduced. They who want to consume, send the merchant, in a manner, to the workman, for his labour, and do not go themselves; the workman sells to this interposed person, and does not look out for a consumer. Let me now take a familiar instance of infant trade, in order to shew how it grows and refines: this will illustrate what I have been saying.

I walk out of the gates of a city in a morning, and meet with five hundred persons, men and women, every one bringing to market a small parcel of herbs, chickens, eggs, fruit, &c. It occurs to me immediately, that these people must have little to do at home, since they come to market for so small a value. Some years afterwards, I find nothing but horses, carts, and waggons, carrying the same provisions. I must then conclude, that either those I met before are no more in the country, but purged off, as being found useless, after a method has been found of collecting all their burdens into a few carts; or that they have found out a more profitable employment than carrying eggs and greens to market. Which ever happens to be the case, there will be the introduction of what I call trade; to wit, this collecting of eggs, fruit, fowl, &c. from twenty hands, in order to distribute it to as many more within the walls. The consequence is, that a great
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deal of labour is saved; that is to say, the ^{art} ~~earth~~ gives time to twenty people to labour, if they incline; and when wants increase, they will be ready to supply them.

We cannot therefore say, that trade will force industry, or that industry will force trade; but we may say, that trade will facilitate industry, and that industry will support trade. Both the one and the other however depend upon a third principle; to wit, a taste for superfluity, in those who have an equivalent to give for it. This taste will produce demand, and this again will become the main spring of the whole operation.

C H A P. II.

Of Demand.

THIS is no new subject; it is only going over what has been treated of very extensively in the first book under another name, and relatively to other circumstances. *These* ideas were there kept as simple as possible; *here* they take on a more complex form, and appear in a new dress.

The wants of mankind were said to promote their multiplication, by augmenting the demand for the food of the free hands, who, by supplying those wants, are enabled to offer an equivalent for their food, to the farmers who produced it; and as this way of bartering is a representation of trade in its infancy, it is no wonder that trade, when grown up, should still preserve a resemblance to it.

Demand, considered as a term appropriated to trade, will now be used in place of *wants*, the term used in the first book relatively to bartering; we must therefore expect, that the operations of the same principle, under different appellations, will constantly appear similar,

similar, in every application we can make of it, to different circumstances and combinations.

Whether this term be applied to bartering or to trade, it must constantly appear reciprocal. If I demand a pair of shoes, the shoemaker either demands money, or something else for his own use. To prevent therefore the ambiguity of a term, which, from the sterility of language, is taken in different acceptations, according to the circumstances which are supposed to accompany it, I shall endeavour shortly to analyze it.

1mo. Demand is ever understood to be relative to merchandize. A demand for money, except in bills of exchange, is never called demand. When those who have merchandize upon hand, are desirous of converting them into money, they are said to offer to sale; and if, in order to find a buyer, they lower their price, then, in place of saying the demand for money is high, we say the demand for goods is low.

2do. Suppose a ship to arrive at a port loaded with goods, with an intention to purchase others (in return) the operation only becomes double. The ship offers to sale, and the demand of the port is said to be high or low, according to the height of the price offered, not according to the quantity demanded, or number of demanders. When all is sold, then the ship becomes demander; and if his demand be proportionally higher than the former, we say upon the whole, that the demand is for the commodities of the port; that is, the port offers, and the ship demands. This I call reciprocal demand.

3tio. Demand is either simple or compound. Simple; when the demander is but *one*, compound; when *they are more*. But this is not so much relative to persons as to interests. Twenty people demanding from the same determined interest form but a simple demand; it becomes compound or high, when different interests produce a competition. It may therefore be said, that when there is no competition among buyers, demand is simple, let the quantity demanded be great or small, let the buyers be few or many.

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therefore in the contract of barter the demand upon one side is simple, upon the other compound, that which is compound is constantly called the demand, the other not.

4to. Demand is either great or small: great, when the quantity demanded is great; small, when the quantity demanded is small.

5to. Demand is either high or low: high, when the competition among the buyers is great; low, when the competition among the sellers is great. From these definitions it follows, that the consequence of a great demand, is a great sale; the consequence of a high demand, is a great price. The consequence of a small demand, is a small sale; the consequence of a low demand, is a small price.

6to. The nature of demand is to encourage industry; and when it is regularly made, the effect of it is, that the supply for the most part is found to be in proportion to it, and then the demand is commonly simple. It becomes compound from other circumstances. As when it is irregular, that is, unexpected, or when the usual supply fails; the consequence of which is, that the provision made for the demand, falling short of the just proportion, occasions a competition among the buyers, and raises the current, that is, the ordinary prices. From this it is, that we commonly say, demand raises prices. Prices are high or low according to demand. These expressions are just; because the sterility of language obliges us there to attend to circumstances which are only implied.

Demand is understood to be *high* or *low*, relatively to the common rate of it, or to the competition of buyers, to obtain the provision made for it. When demand is relative to the quantity demanded, it must be called great or small, as has been said.

7mo. Demand has not always the same effect in raising prices: we must therefore carefully attend to the difference between a demand for things of the first necessity for life, and for things indifferent; also between a demand made by the immediate consumers, and one made by merchants, who buy in order to sell again. In

both cases the competition will have different effects. Things of absolute necessity must be procured, let the price be ever so great: consumers who have no view to profit, but to satisfy their desires, will enter into a stronger competition than merchants, who are animated by no passion, and who are regulated in what they offer by their prospect of gain. Hence the great difference in the price of grain in different years; hence the uniform standard of the price of merchandize, in fairs of distribution, such as Frankfort, Beaucaire, &c. hence, also, the advantage which consumers find in making their provision (at the same time that merchants make theirs; hence the sudden rise and fall in the price of labouring cattle in country markets, where every one provides for himself.

Let what has been said suffice at setting out: this principle will be much better explained by its application as we advance, than by all the abstract distinctions I am capable to give of it.

CHAP. III.

Of the first Principles of bartering, and how this grows into Trade.

I MUST now begin by tracing trade to its source, in order to reduce it to its first principles.

The most simple of all trade, is that which is carried on by bartering the necessary articles of subsistence. If we suppose the earth free to the first possessor, this person who cultivates it will first draw from it his food, and the surplus will be the object of barter: he will give this in exchange to any one who will supply his other wants. This (as has been said) naturally supposes both a surplus quantity of food produced by labour, and also free hands; for he who makes a trade of agriculture cannot supply himself with all other necessaries, as well as food; and he who makes a trade of supplying

supplying the farmers with such necessaries, in exchange for his surplus of food, cannot be employed in producing that food. The more the necessities of man increase, *ceteris paribus*, the more free hands are required to supply them; and the more free hands are required, the more surplus food must be produced by additional labour, to supply their demand.

This is the least complex kind of trade, and may be carried on to a greater or less extent, in different countries, according to the different degrees of the wants to be supplied. In a country where there is no money, nor any thing equivalent to it, I imagine the wants of mankind will be confined to few objects; to wit, the removing the inconveniencies of hunger, thirst, cold, heat, danger, and the like. A free man who by his industry can procure all the comforts of a simple life, will enjoy his rest, and work no more: And, in general, all increase of work will cease, so soon as the demand for the purposes mentioned comes to be satisfied. There is a plain reason for this. When the free hands have procured, by their labour, wherewithal to supply their wants, their ambition is satisfied: so soon as the husbandmen have produced the necessary surplus for relieving theirs, they work no more. Here then is a natural stop put to industry, consequently to bartering. This, in the first book, we have called *the moral impossibility of augmenting numbers*.

The next thing to be examined, is, how bartering grows into trade, properly so called and understood, according to the definition given of it above; how trade comes to be extended among men; how manufactures, more ornamental than useful, come to be established; and how men come to submit to labour, in order to acquire what is not absolutely necessary for them.

This, (in a free society) I take to be chiefly owing to the introduction of money, and a taste for superfluities in those who possess it.

In antient times, money was not wanting; but the taste for superfluities not being in proportion to it, the specie was locked up. This was the case in Europe four hundred years ago. A new taste for superfluity has drawn, perhaps, more money into circulation.

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from our own treasures, than from the mines of the new world. The poor opinion we entertain of the riches of our forefathers, is founded upon the modern way of estimating wealth, by the quantity of coin in circulation, from which we conclude, that the greatest part of the specie now in our hands must have come from America.

It is more, therefore, through the taste of superfluity, than in consequence of the quantity of coin, that trade comes to be established; and it is only in consequence of trade that we see industry carry things in our days to so high a pitch of refinement and delicacy. Let me illustrate this by comparing together the different operations of barter, sale, and commerce.

When reciprocal wants are supplied by barter, there is not the smallest occasion for money: this is the most simple of all combinations.

When wants are multiplied, bartering becomes (for obvious reasons) more difficult; upon this money is introduced. This is the common price of all things: it is a proper equivalent in the hands of those who want, perfectly calculated to supply the occasions of those who, by industry, can relieve them. This operation of buying and selling is a little more complex than the former; but still we have here no idea of trade, because we have not introduced the merchant, by whose industry it is carried on.

Let this third person be brought into play, and the whole operation becomes clear. What before we called wants, is here represented by the consumer; what we called industry, by the manufacturer; what we called money, by the merchant. The merchant here represents the money, by substituting credit in its place; and as the money was invented to facilitate barter, so the merchant, with his credit, is a new refinement upon the use of money. This renders it still more effectual in performing the operations of buying and selling. This operation is trade: it relieves both parties of the whole trouble of transportation, and adjusting wants to wants, or wants to money; the merchant represents by turns both the consumer, the manufacturer, and the money. To the consumer he

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appears as the whole body of manufacturers; to the manufacturers as the whole body of consumers; and to the one and the other class his credit supplies the use of money. This is sufficient at present for an illustration. I must now return to the simple operations of money in the hands of the two contracting parties, the buyer and the seller, in order to show how men come to submit to labour in order to acquire superfluities.

So soon as money is introduced into a country it becomes, as we have said above, an universal object of want to all the inhabitants. The consequence is, that the free hands of the state, who before stopt working, because all their wants were provided for, having this new object of ambition before their eyes, endeavour, by refinements upon their labour, to remove the smaller inconveniencies which result from a simplicity of manners. People, I shall suppose, who formerly knew but one sort of cloathing for all seasons, willingly part with a little money to procure for themselves different sorts of apparel properly adapted to summer and winter, which the ingenuity of manufacturers, and their desire of getting money, may have suggested to their invention.

I shall not here pursue the gradual progress of industry, in bringing manufactures to perfection; nor interrupt my subject with any further observations upon the advantages resulting to industry, from the establishment of civil and domestic liberty, but shall only suggest, that these refinements seem more generally owing to the industry and invention of the manufacturers (who by their ingenuity daily contrive means of softening or relieving inconveniencies, which mankind seldom perceive to be such, till the way of removing them is contrived) than to the taste for luxury in the rich, who, to indulge their ease, engage the poor to become industrious.

Let any man (make an experiment of) this nature upon himself, by entering into the first shop. He will no where so quickly discover his wants as there. Every thing he sees appears either necessary, or at least highly convenient; and he begins to wonder (especially if he be rich) how he could have been so long without that

that which the ingenuity of the workman alone had invented, in order that from the novelty it might excite his desire; for perhaps when it is bought, he will never once think of it more, nor ever apply it to the use for which it at first appeared so necessary.

Here then is a reason why mankind labour though not in want. They become desirous of possessing the very instruments of luxury, which their avarice or ambition prompted them to invent for the use of others.

What has been said represents trade in its infancy, or rather the materials with which that great fabric is built.

We have formed an idea of the wants of mankind multiplied even to luxury, and abundantly supplied by the employment of all the free hands set apart for that purpose. But if we suppose the workman himself disposing of his work, and purchasing, with it, food from the farmer, cloaths from the clothier, and in general seeking for the supply of every want from the hands of the person directly employed for the purpose of relieving it; this will not convey an idea of trade, according to our definition.

Trade and commerce are an abbreviation of this long process; a scheme invented and set on foot by merchants, from a principle of gain, supported and extended among men, from a principle of general utility to every individual, rich or poor, to every society, great or small.

Instead of a pin-maker exchanging his pins with fifty different persons, for whose labour he has occasion, he sells all to the merchant for money or for credit; and, as occasion offers, he purchases all his wants, either directly from those who supply them, or from other merchants who deal with manufacturers in the same way his merchant dealt with him.

Another advantage of trade is, that industrious people in one part of the country, may supply customers in another, though distant. They may establish themselves in the most commodious places for their respective business, and help one another reciprocally,

cally, without making the distant parts of the country suffer for want of their labour. They are likewise exposed to no avocation from their work, by seeking for customers.

Trade produces many excellent advantages; it marks out to the manufacturers when their branch is under or overstocked with hands. If it is understocked, they will find more demand than they can answer: if it is overstocked, the sale will be slow.

Intelligent men, in every profession, will easily discover when these appearances are accidental, and when they proceed from the real principles of trade; which are here the object of our inquiry.

Posts, and correspondence by letters, are a consequence of trade, by the means of which merchants are regularly informed of every augmentation or diminution of industry in every branch, in every part of the country. From this knowledge they regulate the prices they offer; and as they are many, they serve as a check upon one another, from the principles of competition which we shall hereafter examine.

From the current prices the manufacturers are as well informed as if they kept the correspondence themselves: the statesman feels perfectly where hands are wanting, and young people destined to industry, obey, in a manner, the call of the public, and fall naturally in to supply the demand.

Two great assistances to merchants, especially in the infancy of trade, are public markets for collecting the work of small dealers, and large undertakings in the manufacturing way by private hands. By these means the merchants come at the knowledge of the quantity of work in the market, as on the other hand the manufacturers learn, by the sale of the goods, the extent of the demand for them. These two things being justly known, the price of goods is easily fixed, as we shall presently see.

Public sales serve to correct the small inconveniencies which proceed from the operations of trade. A set of manufacturers got all together into one town, and entirely taken up with their industry, are thereby as well informed of the rate of the market as if every

one

one of them carried thither his work, and upon the arrival of the merchant, who readily takes it off their hands, he has not the least advantage over them from his knowledge of the state of demand. This man both buys and sells in what is called wholesale (that is by large parcels) and from him retailers purchase, who distribute the goods to every consumer throughout the country. These last buy from wholesale merchants in every branch, that proportion of every kind of merchandize which is suitable to the demand of their borough, city, or province.

Thus all inconveniencies are prevented, at some additional cost to the consumer, who, for reasons we shall afterwards point out, must naturally reimburse the whole expence. The distance of the manufacturer, the obscurity of his dwelling, the caprice in selling his work, are quite removed; the retailer has all in his shop, and the public buys at a current price.

C H A P. IV.

How the Prices of Goods are determined by Trade.

IN the price of goods, I consider two things as really existing; and quite different from one another; to wit, the real value of the commodity, and the profit upon alienation. The intention of this chapter is to establish this distinction, and to shew how the operation of trade severally influences the standard of the one and the other; that is to say, how trade has the effect of rendering fixed and determined, two things which would otherwise be quite vague and uncertain.

I. The first thing to be known of any manufacture when it comes to be sold, is, how much of it a person can perform in a day, a week, a month, according to the nature of the work, which may

require

require more or less time to bring it to perfection. In making such estimates, regard is to be had only to what, upon an average, a workman of the country in general may perform, without supposing him the best or the worst in his profession; or having any peculiar advantage or disadvantage as to the place where he works.

Hence the reason why some people thrive by their industry, and others not; why some manufactures flourish in one place and not in another.

II. The second thing to be known, is the value of the workman's subsistence and necessary expence, both for supplying his personal wants, and providing the instruments belonging to his profession, which must be taken upon an average as above; except when the nature of the work requires the presence of the workman in the place of consumption: for although some trades, and almost every manufacture, may be carried on in places at a distance, and therefore may fall under one general regulation as to prices, yet others there are which, by their nature, require the presence of the workman in the place of consumption; and in that case the prices must be regulated by circumstances relative to every particular place.

III. The third and last thing to be known, is the value of the materials, that is the first matter employed by the workman; and if the object of his industry be the manufacture of another, the same process of inquiry must be gone through with regard to the first, as with regard to the second: and thus the most complex manufactures may be at last reduced to the greatest simplicity. I have been more particular in this analysis of manufactures than was absolutely necessary in this place, that I might afterwards with the greater ease point out the methods of diminishing the price of them.

These three articles being known, the price of manufacture is determined. It cannot be lower than the amount of all the three, that is, than the real value; whatever it is higher, is the manufacturer's profit. This will ever be in proportion to demand, and therefore will fluctuate according to circumstances.

Hence

Hence appears the necessity of a great demand, in order to promote flourishing manufactures.

By the extensive dealings of merchants, and their constant application to the study of the balance of work and demand, all the above circumstances are known to them, and are made known to the industrious, who regulate their living and expence according to their certain profit. I call it certain, because under these circumstances they seldom overvalue their work, and by not overvaluing it, they are sure of a sale: a proof of this may be had from daily experience.

Employ a workman in a country where there is little trade or industry, he proportions his price always to the urgency of your want, or your capacity to pay; but seldom to his own labour. Employ another in a country of trade, he will not impose upon you, unless perhaps you be a stranger, which supposes your being ignorant of the value; but employ the same workman in a work not usual in the country, consequently not demanded, consequently not regulated as to the value, he will proportion his price as in the first supposition.

We may therefore conclude from what has been said, that in a country where trade is established, manufactures must flourish, from the ready sale, the regulated price of work, and certain profit resulting from industry. Let us next inquire into the consequences of such a situation.

C H A P. V.

How foreign Trade opens to an industrious People, and the consequences of it to the Merchants who set it on foot.

THE first consequence of the situation described in the preceding chapter, is, that wants are easily supplied, for the adequate value of the thing wanted.

The next consequence is, the opening of foreign trade under its two denominations of passive and active. Strangers and people of distant countries finding the difficulty of having their wants supplied at home, and the ease of having them supplied from this country, immediately have recourse to it. This is *passive trade*. The *active* is when merchants, who have executed this plan at home with success, begin to transport the labour of their countrymen into other regions, which either produce, or are capable of producing such articles of consumption, proper to be manufactured, as are most demanded at home; and consequently will meet with the readiest sale, and fetch the largest profits.

Here then is the opening of foreign trade, under its two denominations of active and passive: but as our present point of view is the consequences of this revolution to the merchants, we shall take no farther notice, in this place, of that division: it will naturally come in afterwards.

What then are the consequences of this new commerce to our merchants, who have left their homes in quest of gain abroad?

The first is, that arriving in any new country, they find themselves in the same situation, with regard to the inhabitants, as the workman in the country of no trade, with regard to those who employed him; that is, they proportion the price of their goods to the eagerness of acquiring, or the capacity of paying, in the inhabitants, but never to their real value.

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The first profits then, upon this trade, must be very considerable; and the demand from such a country will be *high* or *low*, *great* or *small*, according to the spirit, not the real wants of the people: for these in all countries, as has been said, must first be supplied by the inhabitants themselves, before they cease to labour.

If the people of this not-trading country (as we shall now call it) be abundantly furnished with commodities useful to the traders, they will easily part with them, at first, for the instruments of luxury and ease; but the great profit of the traders will insensibly increase the demand for the productions of their new correspondents; this will have the effect of producing a competition between themselves, and thereby of throwing the demand on their side, from the principles I shall afterwards explain. This is perpetually a disadvantage in traffic: the most unpolished nations in the world quickly perceive the effects of it; and are taught to profit of the discovery, in spite of the address of those who are the most expert in commerce.

The traders will, therefore, be very fond of falling upon every method and contrivance to inspire this people with a taste of refinement and delicacy. Abundance of fine presents, consisting of every instrument of luxury and superfluity, the best adapted to the genius of the people, will be given to the prince and leading men among them. Workmen will even be employed at home to study the taste of the strangers, and to captivate their desires by every possible means. The more eager they are of presents, the more lavish the traders will be in bestowing and diversifying them. It is an animal put up to fatten, the more he eats the sooner he is fit for slaughter. When their taste for superfluity is fully formed, when the relish for their former simplicity is sophisticated, poisoned, and obliterated, then they are surely in the fetters of the traders, and the deeper they go, the less possibility there is of their getting out. The presents then will die away, having served their purpose; and if afterwards they are found to be continued, it will probably be to sup-

port the competition against other nations, who will incline to share of the profits.

If, on the contrary, this not-trading nation does not abound with commodities useful to the traders, these will make little account of trading with them, whatever their turn may be; but if we suppose this country inhabited by a laborious people, who, having taken a taste for refinement from the traders, apply themselves to agriculture, in order to produce articles of subsistence, they will solicit the merchants to give them part of their manufactures in exchange for those; and this trade will undoubtedly have the effect of multiplying numbers in the trading nation. But if food cannot be furnished, nor any other branch of production found out to support the correspondence, the taste for refinement will soon die away, and trade will stop in this quarter.

Had it not been for the furs in those countries adjacent to Hudson's Bay, and in Canada, the Europeans never would have thought of supplying instruments of luxury to those nations; and if the inhabitants of those regions had not taken a taste for the instruments of luxury furnished to them by the Europeans, they never would have become so indefatigable nor so dexterous hunters. At the same time we are not to suppose, that ever these Americans would have come to Europe in quest of our manufactures. (It is therefore owing to our merchants, that these nations are become in any degree fond of refinement;) and this taste, in all probability, will not soon exceed the proportion of the productions of their country. From these beginnings of foreign trade it is easy to trace its increase.

One step towards this, is the establishing correspondences in foreign countries; and these are more or less necessary in proportion as the country where they are established is more or less polished or acquainted with trade. They supply the want of posts, and point out to the merchants what proportion the productions of the country bear to the demand of the inhabitants for manufactures. This communicates an idea of commerce to the not-trading nation,

and they insensibly begin to fix a determined value upon their own productions, which perhaps bore no determined value at all before.

Let me trace a little the progress of this refinement in the savages, in order to shew how it has the effect of throwing the demand upon the traders, and of creating a competition among them, for the productions of the new country.

Experience shews, that in a new discovered country, merchants constantly find some article or other of its productions, which turns out to a great account in commerce; and we see that the longer such a trade subsists, and the more the inhabitants take a taste for European manufactures, the more their own productions rise in their value, and the less profit is made by trading with them, even in cases where the trade is carried on by companies; which is a very wise institution for one reason, that it cuts off a competition between our merchants.

This we shall shew, in its proper place, to be the best means of keeping prices low in favour of the nation; however it may work a contrary effect with respect to individuals who must buy from these monopolies.

When companies are not established, and when trade is open, our merchants, by their eagerness to profit of the new trade, betray the secrets of it, they enter into competition for the purchase of the foreign produce, and this raises prices and favours the commerce of the most ignorant savages.

Some account for this in a different manner. They alledge that it is not this competition which raises prices; because there is also a competition among the savages as to which of them shall get the merchandize; and this may be sufficient to counterbalance the other, and in proportion as the quantity of goods demanded by the savages, as an exchange for the produce of their country, becomes greater, a less quantity of this produce must be given for every parcel of the goods.

To this I answer, That I cannot admit this apparent reason to be consistent with the principles of trade, however ingenious the conceit may be.

The merchant constantly considers his own profit in parting with his goods, and is not influenced by the reasons of expediency which the savages may find, to offer him less than formerly; for were this principle of proportion admitted generally, the price of merchandize would always be at the discretion of the buyers.

The objection here stated is abundantly plain; but it must be resolved in a very different manner. Here are two solutions:

1. Prices, I have said, are made to rise, according as demand is *high*, not according as it is *great*. Now, in the objection, it is said, that, in proportion as the demand is *great*, a less proportion of the equivalent must go to every parcel of the merchandize; which I apprehend to be false: and this shews the necessity of making a distinction between the *high* and the *great* demand, which things are different in trade, and communicate quite different ideas.

2. In all trade there is an exchange, and in all exchange, we have said, there is a reciprocal demand implied: it must therefore be exactly inquired into, on which hand the competition between the demanders is found; that is to say, on which hand it is *strongest*; according to the distinction in the second chapter.

If the inhabitants of the country be in competition for the manufactures, goods will rise in their price most undoubtedly, let the quantity of the produce they have to offer be large or small; but so soon as these prices rise above the faculties, or desire of buying, in certain individuals, their demand will stop, and their equivalent will be prevented from coming into commerce. This will disappoint the traders; and therefore, as their gains are supposed to be great, either a competition will take place among themselves, who shall carry off the quantity remaining, supposing them to have separate interests; or, if they are united, they may, from a view of expediency, voluntarily sink their price, in order to bring it
within

within the compass of the faculties, or intention, to buy in those who are still possessed of a portion of what they want.

It is from the effects of competition among sellers that I apprehend prices are brought down, not from any imaginary proportion of quantity to quantity in the market. But of this more afterwards, in its proper place.

So soon as the price of manufactures is brought as low as possible, in the new nation; if the surplus of their commodities does not suffice to purchase a quantity of manufactures proportioned to their wants, this people must begin to labour: for labour is the necessary consequence of want, real or imaginary; and by labour it will be supplied.

When this comes to be the case, we immediately find two trading nations in place of one; the balance of which trade will always be in favour of the most industrious and frugal; as shall be fully explained in another place.

Let me now direct my inquiry more particularly towards the consequences of this new revolution produced by commerce, relative to the non-trading nation, in order to shew the effect of a passive foreign trade. I shall spare no pains in illustrating, upon every occasion, as I go along, the fundamental principles of commerce, demand, and competition, even perhaps at the expence of appearing tiresome to some of my readers.

C H A P. VI.

Consequences of the introduction of a passive foreign Trade among a People who live in Simplicity and Idleness.

WE now suppose the arrival of traders, all in one interest, with instruments of luxury and refinement, at a port in a country of great simplicity of manners, abundantly provided by nature with great advantages for commerce, and peopled by a nation capable of adopting a taste for superfluities.

The first thing the merchants do, is to expose their goods, and point out the advantages of many things, either agreeable or useful to mankind in general, such as wines, spirits, instruments of agriculture, arms, and ammunition for hunting, nets for fishing, manufactures for clothing, and the like. The advantages of these are presently perceived, and such commodities are eagerly sought after.

The natives on their side produce what they most esteem, generally something superfluous or ornamental. The traders, after examining all circumstances, determine the object of their demand, giving the least quantity possible in return for this superfluity, in order to impress the inhabitants with a high notion of the value of their own commodities; but as this parsimony may do more hurt than good to their interest, they are very generous in making presents, from the principles mentioned above.

When the exchange is completed, and the traders depart, regret is commonly mutual; the one and the other are sorry that the superfluities of the country fall short. A return is promised by the traders, and assurances are given by the natives, of a better provision another time.

What are the first consequences of this revolution?

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It is not evident, that, in order to supply an equivalent for this new want, more hands must be set to work than formerly. And it is evident also, that this augmentation of industry will not essentially increase numbers; as was supposed to be the effect of it through the whole train of our reasoning in the first book. Why? Because *there* the produce of the industry was supposed to be consumed at home; and *here* it is intended to be exported. But if we can find out any additional consumption at home even implied by this new trade, I think it will have the effect of augmenting numbers. An example will make this plain.

Let me suppose the superfluity of this country to be the skins of wild beasts, not proper for food; the manufacture sought for, brandy. The brandy is sold for furs. He who has furs, or he who can spare time to hunt for them, will drink brandy in proportion: but I cannot find out any reason to conclude from this simple operation, that one man more in the country must necessarily be fed, (for I have taken care to suppose, that the flesh of the animals is not proper for food) or that any augmentation of agriculture must of consequence ensue from this new traffic.

But let me throw in a circumstance which may imply an additional consumption at home, and then examine the consequences.

A poor creature, who has no equivalent to offer for food, who is miserable, and ready to perish for want of subsistence, goes a-hunting, and kills a wolf; he comes to a farmer with the skin, and says; You are well fed, but you have no brandy; if you will give me a loaf, I will give you this skin, which the strangers are so fond of, and they will give you brandy. But, says the farmer, I have no more bread than what is sufficient for my own family. As for that, replies the other, I will come and dig in your ground, and you and I will settle our account as to the small quantity I desire of you. The bargain is made; the poor fellow gets his loaf, and lives at least; perhaps he marries, and the farmer gets a dram. But had it not been for this dram, (that is, this new want) which was

was

was purchased by the industry of this poor fellow, by what argument could he have induced the farmer, to part with a loaf.

I here exclude the sentiment of charity. This alone, as I have often observed, is a principle of multiplication, and if it was admitted here, it would ruin all my supposition; but as true it is, on the other hand, that could the poor fellow have got bread by begging, he would not probably have gone a-hunting.

Here then it appears, that the very dawning of trade, in the most unpolished countries, implies a multiplication. This is enough to point out the first step, and to connect the subject of our present inquiries with what has been already discussed in relation to other circumstances. I proceed.

So soon as all the furs are disposed of, and a taste for superfluity introduced, both the traders and the natives will be equally interested in the advancement of industry in this country. Many new objects of profit for the first will be discovered, which the proper employment of the inhabitants, in reaping the natural advantages of their soil and climate, will make effectual. The traders will therefore endeavour to set on foot many branches of industry among the savages, and the allurements of brandy, arms, and clothing, will animate these in the pursuit of them. Let me here digress for a few lines.

If we suppose slavery to be established in this country, then all the slaves will be set to work, in order to provide furs and other things demanded by the traders, that the masters may thereby be enabled to indulge themselves in the superfluities brought to them by the merchants. When liberty is the system, every one, according to his disposition, becomes industrious, in order to procure such enjoyments for himself.

In the first supposition, it is the head of the master which conducts the labour of the slave, and turns it towards ingenuity: in the second, every head is at work, and every hand is improving in dexterity. Where hands therefore are principally necessary, the slaves have the advantage; where heads are principally necessary, the

the advantage lies in favour of the free. Set a man to labour at so much a day, he will go on at a regular rate, and never seek to improve his method: let him be hired by the piece, he will find a thousand expedients to extend his industry. This is exactly the difference between the slave and the free man. From this I account for the difference between the progress of industry in ancient and modern times. Why was a *peculium* given to slaves, but to engage them to become dextrous? Had there been no *peculium* and no *libertini*, or free men, who had been trained to labour, there would have been little more industry any where, than there was in the republic of Lycurgus, where, I apprehend, neither the one or the other was to be found. I return.

When once this revolution is brought about; when those who formerly lived in simplicity become industrious; matters put on a new face. Is not this operation quite similar to that represented in the fifth chapter of the first book? There I found the greatest difficulty, in shewing how the mutual operations of supplying food and other wants could have the effect of promoting population and agriculture, among a people who were supposed to have no idea of the system proposed to be put in execution. Here the plan appears familiar and easy. The difference between them seems to resemble that of a child's learning a language by grammar, or learning it by the ear in the country where it is spoken. In the first case, many throw the book aside, but in the other none ever fail of success.

I have said, that matters put on a new face; that is to say, we now find two trading nations instead of one, with this difference, however, that as hitherto we have supposed the merchants all in one interest, the compound demand, that is, the competition of the buyers, has been, and must still continue on the side of the natives. This is a great prejudice to their interest, but as it is not supposed sufficient to check their industry, nor to restrain their consumption of the manufactures, let me here examine a little more particularly the consequences of the principle of demand in

such a situation; for although I allow, that it can never change sides, yet it may admit of different modifications, and produce different effects, as we shall presently perceive.

The merchants we suppose all in one interest, consequently there can be no competition among them; consequently no check can be put upon their raising their prices, as long as the prices they demand are complied with. So soon as they are raised to the full extent of the abilities of the natives, or of their inclination to buy, the merchants have the choice of three things, which are all perfectly in their option, and the preference to be given to the one or the other depends intirely upon themselves, and upon the circumstances I am going to point out.

First, they may support the *high* demand; that is, not lower their price; which will preserve a high estimation of the manufactures in the opinion of the inhabitants, and render the profits upon their trade the greatest possible. This part they may possibly take, if they perceive the natives doubling their diligence, in order to become able, in time, to purchase considerable cargoes at a high value; from which supposition is implied a strong disposition in the people to become luxurious, since nothing but want of ability prevents them from complying with the highest demand: but still another circumstance must concur, to engage the merchants not to lower their price. The great proportion of the goods they seek for, in return, must be found in the hands of a few. This will be the case if slavery be established; for then there must be many poor, and few rich: and they are commonly the rich consumers who proportion the price they offer, rather to their desires, than to the value of the thing.

The second thing which may be done is, to open the door to a *great* demand; that is, to lower their prices. This will sink the value of the manufactures in the opinion of the inhabitants, and render profits less in proportion, although indeed, upon the voyage, the profits may be greater.

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This part they will take, if they perceive the inhabitants do not incline to consume great quantities of the merchandize at a high value, either from want of abilities or inclination; and also, if the profits upon the trade depend upon a large consumption, as is the case in merchandize of a low value, and suited chiefly to the occasions of the lower sort. Such motives of expediency will be sufficient to make them neglect a *high* demand, and prefer a *great* one; and the more, when there is a likelihood that the consumption of low-priced goods in the beginning may beget a taste for others of a higher value, and thus extend in general the taste of superfluity.

A third part to be taken, is the least politic, and perhaps the most familiar. It is to profit by the competition between the buyers, and encourage the rising of demand as long as possible; when this comes to a stop, to make a kind of auction, by first bringing down the prices to the level of the highest bidders, and so to descend by degrees, in proportion as demand sinks. Thus we may say with propriety, according to our definitions of demand, that it commonly becomes *great*, in proportion as prices sink. By this operation, the traders will profit as much as possible, and sell off as much of their goods as the profits will permit.

I say, this plan, in a new discovered country, is not politic, as it both discovers a covetousness and a want of faith in the merchants, and also throws open the secrets of their trade to those who ought to be kept ignorant of them.

Let me next suppose, that the large profits of our merchants shall be discovered by others, who arrive at the same ports in a separate interest, and who enter into no combination which might prevent the natural effects of competition.

Let the state of demand among the natives be supposed the same as formerly, both as to *height* and *greatness*, in consequence of the operation of the different principles, which might have induced our merchants to follow one or other of the plans we have been

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describing;

describing; we must however still suppose, that they have been careful to preserve considerable profits upon every branch.

If we suppose the inhabitants to have increased in numbers, wealth, and taste for superfluity, since the last voyage, demand will be found rather on the rising hand. Upon the arrival of the merchants in competition with the former, both will offer to sale; but if both stand to the same prices, it is very natural to suppose, that the former dealers will obtain a preference; as *ceteris paribus*, it is always an advantage to know and to be known. The last comers, therefore, have no other way left to counterbalance this advantage, but to lower their prices.

This is a new phenomenon: here the fall of prices is not voluntary as formerly; not consented to from expediency; not owing to a failure of demand, but to the influence of a new principle of commerce, to wit, a double competition. This I shall now examine with all the care I am capable of.

C H A P. VII.

Of double Competition.

WHEN *competition* is much stronger on one side of the contract than on the other, I call it *simple*, and then it is a term synonymous with what I have called *compound demand*. This is the species of competition which is implied in the term *high demand*, or when it is said, that *demand raises prices*.

Double competition is, when, in a certain degree, it takes place on both sides of the contract at once, or vibrates alternately from one to the other. This is what restrains prices to the adequate value of the merchandize.

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I frankly confess I feel a great want of language to express my ideas, and it is for this reason I employ so many examples, the better to communicate certain combinations of them, which otherwise would be inextricable.

The great difficulty is to distinguish clearly between the principles of *demand*, and those of *competition*: here then follows the principal differences between the two, relatively to the effects they produce severally in the mercantile contract of buying and selling, which I here express shortly by the word *contract*.

Simple demand is what brings the quantity of a commodity to market. Many demand, who do not buy; many offer, who do not sell. This demand is called *great* or *small*; it is said to *increase*, to *augment*, to *swell*; and is expressed by these and other synonymous terms, which mark an augmentation or diminution of quantity. In this species, two people never demand the same thing, but a part of the same thing, or things quite alike.

Compound demand is the principle which raises prices, and never can make them sink; because in this case more than one demands the very same thing. It is solely applicable to the buyers, in relation to the price they offer. This demand is called *high* or *low*, and is said to *rise*, to *fall*, to *mount*, to *sink*, and is expressed by these and other synonymous terms.

Simple competition, when between buyers, is the same as *compound* or *high demand*, but differs from it in so far, as this may equally take place among sellers, which *compound demand* cannot, and then it works a contrary effect: it makes prices *sink*, and is synonymous with *low demand*: it is this competition which overturns the balance of work and demand; of which afterwards.

Double competition is what is understood to take place in almost every operation of trade; it is this which prevents the excessive rise of prices; it is this which prevents their excessive fall. While *double competition* prevails, the balance is perfect, trade and industry flourish.

The

The capital distinction, therefore, between the terms *demand* and *competition* is, that *demand* is constantly relative to the buyers, and when money is not the price, as in barter, then it is relative to that side upon which the greatest *competition* is found.

We therefore say, with regard to *prices*, demand is *high* or *low*. With regard to the *quantity of merchandize*, demand is *great* or *small*. With regard to *competition*, it is always called *great* or *small*, *strong* or *weak*.

Competition, I have said, is, with equal propriety, applicable to both parties in the contract. A *competition* among buyers is a proper expression; a *competition* among sellers, who have the merchandize, is fully as easily understood, though it be not quite so striking, for reasons which an example will make plain.

You come to a fair, where you find a great variety of every kind of merchandize, in the possession of different merchants. These, by offering their goods to sale, constitute a tacit competition; every one of them wishes to sell in preference to another, and at the same time with the best advantage to himself.

The buyers begin, by cheapning at every shop. The first price asked marks the covetousness of the seller; the first price offered, the avarice of the buyer. From this operation, I say, competition begins to work its effects on both sides, and so becomes double. The principles which influence this operation are now to be deduced.

It is impossible to suppose the same degree of eagerness, either to buy or to sell, among several merchants; because the degree of eagerness I take to be exactly in proportion to their view of profit; and as these must necessarily be influenced and regulated by different circumstances, that buyer, who has the best prospect of selling again with profit, obliges him, whose prospect is not so good, to content himself with less; and that seller, who has bought to the best advantage, obliges him, who has paid dearer for the merchandize, to moderate his desire of gain.

It

It is from these principles, that competition among buyers and sellers must take place. This is what confines the fluctuation of prices within limits which are compatible with the reasonable profits of both buyers and sellers; for, as has been said, in treating of trade, we must constantly suppose the whole operation of buying and selling to be performed by merchants; the buyer cannot be supposed to give so high a price as that which he expects to receive, when he distributes to the consumers, nor can the seller be supposed to accept of a lower than that which he paid to the manufacturer. This competition is properly called double, because of the difficulty to determine upon which side it stands; the same merchant may have it in his favour upon certain articles, and against him upon others; it is continually in vibration, and the arrival of every post may less or more pull down the heavy scale.

In every transaction between merchants, the profit resulting from the sale must be exactly distinguished from the value of the merchandize. The first *may* vary, the last never *can*. It is this profit alone which can be influenced by competition; and it is for that reason we find such uniformity every where in the prices of goods of the same quality.

The competition between sellers does not appear so striking, as that between buyers; because he who offers to sale, appears only passive in the first operation; whereas the buyers present themselves one after another; they make a demand, and when the merchandize is refused to one at a certain price, a second either offers more, or does not offer at all: but so soon as another seller finds his account in accepting the price the first had refused, then the first enters into competition, providing his profits will admit his lowering the first price, and thus competition takes place among the sellers, until the profits upon their trade prevent prices from falling lower.

In all markets, I have said, this competition is varying, though insensibly, on many occasions; but in others, the vibrations are very

very perceptible. Sometimes it is found strongest on the side of the buyers, and in proportion as this grows, the competition between the sellers diminishes. When the competition between the former has raised prices to a certain standard, it comes to a stop; then the competition changes sides, and takes place among the sellers, eager to profit of the highest price. This makes prices fall, and according as they fall, the competition among the buyers diminishes. They still wait for the lowest period. At last it comes; and then perhaps some new circumstance, by giving the balance a kick, disappoints their hopes. If therefore it ever happens, that there is but one interest upon one side of the contract, as in the example in the former chapter, where we supposed the sellers united, you perceive, that the rise of the price, occasioned by the competition of the buyers, and even its coming to a stop, could not possibly have the effect of producing any competition on the other side; and therefore, if prices come afterwards to sink, the fall must have proceeded from the prudential considerations of adapting the price to the faculties of those, who, from the height of it, had withdrawn their demand.

From these principles of competition, the forestalling of markets is made a crime, because it diminishes the competition which ought to take place between different people, who have the same merchandize to offer to sale. The forestaller buys all up, with an intention to sell with more profit, as he has by that means taken other competitors out of the way, and appears with a single interest on one side of the contract, in the face of many competitors on the other. This person is punished by the state, because he has prevented the price of the merchandize from becoming justly proportioned to the real value; he has robbed the public, and enriched himself; and in the punishment, he makes restitution. Here occur two questions to be resolved, for the sake of illustration.

Can competition among buyers possibly take place, when the provision made is more than sufficient to supply the quantity demanded?

manded? On the other hand, can competition take place among the sellers, when the quantity demanded exceeds the total provision made for it?

I think it may in both cases; because in the one and the other, there is a competition implied on one side of the contract, and the very nature of this competition implies a possibility of its coming on the other, provided separate interests be found upon both sides. But to be more particular.

1. Experience shews, that however justly the proportion between the demand and the supply may be determined in fact, it is still next to impossible to discover it exactly, and therefore buyers can only regulate the prices they offer, by what they may reasonably expect to sell for again. The sellers, on the other hand, can only regulate the prices they expect, by what the merchandize has cost them when brought to market. We have already shewn, how, under such circumstances, the several interests of individuals affect each other, and make the balance vibrate.

2. The proportion between the supply and the demand is seldom other than *relative* among merchants, who are supposed to buy and sell, not from necessity, but from a view to profit. What I mean by *relative* is, that their demand is *great* or *small*, according to prices: there may be a great demand for grain at 35 shillings *per* quarter, and no demand at all for it at 40 shillings; I say, among merchants.

Here I must observe, how essential it is, to attend to the smallest circumstance in matters of this kind. The circumstance I here have in my eye, is the difference I find in the effect of competition, when it takes place purely among merchants on both sides of the contract, and when it happens, that either the consumers mingle themselves with the merchant-buyers, or the manufacturers, that is, the furnishers, mingle themselves with the merchant-sellers. This combination I shall illustrate, by the solution of another

question, and then conclude my chapter with a few reflections upon the whole.

Can there be no case formed, where the competition upon one side may subsist, without a possibility of its taking place on the other, although there should be separate interests upon both?

I answer. The case is hardly supposable among merchants, who buy and sell with a view to profit; but it is absolutely supposable, and that is all, when the direct consumers are the buyers; when the circumstances of one of the parties is perfectly known; and when the competition is so strong upon one side, as to prevent a possibility of its becoming double, before the whole provision is sold off, or the demand satisfied. Let me have recourse to examples.

Grain arriving in a small quantity, at a port where the inhabitants are starving, produces so great a competition among the consumers, who are the buyers, that their necessity becomes evident; all the grain is generally bought up before prices can rise so high as to come to a stop; because nothing but want of money, that is, an impossibility of complying with the prices demanded by the merchants, can restrain them: but if you suppose, even here, that prices come naturally to a stop; or that, after some time, they fall lower, from prudential considerations, then there is a possibility of a competition taking place among the sellers, from the principles above deduced. If, on the contrary, the stop is not natural, but occasioned by the interposition of the magistrate, from humanity, or the like, there will be no competition, because then the principles of commerce are suspended; the sellers are restrained on one side, and they restrain the buyers on the other. Or rather, indeed, it is the magistrate, or compassion, who in a manner fixes the price, and performs the office of both buyer and seller.

A better example still may be found, in a competition among sellers; where it may be so strong, as to render a commodity in a

manner of no value at all, as in the case of an uncommon and unexpected draught of fish, in a place of small consumption, when no preparations have been made for salting them. There can be then no competition among the buyers; because the market cannot last, and they find themselves entirely masters, to give what price they please, being sure the sellers must accept of it, or lose their merchandize. In the first example, humanity commonly stops the activity of the principle of competition; in the other it is stopped by a certain degree of fair-dealing, which forbids the accepting of a merchandize for nothing.

In proportion therefore as the rising of prices can stop demand, or the sinking of prices can increase it, in the same proportion will competition prevent either the rise or the fall from being carried beyond a certain length: and if such a case can be put, where the rising of prices cannot stop demand, nor the lowering of prices augment it, in such cases double competition has no effect; because these circumstances unite the most separate interests of buyers and sellers in the mercantile contract, and when upon one side there is no separate interest, there can then be no competition.

From what has been said, we may form a judgment of the various degrees of competition. A book not worth a shilling, a fish of a few pounds weight, are often sold for considerable sums. The buyers here are not merchants. When an ambassador leaves a court in a hurry, things are sold for less than the half of their value: he is no merchant, and his situation is known. When, at a public market, there are found consumers, who make their provision; or manufacturers, who dispose of their goods for present subsistence; the merchants, who are respectively upon the opposite side of the contract to these, profit of their competition; and those who are respectively upon the same side with them, stand by with patience, until they have finished their business. Then matters come to be carried on between merchant and merchant, and then, I allow, that profits may rise and fall, in the proportion of quantity

tity to demand; that is to say, if the provision is less than the demand, the competition among the demanders, or the rise of the price, will be in the compound proportion of the falling short of the commodity, and of the prospect of selling again with profit. It is this combination which regulates the competition, and keeps it within bounds. It can affect but the profits upon the transaction; the intrinsic value of the commodity stands immovable: nothing is ever sold below the real value; nothing is ever bought for more than it may probably bring. I mean in general. Whereas so soon as consumers and needy manufacturers mingle in the operation, all proportion is lost. The competition between them is too strong for the merchants; the balance vibrates by jerks. In such markets merchants seldom appear: the principal objects there, are the fruits and productions of the earth, and articles of the first necessity for life, not manufactures strictly so called. A poor fellow often sells, to purchase bread to eat; not to pay what he did eat, while he was employed in the work he disposes of. The consumer often measures the value of what he is about to purchase, by the weight of his purse, and his desire to consume.

As these distinctions cannot be conveyed in the terms by which we are obliged to express them, and as they must frequently be implied, in treating of matters relating to trade and industry, I thought the best way was, to clear up my own ideas concerning them, and to lay them in order before my reader, before I entered farther into my subject.

All difference of opinion upon matters of this nature proceeds, as I believe, from our language being inadequate to express our ideas, from our inattention, in using terms which appear synonymous, and from our natural propensity to include, under general rules, things which, upon some occasions, common reason requires to be set asunder.

C H A P. VIII.

Of what is called Expence, Profit, and Loss.

AS we have been employed in explaining of terms, it will not be amiss to say a word concerning those which stand in the title of this chapter.

The term *expence*, when simply expressed, without any particular relation, is always understood to be relative to money. This kind I distinguish under the three heads, of *private*, *public*, and *national*.

1. *Private expence* is, what a private person, or private society, lays out, either to provide articles of consumption, or something more permanent, which may be conducive to their ease, convenience, or advantage. Thus we say, a large domestic *expence*, relative to one who spends a great income. We say, a merchant has been at great *expence* for magazines, for living, for clerks, &c. but never that he has been at any in buying goods. In the same way a manufacturer may expend for building, machines, horses, and carriages, but never for the matter he manufactures. When a thing is bought, in order to be sold again, the sum employed is called *money advanced*; when it is bought not to be sold, it may be said to be *expended*.

2. *Public expence* is, the employment of that money, which has been contributed by individuals, for the current service of the state. The contribution, or gathering it together, represents the effects of many articles of *private expence*; the laying it out when collected, is *public expence*.

3. *National expence*, is what is expended out of the country: this is what diminishes national wealth. The principal distinction to be here attended to, is between *public expence*, or the laying out of public money, and *national expence*, which is the alienating the nation's

nation's wealth in favour of strangers. Thus the greatest *public expence* imaginable, may be no national expence; because the money may remain at home. On the other hand, the smallest *public*, or even *private expence*, may be a national expence; because the money may go abroad.

Profit, and *loss*, I divide into *positive*, *relative*, and *compound*. *Positive profit*, implies no loss to any body; it results from an augmentation of labour, industry, or ingenuity, and has the effect of swelling or augmenting the public good.

Positive loss, implies no profit to any body; it is what results from the cessation of the former, or of the effects resulting from it, and may be said to diminish the public good.

Relative profit, is what implies a loss to some body; it marks a vibration of the balance of wealth between parties, but implies no addition to the general stock.

Relative loss, is what, on the contrary, implies a profit to some body; it also marks a vibration of the balance, but takes nothing from the general stock.

The *compound* is easily understood; it is that species of profit and loss which is partly *relative*, and partly *positive*. I call it compound, because both kinds may subsist inseparably in the same transaction.

C H A P. IX.

The general consequences resulting to a trading Nation, upon the opening of an active foreign Commerce.

DID I not intend to confine myself to very general topics in this chapter, I might in a manner exhaust the whole subject of modern oeconomy under this title; for I apprehend that the whole

whole system of modern politics is founded upon the basis of an active foreign trade.

A nation which remains passive in her commerce, is at the mercy of those who are active, and must be greatly favoured, indeed, by natural advantages, or by a constant flux of gold and silver from her mines, to be able to support a correspondence, not entirely hurtful to the augmentation of her wealth.

These things shall be more enlarged upon as we go along: the point in hand, is, to consider the consequences of this trade, relatively to those who are the actors in the operation.

When I look upon the wide field which here opens to my view, I am perplexed with too great a variety of objects. In one part, I see a decent and comely beginning of industry; wealth flowing gently in, to recompence ingenuity; numbers both augmenting, and every one becoming daily more useful to another; agriculture proportionally extending itself; no violent revolutions; no exorbitant profits; no insolence among the rich; no excessive misery among the poor; multitudes employed in producing; great oeconomy upon consumption; and all the instruments of luxury, daily produced by the hands of the diligent, going out of the country for the service of strangers; not remaining at home for the gratification of sensuality. At last the augmentations come insensibly to a stop. Then these rivers of wealth, which were in brisk circulation through the whole world, and which returned to this trading nation as blood returns to the heart, only to be thrown out again by new pulsations, begin to be obstructed in their course; and flowing abroad more slowly than before, come to form stagnations at home. These, impatient of restraint, soon burst out into domestic circulation. Upon this cities swell in magnificence of buildings; the face of the country is adorned with palaces, and becomes covered with groves; luxury shines triumphant in every part; inequality becomes more striking to the eye; and want and misery appear more deformed, from the contrast: even fortune grows more

more whimsical in her inconstancy; the beggar of the other day, now rides in his coach; and he who was born in a bed of state, is seen to die in a gaol, or in an alms-house. Such are the effects of great domestic circulation.

The statesman looks about with amazement; he, who was wont to consider himself as the first man in the society in every respect, perceives himself, perhaps, eclipsed by the lustre of private wealth, which avoids his grasp when he attempts to seize it. This makes his government more complex and more difficult to be carried on; he must now avail himself of art and address as well as of power and force. By the help of cajoling and intrigues, he gets a little into debt; this lays a foundation for public credit, which, growing by degrees, and in its progress assuming many new forms, becomes, from the most tender beginnings, a most formidable monster, striking terror into those who cherished it in its infancy. Upon this, as upon a triumphant war-horse, the statesman gets a-stride; he then appears formidable a-new; his head turns giddy; he is choaked with the dust he has raised; and at the moment he is ready to fall, to his utter astonishment and surprize, he finds a strong monied interest, of his own creating, which, instead of swallowing him up as he apprehended, flies to his support. Through this he gets the better of all opposition, he establishes taxes, multiplies them, mortgages his fund of subsistence, either becomes a bankrupt, and rises again from his ashes; or if he be less audacious, he stands trembling and tottering for a while on the brink of the political precipice. From one or the other of these perilous situations, he begins to discover an endless path which, after a multitude of windings, still returns into its self, and continues an equal course through this vast labyrinth: but of this last part, more in the third book.

It is now full time to leave off rhapsody, and return to reasoning and cool inquiry, concerning the more immediate and more general

ral effects and revolutions produced by the opening of a foreign trade in a nation of industry.

The first and most sensible alteration will be an increase of demand for manufacturers, because by supplying the wants of strangers, the number of consumers will now be considerably augmented. What again will follow upon this, must depend upon circumstances.

If this revolution in the state of demand should prove too violent, the consequence of it will be to *raise* demand; if it should prove gradual, it will *increase* it. I hope this distinction is well understood, and that the consequence appears just: for, if the supply do not increase in proportion to the demand, a competition will ensue among the demanders; which is the common effect of such sudden revolutions. If, on the other hand, a gentle increase of demand should be accompanied with a proportional supply, the whole industrious society will grow in vigour, and in wholesome stature, without being sensible of any great advantage or inconvenience; the change of their circumstances will even be imperceptible.

The immediate effects of the violent revolution will, in this example, be flattering to some, and disagreeable to others. Wealth will be found daily to augment, from the rising of prices, in many branches of industry. This will encourage the industrious classes, and the idle consumers at home will complain. I have already dwelt abundantly long upon the effects resulting from this to the lower classes of the people, in providing them with a certain means of subsistence. Let me now examine in what respect even the higher classes will be made likewise to feel the good effects of this general change, although at first they may suffer a temporary inconvenience from it.

Farmers, as has been observed, will have a greater difficulty in finding servants, who, instead of labouring the ground, will choose to turn themselves to manufactures. This we have considered in

the light of purging the lands of superfluous mouths; but every consequence in this great chain of politics draws other consequences after it, and as they follow one another, things put on different faces, which affect classes differently. The purging of the land is but one of the first; here follows another.

The desertion of the lands employed in a trifling agriculture will at first, no doubt, embarrass the farmers; but in a little time every thing becomes balanced in a trading nation, because *here* every *industrious* man must advance in prosperity, in spite of all general combinations of circumstances.

In the case before us, the relative profits upon farming must soon become greater than formerly, because of this additional expence which must affect the whole class of farmers; consequently, this additional expence, instead of turning out to be a loss to either landlord or farmer, will, after some little time, turn out to the advantage of both: because the produce of the ground, being indispensably necessary to every body, must in every article increase in its value. Thus in a short time accounts will be nearly balanced on all hands; that is to say, the same proportion of wealth will, *ceteris paribus*, continue the same among the industrious. I say among the industrious; for those who are either idle, or even negligent, will be great losers.

A proprietor of land, inattentive to the causes of his farmer's additional expence, may very imprudently suffer his rents to fall, instead of assisting him on a proper occasion, in order to make them afterwards rise the higher.

Those who live upon a determined income in money, and who are nowise employed in traffic, nor in any scheme of industry, will, by the augmentation of prices, be found in worse circumstances than before.

In a trading nation every man must turn his talents to account, or he will undoubtedly be left behind in this universal emulation,

in which the most industrious, the most ingenious, and the most frugal will constantly carry off the prize.

This consideration ought to be a spur to every body. The richest men in a trading nation have no security against poverty, I mean proportional poverty; for though they diminish nothing of their income, yet by not increasing it in proportion to others, they lose their rank in wealth, and from the first class in which they stood, they will slide insensibly down to a lower.

There is one consequence of an additional beneficial trade, which raises demand and increases wealth; but if we suppose no proportional augmentation of supply, it will prove at best but an airy dream which lasts for a moment, and when the gilded scene is passed away, numberless are the inconveniencies which are seen to follow.

I shall now point out the natural consequences of this augmentation of wealth drawn from foreign nations, when the statesman remains inattentive to increase the supply both of food and manufactures, in proportion to the augmentation of mouths, and of the demand for the produce of industry.

In such a situation profits will daily swell, and every scheme for reducing them within the bounds of moderation, will be looked upon as a hurtful and unpopular measure: be it so; but let us examine the consequences.

We have said, that the rise of demand for manufactures naturally increases the value of work: now I must add, that under such circumstances, the augmentation of riches, *in a country, either not capable of improvement as to the soil, or where precautions have not been taken for facilitating a multiplication of inhabitants, by the importation of subsistence*, will be productive of the most calamitous consequences.

On one side, this wealth will effectually diminish the mass of the food before produced; and on the other, will increase the number of useless consumers. The first of these circumstances will raise the demand for food; and the second will diminish the number of

useful free hands, and consequently raise the price of manufactures: here are shortly the outlines of this progress.

The more rich and luxurious a people are, the more delicate they become in their manner of living; if they fed on bread formerly, they will now feed on meat; if they fed on meat, they will now feed on fowl. The same ground which feeds a hundred with bread, and a proportional quantity of animal food, will not maintain an equal number of delicate livers. Food must then become more scarce; demand for it rises; the rich are always the strongest in the market; they consume the food, and the poor are forced to starve. Here the wide door to modern distress opens; to wit, a hurtful competition for subsistence. Farther, when a people become rich, they think less of oeconomy; a number of useless servants are hired, to become an additional dead weight on consumption; and when their starving countrymen cannot supply the extravagance of the rich so cheaply as other nations, they either import instruments of foreign luxury, or seek to enjoy them out of their own country, and thereby make restitution of their gains.

Is it not therefore evident, that if, before things come to this pass, additional subsistence be not provided by one method or other, the number of inhabitants must diminish; although riches may daily increase by a balance of additional matter, supposed to be brought into the country in consequence of the hitherto beneficial foreign trade. This is not all. I say farther, that the beneficial trade will last for a time only. For the infallible consequence of the rise of prices at home will be, that those nations which at first consumed your manufactures, perceiving the gradual increase of their price, will begin to work for themselves; or finding out your rivals who can supply them cheaper, will open their doors to them. These again, perceiving the great advantages gained by your traders, will begin to supply the market; and since every thing must be cheaper in countries where we do not suppose the concurrence of all the circumstances mentioned above, these nations will supplant you, and be enriched in their turn.

Here

Here comes a new revolution. Trade is come to a stop: what then becomes of all the hands which were formerly employed in supplying the foreign demands?

Were revolutions so sudden as we are obliged to represent them, all would go to wreck; in proportion as they happen by quicker or slower degrees, the inconveniencies are greater or smaller.

Prices, we have said, are made to rise by competition. If the competition of the strangers was what raised them, the distress upon the manufacturers will be in proportion to the suddenness of their deserting the market. If the competition was divided between the strangers and the home consumers, the inconveniencies which ensue will be less; because the desertion of the strangers will be in some measure made up by an increase of home consumption which will follow upon the fall of prices. And if, in the third case, the natives have been so imprudent as not only to support a competition with the strangers, and thereby disgust them from coming any more to market, but even to continue the competition between themselves, the whole loss sustained by the revolution will be national. Wealth will cease to augment, but the inconveniencies, in place of being felt by the manufacturers, will only affect the state; those will continue in affluence, extolling the generosity of their countrymen, and despising the poverty of the strangers who had enriched them.

Domestic luxury will here prove an expedient for preserving from ruin the industrious part of a people, who, in subsisting themselves, had enriched their country. No change will follow in their condition; they will go on with a painful assiduity to labour, and if the consequences of it become now hurtful to one part of the state, they must, at least, be allowed to be essentially necessary for the support of the other.

But that luxury is no necessary concomitant of foreign trade, in a nation where the true principles of it are understood, will appear very plain, from a contrast I am now going to point out, in the
example

example of a modern state, renowned for its commerce and frugality. The country I mean, is Holland.

A set of industrious and frugal people were assembled in a country, by nature subject to many inconveniencies, the moving of which necessarily employed abundance of hands. Their situation upon the continent, the power of their former masters, and the ambition of their neighbours, obliged them to keep great bodies of troops. These two articles added to the numbers of the community, without either enriching the state by their labour exported, or producing food for themselves or countrymen.

The scheme of a commonwealth was calculated to draw together the industrious; but it has been still more useful in subsisting them: the republican form of government, being there greatly subdivided, vests authority sufficient in every part of it, to make suitable provision for their own subsistence; and the tie which unites them, regards only matters of public concern. Had the whole been governed by one sovereign, or by one council, this important matter never could have been effectuated.

I imagine it would be impossible for the most able minister that ever lived, to provide nourishment for a country so extended as France, or even as England, supposing these as fully peopled as Holland is: even although it should be admitted that a sufficient quantity of food might be found in other countries for their subsistence. The enterprise would be too great, abuses would multiply; the consequence would be, that the inhabitants would die for want. But in Holland the case is different, every little town takes care of its own inhabitants; and this care, being the object of application and profit to so many persons, is accomplished with success.

When once it is laid down as a maxim in a country, that food must of necessity be got from abroad, in order to feed the inhabitants at home, the corn trade becomes considerable, and at the same time certain, regular, and permanent. This was the case in Holland:

Holland: as the inhabitants were industrious, the necessary consequence has been, a very extraordinary multiplication; and at the same time such an abundance of grain, that instead of being in want themselves, they often supply their neighbours. There are many examples of England's being supplied with grain from thence, and, which is still more extraordinary, from the re-exportation of the very produce of its own fruitful soil.

It is therefore evident, that the only way to support industry, is to provide a supply of subsistence, constantly proportional to the demand that may be made for it. This is a precaution indispensably necessary for preventing hurtful competition. This is the particular care of the Dutch: so long as it can be effectual, their state can fear no decline; but whenever they come to be distressed in the markets, upon which they depend for subsistence, they will sink into ruin. It is by mere dint of frugality, cheap and parsimonious living, that the navigation of this industrious people is supported. Constant employment, and an accumulation of almost imperceptible gains, fills their coffers with wealth, in spite of the large outgoings to which their own proper nourishment yearly forces them. The large profits upon industry in other countries, which are no proof of generosity, but a fatal effect of a scanty subsistence, is far from dazzling their eyes. They seldom are found in the list of competitors at any foreign port; if they have their cargo to dispose of, they wait with pleasure in their own vessels, consuming their own provisions, and at last accept of what others have left. It may be said, that many other circumstances concur in favour of the Dutch, besides the article of subsistence. I shall not dispute this matter; but only remind my reader of what was said in the first book; to wit, that if a computation be made of the hands employed in providing subsistence, and of those who are severally taken up in supplying every other want, their numbers will be found nearly to balance one another in the most luxurious countries. From this I conclude, that the article of food, among the
lower

lower classes, must bear a very high proportion to all the other articles of their consumption; and therefore a diminution upon the price of subsistence, must be of infinite consequence to manufacturers, who are obliged to buy it. From this consideration, let us judge of the consequence of such augmentations upon the price of grain, as are familiar to us; 30 or 40 *per cent.* seems nothing. Now this augmentation operates upon two thirds, at least, of the whole expence of a labouring man: let any one who lives in tolerable affluence make the application of this to himself, and examine how he would manage his affairs if, by accidents of rains or winds, his expences were to rise 30 *per cent.* without a possibility of restraining them; for this is unfortunately the case with all the lower classes. From whence I conclude, that the keeping food cheap, and still more the preserving it at all times at an equal standard, is the fountain of the wealth of Holland; and that any hurtful competition in this article must beget a disorder which will affect the whole of the manufacturers of a state.

C H A P. X.

Of the Balance of Work and Demand.

IT is quite impossible to go methodically through the subject of political oeconomy, without being led into anticipations. We have frequently mentioned this balance of work and demand, and shewed how important a matter it is for a statesman to attend to it. The thing, therefore, in general is well understood; and all that remains to be done, is to render our ideas more determined concerning it, and more adequate, if possible, to the principles we have been laying down.

We

We have treated fully of demand, and likewise of competition. We have observed how different circumstances influence these turns, so as to make them represent ideas entirely different; and we have said that double competition supports the balance we are now to speak of, and that single competition overturns it.

The word demand in this chapter is taken in the most simple acceptance; and when we say that the balance between work and demand is to be sustained in equilibrio, as far as possible, we mean that the quantity supplied should be in proportion to the quantity demanded, that is, *wanted*. While the balance stands justly poised, prices are found in the adequate proportion of the real expence of making the goods, with a small addition for profit to the manufacturer and merchant.

I have, in the fourth chapter, observed how necessary a thing it is to distinguish the two constituent parts of every price; the value, and the profit. Let the number of persons be ever so great, who, upon the sale of a piece of goods, share in the profits; it is still essential, in such enquiries as these, to suppose them distinctly separate from the real value of the commodity; and the best way possible to discover exactly the proportion between the one and the other, is by a scrupulous watchfulness over the balance we are now treating of, as we shall presently see.

The value and profits, combined in the price of a manufacture produced by one man, are easily distinguished, by means of the analysis we have laid down in the fourth chapter. As long as any market is *fully* supplied with this sort of work, and *no more*; those who are employed in it live by their trade, and gain no unreasonable profit: because there is then no violent competition upon one side only, neither between the workmen, nor between those who buy from them, and the balance gently vibrates under the influence of a double competition. This is the representation of a perfect balance.

VOL. I.

F f

This

This balance is overturned in four different ways.
 Either the demand diminishes, and the work remains the same:
 Or the work diminishes, and the demand remains:
 Or the demand increases, and the work remains:
 Or the work increases, and the demand remains.
 Now each of these four combinations may, or may not, produce a competition upon one side of the contract only. This must be explained.

If demand diminishes, and work remains the same, which is the first case, either those who furnish the work will enter into competition, in which case they will hurt each other, and prices will fall below the reasonable standard of the even balance; or they will not enter into competition, and then prices continuing as formerly, the whole demand will be supplied, and the remainder of the work will lie upon hand.

This is a symptom of decaying trade.

Let us now, on the other hand, suppose demand to increase, and work to remain as before.

This example points out no diminution on either side, as was the case before, but an augmentation upon one; and is either a symptom of growing luxury at home, or of an increase in foreign trade.

Here the same alternation of circumstances occurs. The demanders will either enter into competition and raise the price of work, or they will enter into no competition; but being determined not to exceed the ordinary standard of the perfect balance, will defer making their provision till another time, or supply themselves in another market; that is to say, the new demand will cease as soon as it is made, for want of a supply.

Whenever, therefore, this perfect balance of work and demand is overturned by the force of a simple competition, or by one of the scales preponderating, one of two things must happen; either a part of the demand is not answered, or a part of the goods is not sold.

These

These are the immediate effects of the overturning of the balance.

Let me next point out the object of the statesman's care, relatively to such effects, and shew the consequences of their being neglected.

We may now simplify our ideas, and instead of the former combinations, make use of other expressions which may convey them.

Let us therefore say, that the *fall* or *rise* upon either side of the balance, is *positive*, or *relative*. *Positive*, when the side we talk of really augments beyond, or diminishes below the usual standard. *Relative*, when there is no alteration upon the side we speak of, and that the subversion of the balance is owing to an alteration on the other side. As for example:

Instead of saying demand diminishes, and work remains the same, let us say, demand diminishes *positively*, or work increases *relatively*; according as the subject may lead us to speak either of the one or of the other. This being premised,

If the scale of work shall preponderate *positively*, it should be inquired, whether the quantity furnished has really swelled, in all respects, beyond the proportion of the consumption, (in which case the statesman should diminish the number of hands, by throwing a part of them into a new channel) or whether the imprudence of the workmen has only made them produce their work unseasonably; in which case, proper information, and even assistance should be given them, to prevent merchants from taking the advantage of their want of experience: but these last precautions are necessary only in the infancy of industry.

If a statesman should be negligent on this occasion; if he should allow natural consequences to follow upon one another, just as circumstances shall determine; then it may happen, that workmen will keep upon hand that part of their goods which exceeds the demand, until necessity forces them to enter into competition with one another, and sell for what they can get. Now this competition is hurtful, because it is all on one side, and because we have

supposed the preponderating of the scale of work to be an overturning of a perfect balance, which can by no means be set right, consistently with a scheme of thriving, but by the scale of demand becoming heavier, and re-establishing a double competition. Were this to happen before the workmen come to sell in competition, then the balance would again be even, after what I call a *short vibration*, which is no *subversion*; but when the scale of work remains too long in the same position, and occasions a strong, hurtful, and lasting competition, upon one side only, then, I say, the balance is *overturned*; because this diminishes the reasonable profits, or perhaps, indeed, obliges the workmen to sell below prime cost. The effect of this is, that the workmen fall into distress, and that industry suffers a discouragement; and this effect is certain.

But it may be asked, Whether, by this fall of prices, demand will not be increased? That is to say, will not the whole of the goods be sold off?

I answer, That this may, or may not, be the effect of the fall, according to circumstances: it is a contingent consequence of the simple, but not the effect of the double competition: the distress of the workmen is a certain and unavoidable consequence of the first.

But supposing this contingent consequence to happen, will it not set the balance even, by increasing the demand? I answer, the balance is then made even by a violent shock given to industry, but it is not set even from any principle which can support it, or make it flourish. Here is the criterion of a perfect balance: *A positive moderate profit must balance a positive moderate profit; the balance must vibrate, and no loss must be found on either side.* In the example before us, the balance stands even, it is true; the work and the demand are equally poised as to quantity; but it is a *relative profit*, which hangs in the scale, opposite to a *relative loss*. I wish this may be well understood; farther illustrations will make it clear.

Next,

Next, let me suppose the scale of *demand* to preponderate positively. In this case, the statesman should be still more upon his guard, to provide a proportional supply; because the danger here may at first put on a show of profit, and deceive him.

The consequences of this subversion of the balance are either, first, That a competition will take place among the demanders only, which will raise profits. Now if, after a short vibration, the supply comes to be increased by the statesman's care, no harm will ensue; competition will change sides, and profits will come down again to the perfect standard. But if the scale of demand remains preponderating, and so keeps profits high, the consequence will be, that, in a little time, not only the immediate seller of the goods, but also every one who has contributed to the manufacture, will insist upon sharing these new profits. Now the evil is not, that every one should share, or that the profits should swell, as long as they are supported by demand, and as long as they can truly be considered as precarious; but the mischief is, that, in consequence of this wide repartition, and by such *profits* subsisting for a long time, they insensibly become *consolidated*, or, as it were, transformed into the *intrinsic value* of the goods. This, I say, is brought about by time; because the habitual extraordinary gains of every one employed induce the more luxurious among them to change their way of life insensibly, and fall into the habit of making greater consumptions, and engage the more slothful to remain idle, till they are exhausted. When therefore it happens, that large profits have been made for a considerable time, and that they have had the effect of forming a taste for a more expensive way of living among the industrious, it will not be the cessation of the demand, nor the swelling of the supply, which will engage them to part with their gains. Nothing will operate this effect but sharp necessity; and the bringing down of their profits, and the throwing the workmen into distress, are then simultaneous; which proves the truth of what I have said, that these profits become, by long

long habit, virtually *consolidated* with the real value of the merchandize. These are the consequences of a neglected simple competition, which raises the profits upon industry, and keeps the balance overturned for a considerable time.

2dly, Let me examine the consequences of this overturn in the actual preponderancy of demand, when it does not occasion a competition among the demanders, and consequently, when it does not increase the profits upon industry:

This case can only happen, when the commodity is not a matter of great necessity, or even of great use; since the desire of procuring it is not sufficient to engage the buyers to raise their price; unless, indeed, this difference should proceed from the ease of providing the same, in other markets, as cheap as formerly. This last is a dangerous circumstance, and loudly calls for the attention of the statesman. He must prevent, by all possible means, the desertion of the market, by a speedy supply for all the demand, and must even perhaps give encouragements to manufacturers, to enable them to diminish the prices fixed by the regular standard. This is the situation of a nation which is in the way of losing branches of her foreign trade; of which afterwards.

Whatever therefore be the consequence of the actual preponderancy of the scale of demand; that is, whether it tend to raise profits, or to discredit the market; the statesman's care should be directed immediately towards making the balance come even of itself, without any shock, and that as soon as possible, by increasing the supply. For if it be allowed to stand long in this overturned state, natural consequences will operate a forced restitution; that is, the rise in the price, or the call of a foreign market, will effectually cut off a proportional part of the demand, and leave the balance in an equilibrium, disadvantageous to trade and industry.

In the former case, the manufacturers were forced to starve, by an unnatural restitution, when the relative profit and loss of individuals

viduals balanced one another. Here the manufacturers are enriched for a little time, by a rise of profits, relative to the loss the nation sustains, by not supplying the whole demand. This results from the competition of their customers; but so soon as these profits become *consolidated* with the intrinsic value, they will cease to have the advantage of profits, and, becoming in a manner necessary to the existence of the goods, will cease to be considered as advantageous. These forced restitutions then, brought about, as we have said, by selling goods below their value, by cutting off a part of the demand, or by sending it to another market, resembles the operation of a carrier, who sets his ass's burden even, by laying a stone upon the lightest end of it. He however loses none of his merchandize; but the absurdity of the statesman is still greater, for he appears willingly to open the heavy end of the load, and to throw part of his merchandize into the high-way.

I hope, by this time, I have sufficiently shewn the difference in effect between the *simple* and the *double* competition; between the *vibrations* of this balance of work and demand, and the *overturning* of it. When it vibrates in moderation, and by short alternate risings and sinkings, then industry and trade go on prosperously, and are in harmony with each other; because both parties gain. The industrious man is recompenced in proportion to his ingenuity; the intrinsic value of goods does not vary, nor deceive the merchant; profits on both sides fluctuate according to demand, but never get time to consolidate with, and swell the real value, and never altogether disappear, and starve the workman.

This happy state cannot be supported but by the care of the statesman; and when he is found negligent in the discharge of this part of his duty, the consequence is, that either the spirit of industry, which, it is supposed, has cost him much pains to cultivate, is extinguished, or the produce of it rises to so high a value, as to be out of the reach of a multitude of purchasers.

The

The progress towards the one or the other of these extremes is easily perceived, by attending to the successive overturnings of the balance. When these are often repeated on the same side, and the balance set right, by a succession of forced restitutions only, the same scale preponderating a-new, then is the last period soon accomplished. When, on the contrary, the overturnings are alternate, sometimes the scale of demand overturning the balance, sometimes the scale of work, the last period is more distant. Trade and industry subsist longer, but they remain in a state of perpetual convulsion. On the other hand, when the balance gently vibrates, then work and demand, that is, trade and industry, like agriculture and population, prove mutually assisting to each other, in promoting their reciprocal augmentation.

In order therefore to preserve a trading state from decline, the greatest care must be taken, to support a perfect balance between the hands employed in work and the demand for their labour. That is to say, according to former definitions, to prevent demand from ever standing long at an immoderate height, by providing at all times a supply, sufficient to answer the greatest that ever can be made: or, in other words, still, in order to accustom my readers to certain expressions, to encourage the *great*, and to discourage the *high* demand. In this case, competition will never be found too strong on either side of the contract, and profits will be moderate, but sure, on both.

If, on the contrary, there be found too many hands for the demand, work will fall too low for workmen to be able to live; or, if there be too few, work will rise, and manufactures will not be exported.

For want of this just balance, no trading state has ever been of long duration, after arriving at a certain height of prosperity. We perceive in history the rise, progress, grandeur, and decline of Sydon, Tyre, Carthage, Alexandria, and Venice, not to come nearer home. While these states were on the growing hand, they were powerful;

powerful; when once they came to their height, they immediately found themselves labouring under their own greatness. The reason of this appears from what has been said.

While there is a demand for the trade of any country, inhabitants are always on the increasing hand. This is evident from what has been so often repeated in the first book, and confirmed by thousands of examples. There never was any branch of trade established in any kingdom, province, city, or even village; but such kingdom, province, &c. increased in inhabitants. While this gradual increase of people is in proportion to the growing demand for hands, the balance between work and demand is exactly kept up: but as all augmentations must at last come to a stop, when this happens, inconveniences must ensue, greater or less, according to the negligence of the statesman, and the violence or suddenness of the revolution.

C H A P. XI.

Why in Time this Balance is destroyed.

NOW let us examine what may be the reason why, in a trading and industrious nation, time necessarily destroys the perfect balance between work and demand.

We have already pointed out one general cause, to wit, the natural stop which must at last be put to augmentations of every kind.

Let us now apply this to circumstances, in order to discover in what manner natural causes operate this stop, either by preventing the increase of work, on one side of the balance, or the increase of demand, on the other. When once we discover how the

stop is put to augmentations, we may safely conclude, that the continuation of the same, or similar causes, will soon produce a diminution, and operate a decline.

[We have traced the progress of industry, and shewn how it goes hand in hand with the augmentation of subsistence, which is the principal allurements to labour. Now the augmentation of food is relative to the soil, and as long as this can be brought to produce, at an expence proportioned to the value of the returns, agriculture, without any doubt, will go forward in every country of industry. But so soon as the progress of agriculture demands an additional expence, which the natural return, at the stated prices of subsistence, will not defray, agriculture comes to a stop, and so would numbers, did not the consequences of industry push them forward, in spite of small difficulties. The industrious then, I say, continue to multiply, and the consequence is, that food becomes scarce, and that the inhabitants enter into competition for it.]

This is no contingent consequence, it is an infallible one; because food is an article of the first necessity, and here the provision is supposed to fall short of the demand. This raises the profits of those who have food ready to sell; and as the balance upon this article must remain overturned for some time, without the interposition of the statesman, these profits will be consolidated with the price, and give encouragement to a more expensive improvement of the soil. I shall here interrupt the examination of the consequences of this revolution as to agriculture, until I have examined the effects which the rise of the price of food produces on industry, and on the demand for it.

This augmentation on the value of subsistence must necessarily raise the price of all work, because we are here speaking of an industrious people fully employed, and because subsistence is one of the three articles which compose the intrinsic value of their work, as has been said.

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The rise therefore, upon the price of work, not being any augmentation of that part of the price which we call profits, as happens to be the case when a rise in demand has produced a competition among the buyers, cannot be brought down but by increasing the supply of subsistence; and were a statesman to mistake the real cause of the rise, and apply the remedy of increasing the quantity of work, in order to bring down the market, instead of augmenting the subsistence, he would occasion a great disorder; he would introduce the hurtful simple competition between people who labour for moderate profits, mentioned in the last chapter, and would throw such a discouragement upon their industry, as would quickly extinguish it altogether.

On the other hand, did he imprudently augment the subsistence, by large importations, he would put an end to the expensive improvements of the soil, and this whole enterprize would fall to nothing. Here then is a dilemma, out of which he can extricate himself by a right application of public money, only.

Such a necessary rise in the price of labour may either affect foreign exportation, or it may not, according to circumstances. If it does, the price of subsistence, at any rate, must be brought down at least to those who supply the foreign demand; if it does not affect foreign exportation, matters may be allowed to go on; but still the remedy must be ready at hand, to be applied the moment it becomes expedient.

There is one necessary augmentation upon the prices of industry, brought about by a very natural cause, viz. the increase of population, which may imply a more expensive improvement of the soil; that is, an extension of agriculture. This augmentation may very probably put a stop to the augmentation of demand for many branches of manufactures, consequently may stop the progress of industry; and if the same causes continue to operate in a greater degree, it may also cut off a part of the former demand, may discredit the market, open a door to foreign consumption, and

produce the inconveniencies of poverty and distress, in proportion to the degree of negligence in the statesman.

I shall now give another example, of a very natural augmentation upon the intrinsic value of work, which does not proceed from the increase of population, but from the progress of industry itself; which implies no internal vice in a state, but which is the necessary consequence of the reformation of a very great one. This augmentation must be felt less or more in every country, in proportion as industry becomes extended.

We have said, that the introduction of manufactures naturally tends to purge the lands of superfluous mouths: now this is a very slow and gradual operation. A consequence of it was said to be (Book I. Chap. xx.) an augmentation of the price of labour, because those who have been purged off, must begin to gain their whole subsistence at the expence of those who employ them.

If therefore, in the infancy of industry, any branch of it shall find itself assisted in a particular province, by the cheap labour of those mouths superfluously fed by the land, examples of which are very frequent, this advantage must diminish, in proportion as the cause of it ceases; that is, in proportion as industry is extended, and as the superfluous mouths are of consequence purged off.

This circumstance is of the last importance to be attended to by a statesman. Perhaps it was entirely owing to it, that industry was enabled to set up its head in this corner. How many examples could I give, of this assistance given to manufactures in different provinces, where I have found the value of a day's work, of spinning, for example, not equal to half the nourishment of the person. This is a great encouragement to the making of cloths; and accordingly we see some infant manufactures dispute the market with the produce of the greatest dexterity; the distaff dispute prices with the wheel. But when these provinces come to be purged of their superfluous mouths, spinning becomes a trade,
and

and the spinners must live by it. Must not then prices naturally rise? And if these are not supported by the statesman, or if assistance is not given to these poor manufacturers, to enable them to increase their dexterity, in order to compensate what they are losing in cheapness, will not their industry fail? Will not the poor spinners be extinguished? For it is not to be expected, that the landlord will receive them back again from a principle of charity, after he has discovered their former usefulness.

A third cause of a necessary augmentation upon the intrinsic value of goods proceeds from taxes. A statesman must be very negligent indeed, if he does not attend to the immediate consequences of his own proper operations. I shall not enlarge on this at present, as it would be an unnecessary anticipation; but I shall return, to resume the part of my reasoning which I broke off abruptly.

I have observed, how the same cause which stops the progress of industry, gives an encouragement to agriculture; how the rise in the price of subsistence necessarily increases the price of work to an industrious and well-employed people: how this cuts off a part of the demand for work, or sends it to a foreign market.

Now all these consequences are entirely just, and yet they seem contradictory to another part of my reasoning, (Book I. Chap. xvi.) where I set forth the advantages of a prodigal consumption of the earth's produce as advantageous to agriculture, by increasing the price of subsistence, without taking notice, on the other hand, of the hurt thereby done to industry, which supports the consumption of that produce.

The one and the other chain of consequences is equally just, and they appear contradictory only upon the supposition, that there is no statesman at the helm. These contradictions represent the alternate overturn of the balance. The duty of the statesman is, to support the double competition every where, and to permit only the gentle alternate vibrations of the two scales.

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When the progress of industry has augmented numbers, and made subsistence scarce, he must estimate to what height it is expedient that the price of subsistence should rise. If he finds, that, in order to encourage the breaking up of new lands, the price of it must rise too high, and stand high too long, to preserve the intrinsic value of goods at the same standard as formerly; then he must assist agriculture with his purse, in order that exportation may not be discouraged. This will have the effect of increasing subsistence, according to the true proportion of the augmentation required, without raising the price of it too high. And if that operation be the work of time, and the demand for the augmentation be pressing, he must have subsistence imported, or brought from abroad, during that interval. This supply he may cut off whenever he pleases, that is, whenever it ceases to be necessary.

If the supply comes from a sister country, it must be so taken, as to occasion no violent revolution when it comes to be interrupted a-new. As for example: One province demands a supply of grain from another, only for a few years, until their own soil can be improved, so as to provide them sufficiently. The statesman should encourage agriculture, no doubt, in the province furnishing, and let the farmers know the extent of the demand, and the time it may probably last, as near as possible; but he must discourage the plucking up of vineyards, and even perhaps the breaking up of great quantities of old pasture; because, upon the ceasing of the demand, such changes upon the agriculture of the province furnishing, may occasion a hurtful revolution.

While this foreign supply is allowed to come in, the statesman should be closely employed in giving such encouragement to agriculture at home, according to the principles hereafter to be deduced, as may nearly balance the discouragement given to it by this newly permitted importation. If this step be neglected, the consequence may be, that the foreign supply will go on increasing

every year, and will extinguish the agriculture already established in the country, in place of supplying a temporary exigency, which is within the power of the country itself to furnish. These, I suppose, were the principles attended to by the government of England, upon opening their ports for the importation of provisions from Ireland.

The principle, therefore, being to support a gentle increase of food, inhabitants, work, and demand, the statesman must suffer small vibrations in the balance, which, by alternate competition, may favour both sides of the contract; but whenever the competition stands too long upon either side, and threatens a subversion of the balance, then, with an artful hand, he must endeavour to load the lighter scale, and never, but in cases of the greatest necessity, have recourse to the expedient of taking any thing from the heavier.

In treating of the present state of France, we observed, in the chapter above-cited, how the vibration of the balance of agriculture and population may carry food and numbers to their height; but as foreign trade was not there the direct object of inquiry, I did not care to introduce this second balance of work and demand, for fear of perplexing my subject. I hope I have now abundantly shewn the force of the different principles; and it must depend upon the judgment of the statesman to combine them together, and adapt them to his plan: a thing impossible to be even chalked out by any person who is not immediately at the head of the affairs of a nation. My work resembles the formation of the pure colours for painting, it is the artist's business to mix them: all I can pretend to, is to reason consequentially from suppositions. If I go at any time farther, I exceed my plan, and I confess the fault.

I shall now conclude my chapter by introducing a new subject. I have been at pains to shew how the continued neglect of a statesman, in watching over the vibrations of the balance of work and demand,

demand, naturally produces a total subversion of it; but this is not, of itself, sufficient to undo an industrious people. Other nations must be taught to profit of the disorder; and this is what I call the competition between nations.

C H A P. XII.

Of the Competition between Nations.

MANKIND daily profit by experience, and acquire knowledge at their own cost.

We have said that what lays the foundation of foreign trade, is the ease and conveniency which strangers find in having their wants supplied by those who have set industry on foot. The natural consequence of this foreign demand is to bring in wealth, and to promote augmentations of every kind. As long as these go on, it will be impossible for other nations to rival the traders, because their situation is every day growing better: dexterity increasing, diminishes the price of work; every circumstance, in short, becomes more favourable; the balance never vibrates, but by one of the scales growing positively heavier, and it is constantly coming even by an increase of weight on the other side. We have seen how these revolutions never can raise the intrinsic value of goods, and have observed that this is the road to greatness.

The slower any man travels, the longer he is in coming to his journey's end; and when his health requires travelling, and that he cannot go far from home, he rides out in a morning and comes home to dinner.

This represents another kind of vibration of the balance, and when things are come to such a height as to render a train of aug-

mentations

mentations impossible, the next best expedient is, to permit alternate vibrations of diminution and augmentation.

Work augments, I shall suppose, and no more demand can be procured; it may then be a good expedient to diminish hands, by making soldiers of them; by employing them in public works; or by sending them out of the country to become useful in its colonies. These operations give a relative weight to the scale of demand, and revive a competition on that side. Then the industrious hands must be gently increased a-new, and the balance kept in vibration as long as possible. By these alternate augmentations and diminutions, hurtful revolutions, and the subversion of the balance, may be prevented. This is an expedient for standing still without harm, when one cannot go forward to advantage.

If such a plan be followed, an industrious nation will continue in a situation to profit of the smallest advantage from revolutions in other countries, occasioned by the subversion of *their* balance; which may present an opportunity of new vibrations by alternate augmentations.

On such occasions, the abilities of a statesman are discovered, in directing and conducting what I call the delicacy of national competition. We shall then observe him imitating the mariners, who do not take in their sails when the wind falls calm, but keep them trimmed and ready to profit of the least breath of a favourable gale. Let me follow my comparison. The trading nations of Europe represent a fleet of ships, every one striving who shall get first to a certain port. The statesman of each is the master. The same wind blows upon all; and this wind is the principle of self-interest, which engages every consumer to seek the cheapest and the best market. No trade wind can be more general, or more constant than this; the natural advantages of each country represent the degree of goodness of each vessel; but the master who sails his ship with the greatest dexterity, and he who can lay his rivals under

the lee of his fails, will, *ceteris paribus*, undoubtedly get before them, and maintain his advantage.

While a trading nation, which has got an established advantage over her rivals, can be kept from declining, it will be very difficult, if not impossible, for any other to enter into competition with her: but when the balance begins to vibrate by alternate diminutions; when a decrease of demand operates a failure of supply; when this again is kept low, in order to raise the competition of consumers; and when, instead of restoring the balance by a gentle augmentation, a people are engaged, from the allurements of high profits, to discourage every attempt to bring down the market; then the cissars of foreign rivalship will fairly trim off the superfluity of demand; the simple competition will cease; prices will fall, and a return of the same circumstances will prepare the way for another vibration downwards.

Such operations as these, are just what is requisite for facilitating the competition of rival nations; and the only means possible to engage those who did not formerly work, to begin and supply themselves.

Did matters stand so, the evil would be supportable; strangers would only supply the superfluities of demand, and the balance would still be found in a kind of equilibrium at home. But, alas! even this happy state can only be of short duration. The beginnings of trade with the strangers will prove just as favourable to the vibration of their balance, by augmentations, as it was formerly to the home-traders; and now every augmentation to those, must imply a diminution to the others. What will then become of those hands, in the trading nation, who subsist only by supplying the foreign market? Will not this revolution work the same effect, as to them, as if an additional number of hands had been employed to supply the same consumption? And will not this utterly destroy the balance among the traders, by throwing an unfurmountable

competition on the side of the supply? It will however have a different effect from what might have happened, if the same number of hands had been thrown into the trading nation; for, in this case, they might only destroy the consolidated profits upon labour, and perhaps restore the balance: the inconveniency would be equally felt by every workman, but profit would result to the public. But in the other case, the old traders will find no foreign sale for their work; these branches of industry will fall below the price of subsistence, and the new beginners will have *reasonable* profits in supplying their own wants. I say *reasonable*, because this transition of trade from one nation to another, never can be sudden or easy; and can only take place in proportion to the rise in the intrinsic value of goods in that which is upon the decline, not in proportion to the rise in their profits upon the sale of them: for as long as the most extravagant profits do not become consolidated, as we have said, with the value of the work, a diminution of competition among the consumers, which may be occasioned by a beginning of foreign industry, will quickly make them disappear; and this will prove a fatal blow to the first undertakings of the rival nations. But when once they are fairly so consolidated, that prices can no more come down of themselves, and that the statesman will not lend his helping hand, then the new beginners pluck up courage, and set out by making small profits: because in all new undertakings there is mismanagement and considerable loss; and nothing discourages mankind from new undertakings more than difficult beginnings.

As long, therefore, as a trading state is upon the rising hand, or even not upon the decline, and while the balance is kept right without the expedient of alternate diminutions, work will always be supplied from that quarter, cheaper than it possibly can be furnished from any other, where the same dexterity does not prevail. But when a nation begins to lose ground, then the very columns which supported her grandeur, begin, by their weight, to precipitate her decline.

decline. The wealth of her citizens will support and augment home demand, and encourage that blind fondness for high profits, which it is impossible to preserve. The moment these consolidate to a certain degree, they have the effect of banishing from the market the demand of strangers, who only can enrich her. It is in vain to look for their return after the nation has discovered her mistake, although she should be able to correct it; because, before this can happen, her rivals will have profited of the golden opportunity, and during the infatuation of the traders, will, even by their assistance, have got fairly over the painful struggle against their superior dexterity.

Thus it happens, that so soon as matters begin to go backward in a trading nation, and that by the increase of their riches, luxury and extravagance take place of oeconomy and frugality among the industrious; when the inhabitants themselves foolishly enter into competition with strangers for their own commodities; and when a statesman looks coolly on, with his arms across, or takes it into his head, that it is not his business to interpose, the prices of the dextrous workman will rise above the amount of the management, loss, and reasonable profits, of the new beginners; and when this comes to be the case, trade will decay where it flourished most, and take root in a new soil. This I call a competition between nations.

C H A P. XIII.

How far the Form of Government of a particular Country may be favourable or unfavourable to a Competition with other Nations, in matters of Commerce.

THE question before us, though relative to another science, is not altogether foreign to this. I introduce it in this place, not so much for the sake of connexion, as by way of digression, which at the same time that it has a relation to general principles, may also prove a relaxation to the mind, after so long a chain of close reasoning.

In setting out, I informed my readers that I intended to treat of the political oeconomy of free nations only; and upon every occasion where I have mentioned slavery, I have pointed out how far the nature of it is contrary to the advancement of private industry, the inseparable concomitant of foreign and domestic trade.

No term is less understood than that of *liberty*, and it is not my intention, at present, to enter into a particular inquiry into all the different acceptations of it.

By a people's being free, I understand no more than their being governed by general laws, well known, not depending upon the ambulatory will of any man, or any set of men, and established so as not to be changed, but in a regular and uniform way; for reasons which regard the body of the society, and not through favour or prejudice to particular persons, or particular classes. In so far as a power of dispensing with, restraining or extending general laws, is left in the hands of any governor, in so far, I consider public liberty as precarious. I do not say it is hereby hurt; this will depend upon the use made of such prerogatives. According to this definition of liberty, a people may be found to enjoy freedom

under the most despotic forms of government; and perpetual service itself, where the master's power is limited according to natural equity, is not altogether incompatible with liberty in the servant.

Here new ideas present themselves concerning the general principles of *subordination* and *dependence* among mankind; which I shall lay before my reader before I proceed, submitting the justness of them to his decision.

As these terms are both relative, it is proper to observe, that by *subordination* is implied an authority which superiors have over inferiors; and by *dependence*, is implied certain advantages which the inferiors draw from their subordination: a servant is under *subordination* to his master, and *depends* upon him for his subsistence.

Dependence is the only bond of society; and I have observed, in the fourth chapter of the first book, that the dependence of one man upon another for food, is a very natural introduction to slavery. This was the first contrivance mankind fell upon, in order to become useful to one another.

Upon the abolishing of slavery, from a principle of christianity, the next step taken, was the establishment of an extraordinary subordination between the different classes of the people; this was the principle of the feudal government.

The last refinement, and that which has brought liberty to be generally extended to the lowest denominations of a people, without destroying that dependence necessary to serve as a band of society, was the introduction of industry: by this is implied, the circulation of an adequate equivalent for every service, which procures to the rich, every advantage they could expect to reap, either from the servitude or dependence of the poor; and to these again, every comfort they could wish to enjoy under the mildest slavery, or most gentle subordination.

From this exposition, I divide dependence into three kinds. The first natural, between parents and children; the second political, between masters and servants, lords and vassals, Princes and subjects;

jects; the third commercial, between the rich and the industrious.

May I be allowed to transgress the limits of my subject for a few lines, and to dip so far into the principles of the law of nature, as to enquire, how far subordination among men is thereby authorized? I think I may decide, *that in so far as the subordination is in proportion to the dependence, in so far it is reasonable and just*. This represents an even balance. If the scale of subordination is found too weighty, tyranny ensues, and licentiousness is implied, in proportion as it rises above the level. From this let me draw some conclusions.

1mo. He who depended upon another, for the preservation of a life justly forfeited, and at all times in the power of him who spared it, was, by the civil law, called a slave. This surely is the highest degree of dependence.

2do. He who depends upon another for every thing necessary for his subsistence, seems to be in the second degree; this is the dependence of children upon their parents.

3tio. He who depends upon another for the means of procuring subsistence to himself by his own labour, stands in the third degree: this I take to have been the case between the feudal lords, and the lowest classes of their vassals, the labourers of the ground.

4to. He who depends totally upon the sale of his own industry, stands in the fourth degree: this is the case of tradesmen and manufacturers, with respect to those who employ them.

These I take to be the different degrees of subordination between man and man, considered as members of the same society.

In proportion, therefore, as certain classes, or certain individuals become more dependent than formerly, in the same proportion ought their just subordination to increase: and in proportion as they become less dependent than formerly, in the same proportion ought this just subordination to diminish. This seems to be a rational principle: next for the application.

I deduce

I deduce the origin of the great subordination under the feudal government, from the necessary dependence of the lower classes for their subsistence. They consumed the produce of the land, as the price of their subordination, not as the reward of their industry in making it produce.

I deduce modern liberty from the independence of the same classes, by the introduction of industry, and circulation of an adequate equivalent for every service.

If this doctrine be applied in order to resolve the famous question so much debated, concerning the origin of supreme authority, in so far as it is a question of the law of nature, I do not find the decision so very difficult: *All authority is in proportion to dependence, and must vary according to circumstances.*

I think it is as rational to say, that the fatherly power proceeded originally from the act of the children, as to say, that the great body of the people who were fed, and protected by a few great lords, was the fountain of power, and creator of subordination. Those who have no other equivalent to give for their food and protection, must pay in personal service, respect, and submission; and so soon as they come to be in a situation to pay a proper equivalent for these dependencies, in so far they acquire a title to liberty and independence. The feudal lords, therefore, who, with reason, had an entire authority over many of their vassals, being subdued by their King; the usurpation was upon *their* rights, not upon the rights of the lower classes: but when a King came to extend the power he had over the vassals of the lords, to the inhabitants of cities, who had been independent of that subordination, his usurpation became evident.

The rights of Kings, therefore, are to be sought for in history; and not founded upon the supposition of tacit contracts between them and their people, inferred from the principles of an imaginary law of nature, *which makes all mankind equal*: nature can never be in opposition to common reason.

The

The general principle I have laid down, appears, in my humble opinion, more rational than that imaginary contract; and as consonant to the full with the spirit of free government. If the original tacit contract of government between Prince and people is admitted universally, then all governments ought to be similar; and every subordination, which appears contrary to the entire liberty and independence of the lowest classes, ought to be construed as tyrannical: whereas, according to my principle, the subordination of classes may, in different countries, be vastly different; the prerogative of one sovereign may, from different circumstances, be far more extended than that of another.

May not one have attained the sovereignty (by the free election of the people, I suppose) because of the great extent of his possessions, number of his vassals and dependents, quantity of wealth, alliances and connexions with neighbouring sovereigns? Had not, for example, such a person as Hugh Capet, the greatest feudal Lord of his time, a right to a much more extensive jurisdiction over his subjects, than could reasonably be aspired to by a King of Poland, sent from France, or from Germany, and set at the head of a republic, where he has not one person depending upon him for any thing?

The power of Princes, as *Princes*, must then be distinguished from the power they derive from other circumstances, which do not necessarily follow in consequence of their elevation to the throne. It would, I think, be the greatest absurdity to advance, that the title of King abolishes, of itself, the subordination due to the person who exercises the office of that high magistracy.

Matter of fact, which is stronger than all reasoning, demonstrates the force of the principle here laid down. Do we not see how subordination rises and falls under different reigns, under a rich Elizabeth, and a necessitous Charles, under a powerful Austrian, and a distressed Bavarian Emperor? I proceed no farther in the exami-

nation of this matter: perhaps my reader has decided that I have gone too far already.

From these principles may be deduced the boundaries of subordination. A people who depend upon nothing but their own industry for their subsistence, ought to be under no farther subordination than what is necessary for their protection. And as the protection of the whole body of such a people implies the protection of every individual, so every political subordination should there be general and equal: no person, no class should be under a greater subordination than another. This is the subordination of the laws; and whenever laws establish a subordination more than what is proportionate to the dependence of those who are subordinate, in so far such laws may be considered as contrary to natural equity, and arbitrary.

These things premised, I come to the question proposed, namely, How far particular forms of government are favourable or unfavourable to a competition with other nations, in point of commerce?

If we reason from facts, and from experience, we shall find, that trade and industry have been found mostly to flourish under the republican form, and under those which have come the nearest to it. May I be allowed to say, that, perhaps, one principal reason for this has been, that under these forms the administration of the laws has been the most uniform, and consequently, that most liberty has *actually* been there enjoyed: I say *actually*, because I have said above, that in my acceptance of the term, liberty is equally compatible with monarchy as with democracy; I do not say the enjoyment of it is equally secure under both; because under the first it is much more liable to be destroyed.

The life of the democratical system is equality. Monarchy conveys the idea of the greatest inequality possible. Now if, on one side, the equality of the democracy secures liberty; on the other, the

the moderation in expence discourages industry; and, if, on one side, the inequality of the monarchy endangers liberty, the progress of luxury encourages industry on the other. From whence we may conclude, that the democratical system is naturally the best for giving birth to foreign trade; the monarchical, for the refinement of the luxurious arts, and for promoting a rapid circulation of inland commerce.

The danger which liberty is exposed to under monarchy, and the discouragement to industry, from the frugality of the democracy, are only the natural and immediate effects of the two forms of government; and these inconveniencies will only take place while statesmen neglect the interest of commerce, so far as not to make it an object of administration.

The disadvantage, therefore, of the monarchical form, in point of trade and industry, does not proceed from the inequality it establishes among the citizens, but from the consequence of this inequality, which is very often accompanied with an arbitrary and undetermined subordination between the individuals of the higher classes, and those of the lower; or between those vested with the execution of the laws, and the body of the people. The moment it is found that any subordination within the monarchy, between subject and subject, is left without proper bounds prescribed, liberty is so far at an end. Nay monarchy itself is thereby hurt, as this undetermined subordination implies an arbitrary power in the state, not vested in the monarch. *Arbitrary* power never can be delegated; for if it be *arbitrary*, it may be turned against the monarch, as well as against the subject.

I might therefore say, that when such a power in individuals is constitutional in the monarchy, such monarchy is not a government, but a tyranny, and therefore falls without the limits of our subject; and when such a power is anti-constitutional; and yet is exercised, that it is an abuse, and should be overlooked. But as the plan of this inquiry engages me to investigate the operations

of general principles, and the consequences they produce, I cannot omit, in this place, to point out those which flow from an undetermined subordination, from whatever cause it may proceed.

Whether this undetermined subordination between individuals, be a *vice* in the constitution of the government, or an *abuse*, it is the same thing as to the consequences which result from it. It is this which checks and destroys industry, and which in a great measure prevents its progress from being equal in all countries. This difference in the form or administration of governments, is the only one which it is essentially necessary to examine in this inquiry; and so essential it is, in my opinion, that I imagine it would be less hurtful, in a plan for the establishment of commerce, fairly, and at once, to enslave the lower classes of the inhabitants, and to make them vendible like other commodities, than to leave them nominally free, burthened with their own maintenance, charged with the education of their children, and at the same time under an irregular subordination; that is, liable at every moment to be loaded with new prestations or impositions, either in work or otherwise, and to be fined or imprisoned at will by their superiors.

It produces no difference, whether these irregularities be exercised by those of the superior classes, or by the statesman and his substitutes. It is the irregularity of the exactions more than the extent of them which ruins industry. It renders living precarious, and the very idea of industry should carry along with it, not only an assured livelihood, but a certain profit over and above.

Let impositions be ever so high, provided they be proportional, general, gradually augmented, and permanent, they may have indeed the effect of stopping foreign trade, and of starving the idle, but they never will ruin the industrious, as we shall have occasion to shew in treating of taxation. Whereas, when they are arbitrary, falling unequally upon individuals of the same condition, sudden, and frequently changing their object, it is impossible for industry to stand its ground. Such a system of oeconomy introduces an

unequal

unequal competition among those of the same class, it stops industrious people in the middle of their career, discourages others from exposing to the eyes of the public *the ease of their circumstances*, consequently encourages hoarding; this again excites rapaciousness upon the side of the statesman, who sees himself frustrated in his schemes of laying hold of private wealth.

From this a new set of inconveniences follow. He turns his views upon solid property. This inspires the landlords with *indignation* against *him* who can load *them* at will; and with *envy* against the *monied interest*, who can baffle his attempts. This class again is constantly upon the catch to profit of the public distress for want of money. What is the consequence of all this? It is, that the lowest classes of the people, who ought by industry to enrich the state, find on one hand the monied interest constantly amassing, in order to lend to the state, instead of distributing among *them*, by seasonable loans, their superfluous income, with a view to share the reasonable profits of their ingenuity; and on the other hand, they find the emissaries of taxation robbing them of the seed before it is sown, instead of waiting for a share in the harvest.

Under the feudal form of government, liberty and independence were confined to the nobility. Birth opened the door of preferment to some, and birth as effectually shut it against others. I have often observed how, by reason and from experience, such a form of government must be unfavourable both to trade and industry.

From reason it is plain, that industry must give wealth, and wealth *will* give power, if he who possesses it be left the master to employ it as he pleases. A government could not therefore encourage a system which tended to throw power into the hands of those who were only made to obey. It was consequently very natural for the nobility to be jealous of wealthy merchants, and of every one who became easy and independent by means of their own industry; experience proved how exactly this principle regulated their administration.

A statesman.

A statesman ought, therefore, to consider attentively every circumstance of the constitution of his country, before he sets on foot the modern system of trade and industry. I am far from being of opinion that this is the only road to happiness, security, and ease; though, from the general taste of the times I live in, it be the system I am principally employed to examine. A country may be abundantly happy, and sufficiently formidable to those who come to attack it, without being extremely rich. Riches indeed are forbid to all who have not mines, or foreign trade.

If a country be found labouring under many natural disadvantages from inland situation, barren soil, distant carriage, it would be in vain to attempt a competition with other nations in foreign markets. All that can be then undertaken is a passive trade, and that only in so far as it can bring in additional wealth. When little money can be acquired, the statesman's application must be, to make that already acquired to circulate as much as possible, in order to give bread to every one in the society.

In countries where the government is vested in the hands of the great lords, as is the case in all aristocracies, as was the case under the feudal government, and as it still is the case in many countries in Europe, where trade, however, and industry are daily gaining ground; the statesman who sets the new system of political oeconomy on foot, may depend upon it, that either his attempt will fail, or the constitution of the government will change. If he destroys all arbitrary dependence between individuals, the wealth of the industrious will share, if not totally root out the power of the grandees. If he allows such a dependence to subsist, his project will fail.

While Venice and Genoa flourished, they were obliged to open the doors of their senate to the wealthy citizens, in order to prevent their being broken down. What is venal nobility? The child of commerce, the indispensable consequence of industry, and a middle term, which our Gothic ancestors found themselves obliged

to

to adopt, in order not entirely to lose their own rank in the state. Money, they found, must carry off the fasces, so they chose rather to adopt the wealthy plebeians, and to clothe ignoble shoulders with their purple mantle, than to allow these to wrest all authority out of the hands of the higher class. By this expedient, a sudden revolution has often been prevented. Some kingdoms have been quit for a bloody rebellion, or a long civil war. Other countries have likewise demonstrated the force of the principles here laid down: a wealthy populace has broken their chains to pieces, and overturned the very foundations of the feudal system.

All these violent convulsions have been owing to the short-sightedness of statesmen; who, inattentive to the consequences of growing wealth and industry, foolishly imagined that hereditary subordination was to subsist among classes, whose situation, with respect to each other, was entirely changed.

The pretorian cohorts were at first subordinate to the orders of the Emperors, and were the guards of the city of Rome. The Janissaries are understood to be under the command of the principal officers of the Port. So soon as the leading men of Rome and Constantinople, who naturally were entitled to govern the state, applied to these tumultuous bodies for their protection and assistance, they in their turn, made sensible of their own importance, changed the constitution, and shared in the government.

A milder revolution, entirely similar, is taking place in modern times; and an attentive spectator may find amusement in viewing the progress of it in many states of Europe. Trade and industry are in vogue; and their establishment is occasioning a wonderful fermentation with the remaining fierceness of the feudal constitution.

Trade and industry owed their establishment to war and to ambition; and perhaps mankind may hope to see the day when they will put an end to the first, by exposing the expensive folly of the latter.

I

Trade

Trade and industry, I say, owed their establishment to the ambition of princes, who supported and favoured the plan in the beginning, principally with a view to enrich themselves, and thereby to become formidable to their neighbours. But they did not discover, until experience taught them, that the wealth they drew from such fountains was but the overflowing of the spring; and that an opulent, bold, and spirited people, having the fund of the prince's wealth in their own hands, have it also in their own power, when it becomes strongly their inclination, to shake off his authority. The consequence of this change has been the introduction of a more mild, and a more regular plan of administration. The money gatherers are become more useful to princes, than the great lords; and those who are fertile in expedients for establishing public credit, and for drawing money from the coffers of the rich, by the imposition of taxes, have been preferred to the most wise and most learned counsellors.

As this system is new, no wonder if it has produced phenomena both new and surprizing. Formerly, the power of Princes was employed to destroy liberty, and to establish arbitrary subordination; but in our days, we have seen those who have best comprehended the true principles of the new plan of politics, arbitrarily limiting the power of the higher classes, and thereby applying their authority towards the extension of public liberty, by extinguishing every subordination, other than that due to the established laws.

The fundamental maxim of some of the greatest ministers, has been to restrain the power of the great lords. The natural inference that people drew from such a step, was, that the minister thereby intended to make every thing depend on the prince's will only. This I do not deny. But what use have we seen made of this new acquisition of power? Those who look into events with a political eye, may perceive several acts of the most arbitrary authority exercised by some late European sovereigns, with no other view than to establish public liberty upon a more extensive bottom.

And

And although the prerogative of some princes be increased considerably beyond the bounds of the antient constitution, even to such a degree as perhaps justly to deserve the name of usurpation; yet the consequences resulting from the revolution, cannot every where be said, upon the whole, to have impaired what I call *public liberty*. I should be at no loss to prove this assertion from matters of fact, and by examples, did I think it proper: it seems better to prove it from reason.

When once a state begins to subsist by the consequences of industry, there is less danger to be apprehended from the power of the sovereign. The mechanism of his administration becomes more complex, and, as was observed in the introduction to the first book, he finds himself so bound up by the laws of his political oeconomy, that every transgression of them runs him into new difficulties.

I only speak of governments which are conducted systematically, constitutionally, and by general laws; and when I mention princes, I mean their councils. The principles I am enquiring into, regard the cool administration of their government; it belongs to another branch of politics, to contrive bulwarks against their passions, vices and weaknesses, as men.

I say, therefore, that from the time states have begun to be supported by the consequences of industry, the plan of administration has become more moderate; has been changing and refining by degrees; and every change, as has been often observed, must be accompanied with inconveniencies.

It is of governments as of machines, the more they are simple, the more they are solid and lasting; the more they are artfully composed, the more they become useful; but the more apt they are to be out of order.

The Lacedemonian form may be compared to the wedge, the most solid and compact of all the mechanical powers. Those of modern states to watches, which are continually going wrong; sometimes

sometimes the spring is found too weak, at other times too strong for the machine: and when the wheels are not made according to a determined proportion, by the able hands of a Graham, or a Julien le Roy, they do not tally well with one another; then the machine stops, and if it be forced, some part gives way; and the workman's hand becomes necessary to set it right.

C H A P. XIV.

Security, Ease and Happiness, no inseparable Concomitants of Trade and Industry.

THE republic of Lycurgus represents the most perfect plan of political oeconomy, in my humble opinion, any where to be met with, either in antient or modern times. That it existed cannot be called in question, any more than that it proved the most durable of all those established among the Greeks; and if at last it came to fail, it was more from the abuses which gradually were introduced into it, than from any vice in the form.

The simplicity of the institution made the solidity of it; and had the Lacedemonians at all times adhered to the principles of their government, and spirit of their constitution, they might have perhaps subsisted to this very day.

My intention, in this chapter, is not to enter into a critical disquisition concerning the mechanism of every part of the Spartan republic; but to compare the general plan of Lycurgus's political oeconomy with the principles we have been laying down.

Of this plan we have a description in the life of that legislator written by Plutarch, one of the most judicious authors to be met with in any age.

This

This historian flourished at least 800 years after the institution of the plan he describes. A plan never reduced into a system of written laws, but stamped at first upon the minds of the Spartans by the immediate authority of the gods, which made them submit to the most violent revolution that perhaps ever took place in any nation, and which they supported for so many ages by the force of education alone.

As the whole of Lycurgus's laws was transmitted by tradition only, it is not to be supposed, that the description Plutarch, or indeed any of the antients, have given us of this republic, can be depended on with certainty as a just representation of every part of the system laid down by that great statesman. But on the other hand, we may be very sure, that as to the outlines of the institution, we have them transmitted to us in all their purity; and, in what relates to my subject, I have no occasion to launch out into any particulars which may imply the smallest controversy, as to the matter of fact.

Property among the Lacedemonians, at the time when Lycurgus planned his institution, was very unequally divided: the consequence of which, says our historian, was to draw many poor people into the city, where the wealth was gathered into few hands; that is, according to our language, *the luxury of the rich, who lived in the city, had purged the lands of useless mouths, and the instability of the government had rendered industry precarious, which must have opened the door to general distress among all the lower classes.*

The first step our legislator took, was to prepare the spirit of the people, so as to engage them to submit to a total reform, which could not fail of being attended with innumerable inconveniencies.

For this purpose he went to Delphi, without having communicated his design to any body. The Pythia declared him to be the darling of the gods, and rather a god than a man; and publicly gave out, that Apollo had delivered to him alone the plan of a republic which far exceeded every other in perfection.

K k 2

What



What a powerful engine was this in the hands of a profound politician, who had travelled over the world with a previous intention to explore the mysteries of the science of government! and what advantages did such an authentic recommendation, coming directly (as was believed) from the voice of the Divinity, give him over a superstitious people, in establishing whatever form of government he thought most proper!

The sagacious Lacedemonian did not, however, entirely depend upon the blind submission of his countrymen to the dictates of the oracle; but wisely judged that some preparatory steps might still be necessary. He communicated, therefore, his plan, first to his friends, and then by degrees to the principal people of the state, who certainly never could have been brought to relish an innovation so prejudicial to their interest, had it not been from the deepest reverence and submission to the will of the gods. Assured of their assistance, he appeared in the market place, accompanied by his party, all in arms; and having imposed respect, he laid the foundation of his government by the nomination of a senate.

Whatever regards any other object than his plan of political oeconomy, shall be here passed over in silence. It is of no consequence to my inquiry, where the supreme power was vested: it is sufficient to know that there was an authority in the state sufficient to support the execution of his plan.

He destroyed all inequality at one stroke. The property of all the lands of the state was thrown together, and became at the disposal of the legislator. Every branch of industry was proscribed to the citizens. And a monied interest was made to disappear, by the introduction of iron coin. The lands he divided into equal lots, according to the number of citizens.

Thus all were rendered entirely equal in point of fortune, as neither wealth, industry, or lands, could give a superiority to any body. From this part of the plan I conclude, that Lycurgus discovered the utter insufficiency of an agrarian law for establishing equality

equality among the individuals of a state, without proscribing, at the same time, both wealth and industry. A circumstance which seems to have escaped every other statesman in antient times, as well as the modern patrons of equality and simplicity of manners. The lands were cultivated by the Helotes, who were nourished from them, and who were obliged to deliver the surplus, that is, a determined quantity of fruits, to the proprietor of the lot. Every necessary mechanic art was likewise exercised by this body of slaves.

By this distribution, the produce of the earth (that is every article of nourishment) came free and without cost to every individual of the state. The Spartan landlords were rather overseers of the slaves, and collectors of the public subsistence, than direct proprietors of the soil which produced it. For although every man was fed from his own lands, and provided his own portion, yet this portion was regulated, and was to be consumed in public; and any one who pretended to eat alone, or before he came to the public hall, was held in the utmost contempt.

Their cloathing was the most simple possible, perfectly alike, and could be purchased for a small value. This frugality produced no bad effect; because no man lived by his industry. Arts, as has been said, were exercised by the Helotes, the property of private citizens; and if such masters as entertained manufacturing slaves gained by that traffic (as some must do) every method of profiting of their superior riches was cut off.

The Spartans were continually together, they had nothing to do but to divert themselves; and their amusements were mostly martial exercises. The regulations of these numerous assemblies (which were compared, with great elegance and justness, to swarms of bees) cut off all outward marks of distinction. There was not a possibility for luxury to introduce itself, either in eating, drinking, cloathing, furniture, or any other expence.

Here

Here then was a whole nation fed and provided for gratuitously; there was not the least occasion for industry; the usefulness of which we have shewn principally to consist in its proving an expedient for procuring for the necessitous, what the Spartans found provided for them without labour.

Under such circumstances we may conclude, from the principles we have laid down, that a people thus abundantly nourished, must have multiplied exceedingly. And so no doubt they did. But the regulation of the lots permitted no more than a fixt number of citizens. Whenever, therefore, numbers were found to exceed this standard, the supernumeraries were dismissed, and sent to form colonies. And when the Helotes increased too much, and thereby began to rise above the proportion of the labour required of them, in order to prevent the consuming the food of their masters, which they had among their hands, and thereby becoming idle, licentious, and consequently dangerous to the state, it was permitted to destroy them by way of a military exercise, conducted by stratagem and address; arts which this people constantly preferred in war, to labour, strength, and intrepidity.

This appears a very barbarous custom, and I shall not offer any thing as an apology for it, but the ferocity of the manners of those times. Abstracting from the cruelty, the restraining the numbers of that class within certain limits, was absolutely necessary. The Lacedemonian slaves were in many respects far happier than those of other nations. They were in reality a body of farmers, which paid a certain quantity of fruits out of every lot; to wit, 70 medimni of barley: their numbers were not recruited from abroad, as elsewhere, but supported by their own propagation; consequently there was an absolute necessity either to prevent the over multiplication of them, or to diminish an income proportioned exactly to the necessities of the state: and what expedient could be fallen upon? They were slaves, and therefore could not be inrolled in the number of citizens; they could not be sold to strangers, for money

ney which was forbid; and they were of no use to industry. No wonder then if the fierceness of the manners of those days permitted the inhuman treatment they received; which, however, Plutarch is far from attributing to the primitive institution of Lycurgus. Besides, when we see that the freemen themselves were obliged to quit the country the moment their numbers exceeded a certain standard, it was not to be expected, that useless slaves should be permitted to multiply at discretion.

From this sketch of Lycurgus's political oeconomy; we find the state abundantly provided with every necessary article; an effectual stop put to vicious procreation among the citizens; and a corrective for the over multiplication of the slaves. The next care of a statesman is to regulate the employment of a people.

Every freeman in the state was bred up from his infancy to arms. No family care could prevent him from serving the state as a soldier; his children were no load upon him; it was the business of the Helotes to supply them with provisions; of the servants in town to prepare these, and the public tables were always ready furnished. The whole youth of Sparta was educated not as the children of their parents, but of the state. They imbibed the same sentiments of frugality, temperance, and love of simplicity. They exercised the same employment, and were occupied in the same way in every respect. The simplicity of Lycurgus's plan, rendered this a practicable scheme. The multiplicity and variety of employments among us, makes it absolutely necessary to trust the parents with the education of their children; whereas in Sparta, there were not two employments for a free man; there was neither orator, lawyer, physician, or politician, by profession to be found. The institutions of their lawgiver were constantly inculcated by the old upon the minds of the young; every thing they heard or saw, was relative to war. The very gods were represented in armour, and every precept they were taught, tended to banish superfluity, and to establish moderation and hard living.

The youth were continually striving together in all military exercises; such as boxing and wrestling. To keep up, therefore, a spirit of emulation, and to banish animosity at the same time, sharp, satirical expressions were much encouraged; but these were always to be seasoned with something gracious or polite. The grave demeanour likewise, and down-cast look which they were ordered to observe in the streets, and the injunction of keeping their hands within their robes, might very naturally be calculated to prevent quarrels, and especially blows, at times when the authority of a public assembly could not moderate the vivacity of their passions. By these arts, the Spartans lived in great harmony in the midst of a continual war.

Under such regulations a people must enjoy security from foreign attacks; and certainly the intention of the legislator never was to extend the limits of Laconia by conquest. What people could ever think of attacking the Lacedemonians, where nothing but blows could be expected?

They enjoyed ease in the most supreme degree; they were abundantly provided with every necessary of life; although, I confess, the enjoyment of them in so austere a manner, would not be relished by any modern society. But habit is all in things of this kind. A course meal to a good stomach, has more relish than all the delicacies of the most exquisite preparation to a depraved appetite; and if sensuality be reckoned among the pleasures of life, enough of it might have been met with in the manners of that people. It does not belong to my subject to enter into particular details on this head. But the most rational pleasure among men, the delightful communication of society, was here enjoyed to the utmost extent. The whole republic was continually gathered together in bodies, and their studies, their occupations, and their amusements, were the same. One taste was universal; and the young and the old being constantly together, the first under the immediate inspection and authority of the latter, the same sentiments were transmitted from generation

generation to generation. The Spartans were so pleased, and so satisfied with their situation, that they despised the manners of every other nation. If this does not transmit an idea of happiness, I am at a loss to form one. Security, ease, and happiness, therefore, are not inseparable concomitants of trade and industry.

Lycurgus had penetration enough to perceive the weak side of his institution. He was no stranger to the seducing influence of luxury; and plainly foresaw, that the consequences of industry, which procures to mankind a great variety of new objects of desire, and a wonderful facility in satisfying them, would easily root out the principles he had endeavoured to insil into his countrymen, if the state of simplicity should ever come to be sophisticated by foreign communications. He affected, therefore, to introduce several customs which could not fail of disgusting and shocking the delicacy of neighbouring states. He permitted the dead to be buried within the walls; the handling of dead bodies was not reckoned pollution among the Lacedemonians. He forbade bathing, so necessary for cleanliness in a hot country: and the coarseness and dirtiness of their cloaths, and sweat from their hard exercises, could not fail to disgust strangers from coming among them. On the other hand, nothing was found at Sparta which could engage a stranger to wish to become one of their number. And to prevent the contagion of foreign customs from getting in, by means of the citizens themselves, he forbade the Spartans to travel; and excluded from any employment in the state, those who had got a foreign education. Nothing but a Spartan breeding could have fitted a person to live among them.

The theft encouraged among the Lacedemonians was calculated to make them artful and dextrous; and contained not the smallest tincture of vice. It was generally of something eatable, and the frugality of their table prompted them to it; while on the other hand, their being exposed to the like reprisals, made them watchful and careful of what belonged to themselves; and the pleasure

of punishing an unsuccessful attempt, in part indemnified them for the trouble of being constantly upon their guard. A Lacedemonian had nothing of any value that could be stolen; and it is the desire and intention of making unlawful gain, which renders theft either criminal or scandalous.

The hidden intercourse between the Spartans and their young wives was, no doubt, calculated to impress upon the minds of the fair sex, the wide difference there is between an act of immodesty, and that of simply appearing naked in the public exercises; two things which we are apt to confound, only from the impression of our own customs. I am persuaded that many a young person has felt her modesty as much hurt by taking off her handkerchief, the first time she appeared at court, as any Lacedemonian girl could have done by stripping before a thousand people; yet both her reason and common sense, must make her sensible of the difference between a compliance with a custom in a matter of dress, and a palpable transgression against the laws of her honour, and the modesty of her sex.

I have called this Lacedemonian republic a perfect plan of political oeconomy; because it was a system, uniform and consistent in all its parts. *There*, no superfluity was necessary, because there was no occasion for industry, to give bread to any body. *There*, no superfluity was permitted, because the moment the limits of the absolutely necessary are transgressed, the degrees of excess are quite indeterminate, and become purely relative. The same thing which appears superfluity to a peasant, appears necessary to a citizen; and the utmost luxury of this class, frequently does not come up to what is thought the mere necessary for one in a higher rank. Lycurgus stopt at the only determined frontier, the pure physical necessary. All beyond this was considered as abusive.

The only things in commerce among the Spartans were, *1mo.* What might remain to them of the fruits of their lot, over their own consumption; and *2do.* The work of the slaves employed

ployed in trades. The numbers of these could not be many, as the timber of their houses was worked only with the saw and ax; and every utensil was made with the greatest simplicity. A small quantity, therefore, of iron coin, as I imagine, must have been sufficient for carrying on the circulation at Sparta. The very nature of their wants must, as I have said, terminate all their commerce, in the exchange of their surplus-food of their portions of land, with the work of the manufacturing slaves, who must have been fed from it.

As the Lacedemonians had no mercantile communication with other nations, the iron coin was no more than a bank note of no intrinsic value, as I suppose, but a middle term introduced for keeping accounts, and for facilitating barter. An additional argument for this opinion of the coin being of no intrinsic value, is, that it is said to have been rendered unserviceable for other uses, by being flaked in vinegar. In order consequently to destroy, as they imagined, any intrinsic value which might therein otherwise remain. If this coin, therefore, was made of an extraordinary weight, it must have been entirely with a political view of discouraging commerce and circulation, an institution quite consistent with the general plan, and nowise a consequence of the baseness of the metal of which it was made: a small quantity of this, with the stamp of public authority for its currency and value, would have answered every purpose equally well.

Let me now conclude this chapter by an illustration of the subject, which will still more clearly point out the force of the principles upon which this Lacedemonian republic was established.

Were any Prince in Europe, whose subjects, I shall suppose, may amount to six millions of inhabitants, one half employed in agriculture, the other half employed in trade and industry, or living upon a revenue already acquired; were such a Prince, I say, supposed to have authority sufficient to engage his people to adopt a new plan of oeconomy, calculated to secure them against the designs of

a powerful neighbour, who, I shall suppose, has formed schemes of invading and subduing them.

Let him engage the whole proprietors of land to renounce their several possessions: or if that supposition should appear too absurd, let him contract debts to the value of the whole property of the nation; let the land-tax be imposed at twenty shillings in the pound, and then let him become bankrupt to the creditors. Let the income of all the lands be collected throughout the country for the use of the state; let all the luxurious arts be proscribed; and let those employed in them be formed, under the command of the former land proprietors, into a body of regular troops, officers and soldiers, provided with every thing necessary for their maintenance, and that of their wives and families at the public expence. Let me carry the supposition farther. Let every superfluity be cut off; let the peasants be enslaved, and obliged to labour the ground with no view of profit to themselves, but for simple subsistence; let the use of gold and silver be proscribed; and let all these metals be shut up in a public treasure. Let no foreign trade, and very little domestic be encouraged; but let every man, willing to serve as a soldier, be received and taken care of; and those who either incline to be idle, or who are found superfluous, be sent out of the country. I ask, what combination, among the modern European Princes, would carry on a successful war against such a people? What article would be wanting to their ease, that is, to their ample subsistence? Their happiness would depend upon the temper of their mind. And what country could defend themselves against the attack of such an enemy? Such a system of political oeconomy, I readily grant, is not likely to take place: but if ever it did, would it not effectually dash to pieces the whole fabric of trade and industry, which has been forming for so many years? And would it not quickly oblige every other nation to adopt, as far as possible, a similar conduct, from a principle of self-preservation.

C H A P. XV.

A general View of the Principles to be attended to by a Statesman, who resolves to establish Trade and Industry upon a lasting footing.

THE two preceding chapters I have introduced purposely to serve as a relaxation to the mind, like a farce between the acts of a serious opera. I now return to the place where I broke off my subject, at the end of the twelfth chapter.

It is a great assistance to memory, now and then to assemble our ideas, after certain intervals, in going through an extensive subject. No part of it can be treated of with distinctness, without banishing combinations; and no part of it can be applied to practice, or adapted to any plan, without attending to combinations almost infinite.

For this reason nothing can appear more inconsistent than the spirit which runs through some parts of this book, if compared with that which prevailed in the first. There luxury was looked on with a favourable eye, and every augmentation of superfluity was considered as a method of advancing population. We were then employed in drawing mankind, as it were, out of a state of idleness, in order to increase their numbers, and engage them to cultivate the earth. We had no occasion to divide them into societies having separate interests, because the principles we treated of were common to all. We therefore considered the industrious, who are the providers, and the luxurious, who are the consumers, as children of the same family, and as being under the care of the same father.

We are now engaged in a more complex operation; we represent different societies, animated with a different spirit; some given to industry

industry and frugality, others to dissipation and luxury. This creates separate interests among nations, and every one must be supposed under the government of a statesman, who is wholly taken up in advancing the good of those he governs, though at the expence of other societies which lie round him.

This presents a new idea, and gives birth to new principles. The general society of mankind treated of in the first book, is here in a manner divided into two. The industrious providers are supposed to live in one country, the luxurious consumers in another. The principles of the first book remain here in full vigour. Luxury still tends as much as ever to the advancement of industry; the statesman's business is only to remove the seat of it from his own country: When that can be accomplished without detriment to industry at home, he has an opportunity of joining all the advantages of ancient simplicity, to the wealth and power which attend upon the luxury of modern states. He may preserve his people in sobriety, and moderation as to every expence, as to every consumption, and make them enjoy, at the same time, riches and superiority over all their neighbours.

Such would be the state of trading nations, were they only employed in supplying the wants or extravagant consumption of strangers; and did they not insensibly adopt the very manners with which they strive to inspire others.

As often, therefore, as we suppose a people applying themselves to the advancement of foreign trade, we must simplify our ideas, by dismissing all political combinations of other circumstances; that is to say, we must suppose the spirit universal, and then point out the principles which influence the success of it.

We must encourage oeconomy, frugality, and a simplicity of manners, discourage the consumption of every thing that can be fold out of the country, and excite a taste for superfluity in neighbouring nations. When such a system can no more be supported to its full extent, by the scale of foreign demand becoming positively

tively lighter; then in order to set the balance even again, without taking any thing out of the heavy scale, and to preserve and give bread to those who have enriched the state, an additional home consumption, proportioned to the deficiency of foreign demand, must be encouraged. For were the same simplicity of manners still kept up, the infallible consequence would be a forced restitution of the balance, by the distress, misery, and at last extinction of the supernumerary workmen.

I must therefore, upon such occasions, consider the introduction of luxury, or superfluous consumption, as a rational and moral consequence of the deficiency of foreign trade.

I am, however, far from thinking that the luxury of every modern state, is only in proportion to such failure; and I readily admit, that many examples may be produced where the progress of luxury, and the domestic competitions with strangers who come to market, have been the cause both of the decline and extinction of their foreign trade; but as my business is chiefly to point out principles, and to shew their effects, it is sufficient to observe, that in proportion as foreign trade declines, either a proportional augmentation upon home consumption must take place, or a number of the industrious, proportioned to the diminution of former consumption, must decrease. By the first, what I call a natural restitution of the balance is brought about, from the principles above deduced; by the second, what I call a forced one.

Here then is an example, where the introduction of luxury may be a rational and prudent step of administration; and as long as the progress of it is not accelerated from any other principle, but that of preserving the industrious, by giving them employment, the same spirit, under the direction of an able statesman, will soon throw industry into a new channel, better calculated for reviving foreign trade, and for promoting the public good, by substituting the call of foreigners in place of that of domestic luxury.

I hope,

I hope, from what I have said, the political effects of luxury, or the consumption of superfluity, are sufficiently understood. These I have hitherto considered as advantageous only to those classes who are made to subsist by them; I reserve for another occasion the pointing out how they influence the imposition of taxes, and how the abuse of consumption in the rich may affect the prosperity of a state.

So soon as all foreign trade comes to a stop, without a scheme for recalling it, and that domestic consumption has filled up its place in consuming the work, and giving bread to the industrious, we find ourselves obliged to reason again upon the principles of the first book. The statesman has once more both the producers and the consumers under his care. The consumers can live without employment, the producers cannot. The first seldom have occasion for the statesman's protection; the last constantly stand in need of it. There is a perpetual fluctuation in the balance between these two classes, from which a multitude of new principles arise; and these render the administration of government infinitely more difficult, and require superior talents in the person who is at the helm. I shall here only point out the most striking effects of the fluctuation and overturn of this new balance, which in the subsequent chapters shall be more fully illustrated.

1^{mo}. In proportion as the consumers become extravagant, the producers become wealthy; and when the former become bankrupts, the latter fill their place.

2^{do}. As the former become frugal and economical, the latter languish; when those begin to hoard, and to adopt a simple life, these are extinguished: all extremes are vicious.

3^{io}. If the produce of industry consumed in a country, surpass the income of those who do not work, the balance due by the consumers must be paid to the suppliers by a proportional alienation of their funds. This vibration of the balance, gives a very correct
idea

idea of what is meant by *relative profit and loss*. The nation here loses nothing by the change produced.

4^{to}. When, on the other hand, the annual produce of industry consumed in a country, does not amount to the value of the income of those who do not work, the balance of income saved, must either be locked up in chests, made into plate, lent to foreigners, or fairly exported as the price of foreign consumption.

5^{to}. The scales stand even when there is no balance on either side; that is, when the domestic consumption is just equivalent to the annual income of the funds. I do not pretend to decide at present whether this exact equilibrium marks the state of perfection in a country where there is no foreign trade, (of which we are now treating) or whether it be better to have small vibrations between the two scales; but I think I may say, that all subversions of the balance on either side cannot fail to be hurtful, and therefore should be prevented.

Let this suffice at present, upon a subject which shall be more fully treated of afterwards. Let us now fix our attention upon the interests of a people entirely taken up in the prosecution of foreign trade. So long as this spirit prevails, I say, it is the duty of a statesman to encourage frugality, sobriety, and an application to labour in his own people, and to excite in foreign nations a taste for superfluities as much as possible.

While a people are occupied in the prosecution of foreign trade, the mutual relations between the individuals of the state, will not be so intimate as when the producers and consumers live in the same society; such trade implies, and even necessarily creates a chain of foreign dependencies; which work the same effect, as when the mutual dependence subsisted among the citizens. Now the use of dependencies, I have said, is to form a band of society, capable of making the necessitous subsist out of the superfluities of the rich, and to keep mankind in peace and harmony with one another.

Trade, therefore, and foreign communications, form a new kind of society among nations; and consequently render the occupation of a statesman more complex. He must, as before, be attentive to provide food, other necessaries and employment for all his people; but as the foreign connections make these very circumstances depend upon the entertaining a good correspondence with neighbouring nations, he must acquire a proper knowledge of their domestic situation, so as to reconcile, as much as may be, the interests of both parties, by engaging the strangers to furnish articles of the first necessity, when the precious metals cannot be procured; and to accept, in return, the most consumable superfluities which industry can invent. And, last of all, he must inspire his own people with a spirit of emulation in the exercise of frugality, temperance, oeconomy, and an application to labour and ingenuity. If this spirit of emulation is not kept up, another will take place; for emulation is inseparable from the nature of man; and if the citizens are not made to vie with one another, in the practice of moderation, the wealth they must acquire, will soon make them vie with strangers, in luxury and dissipation.

While a spirit of moderation prevails in a trading nation, it may rest assured, that in as far as it excels the nations with whom they correspond in this particular, so far will it increase the proportion of its wealth, power, and superiority, over them. These are lawful pursuits among men, when purchased by success in so laudable an emulation.

If it be said, that superfluity, intemperance, prodigality, and idleness, qualities diametrically opposite to the former, corrupt the human mind, and lead to violence and injustice; is it not very wisely calculated by the Author of all things, that a sober people, living under a good government, should by industry and moderation, necessarily acquire wealth, which is the best means of warding off the violence of those with whom they are bound in the great society of mankind? And is it not also most wisely ordained,
that

that in proportion as a people contract vicious habits, which may lead to excess and injustice, the very consequence of their dissipation (poverty) should deprive them of the power of doing harm? But such reflections seem rather to be too great a refinement on my subject, and exceed the bounds of political oeconomy.

When we treat of a virtuous people applying to trade and industry, let us consider their *interest* only, in preserving those sentiments; and examine the political evil of their falling off from them. When we treat of a luxurious nation, where the not-working part is given to excesses in all kinds of consumption, and the working part to labour and ingenuity, in order to supply them, let us examine the consequences of such a spirit, with respect to foreign trade: and if we find, that a luxurious turn in the rich is prejudicial thereto, let us try to discover the methods of engaging the inhabitants to correct their manners from a motive of self-interest. These things premised,

I shall now give a short sketch of the general principles upon which a system of foreign trade may be established and preserved as long as possible, and of the methods by which it may be again recovered, when, from the natural advantages and superior ability of administration in rival nations, (not from vices at home) a people have lost for a time every advantage they used to draw from their foreign commerce.

The first general principle is to employ, as usefully as possible, a certain number of the society, in producing objects of the first necessity, always more than sufficient to supply the inhabitants; and to contrive means of enabling every one of the free hands to procure subsistence for himself, by the exercise of some species of industry.

These first objects compassed, I consider the people as abundantly provided with what is purely necessary; and also with a surplus prepared for an additional number of free hands, so soon as a demand can be procured for their labour. In the mean time, the

surplus will be an article of exportation; but no sooner will demand come from abroad, for a greater quantity of manufactures than formerly, than such demand will have the effect of gradually multiplying the inhabitants up to the proportion of the surplus above mentioned, provided the statesman be all along careful to employ these additional numbers, which an useful multiplication must produce, in supplying the additional demand: then with the equivalent they receive from strangers, they will at the same time enrich the country, and purchase for themselves that part of the national productions which had been permitted to be exported, only for want of a demand for it at home.

He must, at the same time, continue to give proper encouragement to the advancement of agriculture, that there may be constantly found a surplus of subsistence (for without a surplus there can never be enough) this must be allowed to go abroad, and ought to be considered as the provision of those industrious hands which are yet unborn.

He must cut off all foreign competition, beyond a certain standard, for that quantity of subsistence which is necessary for home consumption; and, by premiums upon exportation, he must discharge the farmers of any superfluous load, which may remain upon their hands when prices fall too low. This important matter shall be explained at large in another place, when we come to treat of the policy of grain.

If natural causes should produce a rise in the price of subsistence, which cannot be brought down by extending agriculture, he must then lay the whole community under contribution, in order to indemnify those who work for strangers, for the advance upon the price of their food; or he must indemnify the strangers in another way, for the advance in the price of manufactures.

He must consider the manufactures of superfluity, as worked up for the use of strangers, and discourage all domestic competition for them, by every possible means.

He must do what he can, constantly to proportion the supply to the demand made for them; and when the first necessarily comes to exceed the latter, in spite of all his care, he must then consider what remains over the demand, as a superfluity of the strangers; and for the support of the equal balance between work and demand, he must promote the sale of them even within the country, under certain restrictions, until the hands employed in such branches where a redundancy is found, can be more usefully set to work in another way.

He must consider the advancement of the common good as a direct object of private interest to every individual, and by a disinterested administration of the public money, he must plainly make it appear that it is so.

From this principle flows the authority, vested in all governments, to load the community with taxes, in order to advance the prosperity of the state. And this object can be nowise better obtained than by applying the amount of them to the keeping an even balance between work and demand. Upon this the health of a trading state principally depends.

If the failure of foreign demand be found to proceed from the superior natural advantages of other countries, he must double his diligence to promote luxury among his neighbours; he must support simplicity at home; he must increase his bounties upon exportation; and his expence in relieving manufactures, when the price of their industry falls below the expence of their subsistence.

While these operations are conducted with coolness and perseverance, while the allurements of the wealth acquired do not frustrate the execution, the statesman may depend upon seeing foreigners return to his ports, so soon as their own dissipation, and want of frugality, come to compensate the advantages which nature had given them over their frugal and industrious neighbours.

If this plan be pursued, foreign trade will increase in proportion to the number of inhabitants; and domestic luxury will serve only

*this doctrine is
now exploded*

only as an instrument in the hands of the statesman to increase demand when the home supply becomes too great for foreign consumption. In other words, the rich citizens will be engaged to consume what is superfluous, in order to keep the balance even in favour of the industrious, and in favour of the nation.

The whole purport of this plan is to point out the operation of three very easy principles.

The first, That in a country entirely taken up with the object of promoting foreign trade, no competition should be allowed to come from abroad for articles of the first necessity, and principally for food, so as to raise prices beyond a certain standard.

The second, That no domestic competition should be allowed upon articles of superfluity, so as to raise prices beyond a certain standard.

The third, That when these standards cannot be preserved, and that from natural causes, prices get above them, public money must be thrown into the scale to bring prices to the level of those of exportation.

The greater the extent of foreign trade in any nation, the lower these standards *must* be kept; the less the extent of it, the higher they *may* be allowed to rise. Consequently,

Were no man in a nation employed in producing the necessaries of life, but every man in supplying articles of foreign consumption, the prices of necessaries might be allowed to fall as low as possible. There would be no occasion for a standard in favour of those who live by producing them.

Were no man in the state employed in supplying strangers, the prices of superfluities might be allowed to rise as high as possible, and a standard would also become useless, as the sole design of it is to favour exportation.

But as neither of these suppositions can ever take place, and as in every nation there is a part employed in producing, and a part in consuming, and that it is only the surplus of industry which can

can be exported; a standard is necessary for the support of the reciprocal interests of both parties at home; and the public money must be made to operate only upon the price of *the surplus* of industry so as to make it exportable, even in cases where the national prices upon home consumption have got up beyond the standard. Let me set this matter in another light, the better to communicate an idea which I think a little obscure.

Were food and other necessaries the pure gift of nature in any country, I should have laid it down as a principle to discourage all foreign competition for them, either below or above any certain standard; because in this case the lower the price the better, since no inconveincy could result from thence to any industrious person. But when the production of these is in itself a manufacture, or an object of industry, a certain standard must be kept up in favour of those who live by producing them.

On the other hand, as to the manufactures of superfluity, domestic competition should be discouraged, beyond a certain standard, in order that prices may not rise above those offered by foreigners; but it might be encouraged below the standard, in order to promote consumption and give bread to manufacturers. But were there no foreign demand at all, there would be no occasion for any standard, and the nation's wealth would thereby only circulate in greater or less rapidity in proportion as prices would rise or fall. The study of the balance between work and demand would then become a principal object of attention in the statesman, not with a view to enrich the state, but in order to preserve every member of it in health and vigour. On the other hand, the object of a standard regards foreign trade, and the acquisition of new wealth, at the expence of other nations. The rich, therefore, at home must not be allowed to increase their consumption of superfluities beyond the proportion of the constant supply; because these being intended for strangers, the only way of preventing them from supplying

supplying themselves, is to prevent prices from getting up beyond the standard, at which strangers can produce them.

Farther, were every one of the society in the same pursuit of industry, there would be no occasion for the public to be laid under contribution for advancing the general welfare; but as there is a part employed in enriching the state, by the sale of their work to strangers, and a part employed in making these riches circulate at home, by the consumption of superfluities, I think it is a good expedient to throw a part of domestic circulation into the public coffers; that when the consequences of private wealth come necessarily to raise prices, a statesman may be enabled to defray the expence of bounties upon that part which can be exported, and thereby enable the nation to continue to supply foreigners at the same price as formerly.

The farther these principles can be carried into execution, the longer a state will flourish; and the longer she will support her superiority. When foreign demand begins to fail, so as not to be recalled, either industry must decline, or domestic luxury must begin. The consequences of both may be easily guessed at, and the principles which influence them shall be particularly examined in the following chapter.

C H A P. XVI.

Illustration of some Principles laid down in the former Chapter, relative to the advancement and support of foreign Trade.

I AM now to give an illustration of some things laid down, I think, in too general terms in the former chapter, relating to that species of trade which is carried on with other nations.

I have

I have constantly in view to separate and distinguish the principles of foreign trade, from those which only influence the advancement of an inland commerce, and a brisk circulation: operations which produce very different effects, equally meriting the attention of a statesman.

The very existence of foreign trade, implies a separate interest between those nations who are found on the opposite side of the mercantile contract, as both endeavour to make the best bargain possible for themselves. These transactions imply a mutual dependence upon one another, which may either be necessary or contingent. It is necessary, when one of the nations cannot subsist without the assistance of the other, as is the case between the province of Holland, and those countries which supply it with grain; or contingent, when the wants of a particular nation cannot be supplied by their own inhabitants, from a want of skill and dexterity, only.

Wherever, therefore, one nation finds another necessarily depending upon her for particular branches of traffic, there is a certain foundation for foreign trade; where the dependence is contingent, there is occasion for management, and for the hand of an able statesman.

The best way to preserve every advantage, is, to examine in how far they are necessary, and in how far they are only contingent, to consider in what respect the nation may be most easily rivalled by her neighbours, and in what respect she has natural advantages which cannot be taken from her.

The natural advantages are chiefly to be depended on: France, for example, can never be rivalled in her wines. Other countries may enjoy great advantages from their situation, mines, rivers, sea ports, fishing, timber, and certain productions proper to the soil. If you abstract from these natural advantages, all nations are upon an equal footing as to trade. Industry and labour are no properties attached to place, any more than oeconomy and sobriety.

This proposition may be called in question, upon the principles of M. de Montesquieu, who deduces the origin of many laws, customs, and even religions, from the influence of the climate. That great man reasoned from fact and from experience, and from the power and tendency of natural causes, to produce certain effects, when not checked by other circumstances; but in my method of treating this subject, I suppose these causes never to be allowed to produce their natural and immediate effects, when such effects would be followed by a political inconvenience: because I constantly suppose a statesman at the head of government, who makes every circumstance concur in promoting the execution of the plan he has laid down.

1mo. If a nation then has formed a scheme of being long great and powerful by trade, she must first apply closely to the manufacturing every natural produce of the country. For this purpose a sufficient number of hands must be employed: for if hands be found wanting, the natural produce will be exported without receiving any additional value from labour; and so the consequences of this natural advantage will be lost.

The price of food, and all necessaries for manufacturers, must be found at an easy rate.

And, in the last place, if oeconomy and sobriety in the workmen, and good regulations on the part of the statesman, are not kept up, the end will not be obtained: for if the manufacture, when brought to its perfection, does not retain the advantages which the manufacturer had in the beginning, by employing the natural produce of the country; it is the same thing as if the advantage had not existed. I shall illustrate this by an example.

I shall suppose wool to be better, more plentiful, and cheaper, in one country than in another, and two nations rivals in that trade. It is natural that the last should desire to buy wool of the first, and that the other should desire to keep it at home, in order to manufacture it. Here then is a natural advantage which the first country

country has over the latter, and which cannot be taken from her. I shall suppose that subsistence is as cheap in one country as in the other; that is to say, that bread and every other necessary of life is at the same price. If the workmen of the first country (by having been the founders of the cloth manufacture, and by having had, for a long tract of years, so great a superiority over other nations, as to make them, in a manner, absolutely dependent upon them for cloths) shall have raised their prices from time to time; and if, in consequence of large profits, long enjoyed without rivalry, these have been so consolidated with the real value, by an habitual greater expence in living, which implies an augmentation of wages; that country may thereby lose all the advantages it had from the low price and superior quality of its wool. But if, on the other hand, the workmen in the last country work less, be less dextrous, pay extravagant prices for wool at prime cost, and be at great expence in carriage; if manufactures cannot be carried on successfully, but by public authority, and if private workmen be crushed with excessive taxes upon their industry; all the accidental advantages which the last country had over the first, may come to be more than balanced, and the first may regain those which nature first had given her. But this should by no means make the first country rest secure. These accidental inconveniencies found in the last may come to cease; and therefore the only real security of the first for that branch, is the cheapness of the workmanship.

2do. In speaking of a standard, in the last chapter, I established a distinction between one regulated by the height of foreign demand, and another kept as low as the possibility of supplying the manufacture can admit. This requires a little explanation.

It must not here be supposed that a people will ever be brought from a principle of public spirit, not to profit of a rise in foreign demand; and as this may proceed from circumstances and events which are entirely hid from the manufacturers, such revolutions are unavoidable. We must therefore restrain the generality of our

proposition, and observe, that the indispensable *vibrations* of this foreign demand do no harm; but that the statesman should be constantly on his guard to prevent the *subversion of the balance, or the smallest consolidation of extraordinary profits with the real value*. This he will accomplish, as has been observed, by multiplying hands in those branches of exportation, upon which profits have risen. This will increase the supply, and even frustrate his own people of extraordinary gains, which would otherwise terminate in a prejudice to foreign trade.

A statesman may sometimes, out of a principle of benevolence, perhaps of natural equity towards the classes of the industrious, as well as from sound policy, permit larger profits, as an encouragement to some of the more elegant arts, which serve as an ornament to a country, establish a reputation for taste and refinement in favour of a people, and thereby make strangers prefer articles of their production, which have no other superior merit than the name of the country they come from: but even as to these, he ought to be upon his guard, never to allow them to rise so high, as to prove an encouragement to other nations, to establish a successful rivalry.

310. The encouragement recommended to be given to the domestic consumption of superfluities, when foreign demand for them happens to fall so low as to be followed with distress in the workmen, requires a little farther explanation.

If what I laid down in the last chapter be taken literally, I own it appears an absurd supposition, because it implies a degree of public spirit in those who are in a capacity to purchase the superfluities, no where to be met with, and at the same time a self-denial, in discontinuing the demand, so soon as another branch of foreign trade is opened for the employment of the industrious, which contradicts the principles upon which we have founded the whole scheme of our political oeconomy.

I have

I have elsewhere observed, that were revolutions to happen as suddenly as I am obliged to represent them, all would go into confusion.

What, therefore, is meant in this operation comes to this, that when a statesman finds, that the natural taste of his people does not lead them to profit of the surplus of commodities which lie upon hand, and which were usually exported, he should interpose his authority and management in such a way as to prevent the distress of the workmen, and when, by a sudden fall in a foreign demand, this distress becomes unavoidable, without a more powerful interposition, he should then himself become the purchaser, if others will not; or, by premiums or bounties on the surplus which lies upon hand, promote the sale of it at any rate, until the supernumerary hands can be otherwise provided for. And although I allow that the rich people of a state are not naturally led, from a principle either of public spirit or self-denial, to render such political operations effectual to promote the end proposed, yet we cannot deny, that it is in the power of a good governor, by exposing the political state of certain classes of the people, to gain upon men of substance to concur in schemes for their relief; and this is all I intend to recommend in practice. My point of view is to lay down the principles, and I never recommend them farther than they are rendered possible in execution, by preparatory steps, and by properly working on the spirit of the people.