

C H A P. XVII.

Symptoms of Decay in foreign Trade.

IF manufacturers are found to be without employment, we are not immediately to accuse the statesman, or conclude this to proceed from a decay of trade, until the cause of it be inquired into. If upon examination it be found, that for some years past food has been at a higher rate than in neighbouring countries, the statesman may be to blame: for it is certain, that a trading nation, by turning part of her commerce into a proper channel, may always be able to establish a just balance in this particular. And though it be not expedient in years of scarcity to bring the price of grain very low, yet it is generally possible to raise the price of it in all rival nations, which, with regard to the present point, is the same thing.

If this want of employment for manufacturers do not proceed from the high prices of living, but for want of commissions from the merchants, the causes of this diminution of demand must be examined into. It may be accidental, and happen from causes which may cease in a little time, and trade return to flourish as before. It may also happen upon the establishment of new undertakings in different places of the country, from which, by reason of some natural advantage, or a more frugal disposition in the workmen, or from the proximity of place, markets may be supplied, which formerly were furnished by those industrious people who are found without employment. In these last suppositions, the distress of the manufacturers does not prove any decay of trade in general, but, on the contrary, may contribute to destroy the bad effects of consolidated profits, by obliging those who formerly shared them, to abandon the ease of their circumstances, and submit

mit a-new to a painful industry, in order to procure subsistence. When such revolutions are sudden, they prove hard to bear, and throw people into great distress. It is partly to prevent such inconveniencies, that we have recommended the lowest standard possible, upon articles of exportation.

Two causes there are, which very commonly mark a decline of trade, to wit; 1. When foreign markets, usually supplied by a trading nation, begin to be furnished, let it be in the most trifling article, by others, not in use to supply them. Or, 2. When the country itself is furnished from abroad with such manufactures as were formerly made at home.

These circumstances prove one of two things, either that there are workmen in other countries, who, from advantages which they have acquired by nature, or by industry and frugality, finding a demand for their work, take the bread out of the mouths of those formerly employed, and deprive them of certain branches of their foreign trade: or, that these foreign workmen, having profited of the increased luxury and dissipation of the former traders, have begun to supply the markets with certain articles of consumption, the profits upon which being small, are, without much rivalry, insensibly yielded up to them by the workmen of the other trading nation, who find better bread in serving their own wealthy countrymen.

Against the first cause of decline, I see no better remedy than patience, as I have said already, and a perseverance in frugality and oeconomy, until the unwary beginners shall fall into the inconveniencies generally attending upon wealth and ease.

The second cause of decline is far more difficult to be removed. The root of it lies deep, and is ingrafted with the spirit and manners of the whole people, high and low. The lower classes have contracted a taste for superfluity and expence, which they are enabled to gratify, by working for their countrymen; while they despise the branches of foreign trade as low and unprofitable.

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The higher classes again depend upon the lower classes, for the gratification of a thousand little trifling desires, formed by the taste of dissipation; and supported by habit, fashion, and a love of expence.

Here then is a system set on foot, whereby the poor are made rich; and the rich are made happy, in the enjoyment of a perpetual variety of every thing which can remove the inconveniencies to which human nature is exposed. Thus both parties become interested to support it, and vie with one another in the ingenuity of contriving new wants; the one from the immediate satisfaction of removing them; the other from the profit of furnishing the means, and the hopes of one day sharing in them.

But even for this great evil, the very nature of man points out a remedy. It is the business of a statesman to lay hold of it. The remedy flows from the instability of every taste not founded upon rational desires.

In every country of luxury, we constantly find certain classes of workmen in distress, from the change of modes. Were a statesman upon his guard to employ such as are forced to be idle, before they betake themselves to new inventions, for the support of the old plan, or before they contract an abandoned and vitious life, he would get them cheap, and might turn their labour both to the advantage of the state and to the discouragement of luxury.

I confess, however, that while a luxurious taste in the rich subsists, industrious people will always be found to supply the instruments of it to the utmost extent; and I also allow, that such a taste has infinite allurements, especially while youth and health enable a rich man to indulge in it. Those, however, who are systematically luxurious, that is, from a formed taste and confirmed habit, are but few, in comparison of those who become so from levity, vanity, and the imitation of others. The last are those who principally support and extend the system; but they are not the most incorrigible. Were it not for imitation, every age would seek after, and be satisfied

with the gratification of natural desires. Twenty-five might think of dress, horses, hunting, dogs, and generous wines: forty, of a plentiful table, and the pleasures of society: sixty, of coaches, elbow-chairs, soft carpets, and instruments of ease. But the taste for imitation blends all ages together. The old fellow delights in horses and fine clothes; the youth rides in his chariot on springs, and lolls in an easy chair, large enough to serve him for a bed. All this proceeds from the superfluity of riches and taste of imitation, not from the real allurements of ease and taste of luxury, as every one must feel, who has conversed at all with the great and rich. Fashion, which I understand here to be a synonymous term for imitation, leads most people into superfluous expence, which is so far from being an article of luxury, that it is frequently a load upon the person who incurs it. All such branches of expence, it is in the power of a statesman to cut off, by setting his own example, and that of his favourites and servants, above the caprice of fashion.

The levity and changeableness of mankind, as I have said, will even assist him. A generation of oeconomists is sometimes found to succeed a generation of spendthrifts; and we now see, almost over all Europe, a system of sobriety succeeding an habitual system of drunkenness. Drunkenness, and a multitude of useless servants, were the luxury of former times.

Every such revolution may be profited of by an able statesman, who must set a good example on one hand, while, on the other, he must profit of every change of taste, in order to re-establish the foreign trade of his subjects. An example of frugality, in the head of a luxurious people, would do infinite harm, were it only intended to reform the morals of the rich, without indemnifying the poor for the diminution upon their consumption.

At the same time, therefore, that luxury comes to lose ground at home, a door must be opened, to serve as an out-let for the work

of those hands which must be thereby made idle; and which, consequently, must fall into distress.

This is no more than the principle before laid down, in the fifteenth chapter, reversed: there we said, that when foreign demand begins to decline, domestic luxury must be made to increase, in order to soften the shock of the sudden revolution in favour of the industrious. For the same reason here we say, that foreign trade must be opened upon every diminution of domestic luxury.

How few Princes do we find either frugal or magnificent from political considerations! And, this being the case, is it not necessary to lay before them the natural consequences of the one and the other? And it is still more necessary to point out the methods to be taken in order to avoid the inconveniencies which may proceed from either.

Under a prodigal administration, the number of people will increase. The statesman therefore should keep a watchful eye upon the supplying of subsistence. Under a frugal reign, numbers will diminish, if the statesman does not open every channel which may carry off the superfluous productions of industry. Here is the reason: a diminution of expence at home, is a diminution of employment; and this again implies a diminution of people; because it interrupts the circulation of the subsistence which made them live; but if employment is sent far from abroad, the nation will preserve its people, and the savings of the Prince may be compensated by the balance coming in from strangers.

These topics are delivered only as hints; and the amplification of them might not improperly have a place here; but I expect to bring them in elsewhere to greater advantage, after examining the principles of taxation, and pointing out those which direct the application of public money.

C H A P. XVIII.

Methods of lowering the Price of Manufactures, in order to make them vendible in foreign Markets.

THE multiplicity of relations between the several parts of political oeconomy, forces me to a frequent repetition of principles. I have no other rule to judge whether such relations be superfluous, or necessary, but by the tendency they have to give me a more distinct view of my subject. This is the case when the same principles are applied to different combinations of circumstances.

Almost every thing to be said on the head mentioned in the title of this chapter, has been taken notice of elsewhere; and my present intention is only to lay together ideas which appear scattered, because they have been occasionally brought in by their relations to other matters.

The methods of lowering the price of manufactures, so as to render them exportable, are of two kinds.

The first, such as proceed from a good administration, and which bring down prices within the country, in consequence of natural causes.

The second, such as operate only upon that part which comes to be exported, in consequence of a proper application of public money.

As I have not yet inquired into the methods of providing a public fund, it would, I think, be contrary to order to enter on the disposal of it, for bringing down the price of manufactures. This operation will come in more naturally afterwards, and the general distinction here mentioned, is only introduced by the by, that my readers may retain it and apply it as we go along.

The end proposed is to lower the price of manufactures, so that they may be exported. The first thing therefore to be known, is the cause from whence it happens, that certain manufactures cannot be furnished at home so cheap as in other countries; the second, how to apply the proper remedy for lowering the price of them.

The causes of high prices, that is, of prices relatively high to what they are found to be in other nations, are reducible to four heads; which I shall lay down in their order, and then point out the methods of removing them likewise, in their order.

1^{mo}. The consolidation of high profits with the real value of the manufacture. This cause operates in countries where luxury has gained ground, and when domestic competition has called off too many of the hands, which were formerly content to serve at a low price, and for small gains.

2^{do}. The rise in the price of articles of the first necessity. This cause operates when the progress of industry has been more rapid than that of agriculture. The progress of industry we have shewn necessarily implies an augmentation of *useful inhabitants*; and as these have commonly wherewithal to purchase subsistence, the moment their numbers swell above the proportion of the quantity of it produced by agriculture, or above what is found in the markets of the country, or brought from abroad, they enter into competition, and raise the price of it. Here then let it be observed, by the by, that what raises the price of subsistence is the augmentation of the numbers of useful inhabitants, that is, of such as are easy in their circumstances. Let the wretched be ever so many, let the vicious procreation go on ever so far, such inhabitants will have little effect in raising price, but a very great one in increasing misery. A proof of this is to be met with in many provinces where the number of poor is very great, and where at the same time the price of necessaries is very low; whereas no instance can be found where a number of the industrious being got together, do not occasion an immediate rise on most of the articles of subsistence.

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3^{to}. The natural advantages of other countries. This operates in spite of all the precautions of the most frugal and laborious people. Let them deprive themselves of every superfluity; let them be ever so diligent and ingenious; let every circumstance be improved by the statesman to the utmost for the establishment of foreign trade; the advantage of climate and situation may give such a superiority to the people of another country, as to render a direct competition with them impossible.

4^{to}. The superior dexterity of other nations in working up their manufactures, their knowledge in the science of trade, the advantage they have in turning their money to account in the intervals of their own direct circulation, the superior abilities of their statesman, the application of their public money, in one word, the perfection of their political oeconomy.

Before I enter upon the method of removing these several inconveniencies, I must observe, that as we are at present treating of the *relative* height of the price of manufactures, a competition between nations is constantly implied. It is this which obliges a statesman to be principally attentive to the rise of prices. The term *competition* is relative to, and conveys the idea of emulation between two parties striving to compass the same end. I must therefore distinguish between the endeavours which a nation makes to *retain* a superiority already got, and those of another which strives to get the better of it. The first I shall call a competition to *retain*; the second, a competition to *acquire*.

The first three heads represent the inconveniencies to which the competitors to *retain* are liable; and the fourth comprehends those to which the competitors to *acquire* are most commonly exposed.

Having digested our subject into order, I shall run through the principles which severally influence the removing of every inconvenience, whether incident to a nation whose foreign trade is already well established, or to another naturally calculated for entering into a competition for the acquisition of it.

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In proposing a remedy for the particular causes of augmentation here set down, we must suppose every one entirely simple, and uncompounded with the others; a thing which in fact seldom happens. This I do for the sake of distinctness; and the principal difficulty in practice is to combine the remedies in proportion to the complication of the disease. I now come to the first of the four causes of high prices, to wit, consolidated profits.

The whole doctrine of these has been abundantly set forth in the 10th chapter. We there explained the nature of them, shewed how the subversion of the balance, by a long preponderancy of the scale of demand, had the effect of consolidating profits in a country of luxury; and observed, that the reducing them to the proper standard could never fail of bringing those who had long enjoyed them, into distress.

The question here is to reduce them, when foreign trade cannot otherwise be retained, let the consequences be ever so hurtful to certain individuals. When the well being of a nation comes in competition with a temporary inconvenience to some of the inhabitants, the general good must be preferred to particular considerations.

I have observed above, that domestic luxury, by offering high prices upon certain species of industry, calls off many hands employed to supply the articles of exportation, upon which profits are generally very moderate. The first natural and immediate effect of this, is, to diminish the hands employed in furnishing the foreign demand; consequently, to diminish the supply; consequently, to occasion a *simple competition* on the side of the strangers, who are the purchasers; consequently, to augment profits, until by their rise and consolidation the market is deserted.

The very progress here laid down, points out the remedy. The number of hands employed in these particular branches must be multiplied; and if the luxurious taste and wealth of the country prevent any one who can do better, from betaking himself to a
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species of industry lucrative to the nation, but ungrateful to those who exercise it, the statesman must collect the children of the wretched into workhouses, and breed them to this employment, under the best regulations possible for saving every article of unnecessary expence; here likewise may be employed occasionally those above mentioned, whom the change of modes may have cast out of employment, until they can be better provided for. This is also an outlet for foundlings, since many of those who work for foreign exportation, are justly to be ranked in the lowest classes of the people; and in the first book we proposed, that every one brought up at the expence of public charity, should be thrown in for recruiting these classes, which can with greatest difficulty support their own propagation.

Here let me observe, that although it be true in general, that the greatest part of exportable manufactures do yield but very middling profits, from the extension of industry in different countries, yet sundry exceptions may be found; especially in nations renowned for their elegance of taste. But how quickly do we see these lucrative branches of foreign trade cut off, from the very inconvenience we here seek a remedy for. The reason is plain. When strangers demand such manufactures, they only share in the instruments of foreign luxury, which bring every where considerable profits to the manufacturer. These high profits easily establish a rivalry in favour of the nation to whom they are supplied; because a hint is sufficient to enable such as exercise a similar profession in that country, to supply their own inhabitants. This being the case, an able statesman should be constantly attentive to every growing taste in foreign nations for the inventions of his people; and so soon as his luxurious workmen have set any one on foot, he may throw that branch into the hands of the most frugal, in order to support it, and give them such encouragement as to prevent, at least, the rivalry of those strangers who are accustomed to work for large profits. This is one method of turning a branch of luxury

into an article of foreign trade. Let me illustrate this by an example.

What great advantages do not the French reap from the exportation of their modes? But we quickly find their varnishes, gauzes, ribbands, and colifichets, imitated by other nations, for no other reason but because of the large, or at least consolidated profits enjoyed by the French workmen themselves, who, fertile in new inventions, and supported by their reputation for elegance of dress, have got into possession of the right of prescribing to all Europe the standard of taste in articles of mere superfluity. This however is no permanent prerogative; and that elegant people, by long setting the example, and determining the standard of refinement in some luxurious arts, will at last inspire a similar taste into their scholars, who will thereby be enabled to supplant them. Whereas were they careful to supply all their inventions at the lowest prices possible, they would ever continue to be the only furnishers.

The method therefore of reducing consolidated profits, whether upon articles of exportation, or home consumption, is to increase the number of hands employed in supplying them; and the more gradually this revolution is made to take place, the fewer inconveniences will result to those who will thereby be forced to renounce them.

A country which has an extensive territory, and great opportunities of extending her agriculture (such as I supposed the present situation of France to be) may, under a good administration, find the progress of luxury very compatible with the prosperity of her foreign trade; because inhabitants may be multiplied at discretion. But so soon as subsistence becomes hard to be obtained, this expedient is cut off. A statesman must then make the best of the inhabitants he has, luxury must suffer a check; and those who are employed in supplying home consumption at high prices, must be made to reduce their consolidated profits, in order to bring the total amount

amount of their manufactures within such bounds as to make them vendible in foreign markets.

If manufacturers become luxurious in their way of living, it must proceed from their extraordinary profits. These they may still continue to have, as long as the produce of their work is consumed at home. But no merchant will pretend to sell it out of the country; because, in this case, he will find the labour of other people who are less luxurious, and consequently work cheaper, in competition with him.

To re-establish then the foreign trade, these consolidated profits must be put an end to, by attacking luxury when circumstances render an augmentation of people inconvenient, and prices will fall of course.

This will occasion great complaints among all sorts of tradesmen. The cry will be, that trade is ruined, manufacturers are starving, and the state is undone: but the truth will be, that manufacturers will, by their labour, begin to enrich their own nation, at the expence of all those who trade with her, instead of being enriched at the expence of their own countrymen; and only by a revolution in the balance of wealth at home.

It will prove very discouraging to any statesman to attempt a sudden reform of this abuse of consolidated profits, when he is obliged to attack the luxury of his own people. The best way therefore is to prevent matters from coming to such a pass, as to demand so dangerous and difficult a remedy.

There is hardly a possibility of changing the manners of a people, but by a proper attention to the education of the youth. All methods, therefore, should be fallen upon to supply manufactures with new hands; and lest the corruption of example should get the better of all precautions, the seat of manufactures might be changed; especially when they are found in great and populous cities, where living is dear: in this case, others should be erected in the provinces where living is cheap. The state must encourage these new under-

takings, numbers of children must be taken in, in order to be easily bred to industry and frugality; this again will encourage people to marry and propagate, as it will contribute towards discharging them of the load of a numerous family. If such a plan as this be followed, how inconsiderable will the number of poor people become in a little time; and as it will insensibly multiply the useful inhabitants, out of that youth which recruited and supported the numbers of the poor, so the taxes appropriated for the relief of poverty may be wholly applied, in order to prevent it.

Laws of naturalization have been often proposed in a nation where consolidated profits have occasioned the inconveniencies for which we have here been proposing a remedy. By this expedient many flatter themselves to draw industrious strangers into the country, who being accustomed to live more frugally, and upon less profits, may, by their example and competition, beat down the price of work among the inhabitants.

Several circumstances concur to defeat the success of this scheme. The first is, that consolidated profits are not the only inconvenience to be removed: there is also a complication of high prices upon many necessaries. The second, as no real change is supposed to be made within the country, either as to the increase of subsistence, or the regulation of its price, or manner of living, these strangers, who, as such, must be exposed to extraordinary expence, are not able to subsist, nor consequently to work so cheap as they did at home. Besides, what can be supposed to be their motive of coming, if it be not to have higher wages, and to live better?

Here then is a nation sending for strangers, in order that they may work cheaper; and strangers flocking into the country in hopes of selling their work dearer. This is just the case with two friends who are about making a bargain; the seller imagines that *his friend* will not grudge a good price. The buyer, on the other hand, flatters himself that *his friend* will sell to him cheaper than to another. This seldom fails to produce discontent on both sides.

Besides, unless the quantity of food be increased, if strangers are imported to eat part of it, natives must in some degree starve; and if you augment the quantity of food, and keep it at a little lower price than in neighbouring nations, your own inhabitants will multiply; the state may take great numbers of them into their service when young; they soon come to be able to do something in the manufacturing way; they may be bound for a number of years, sufficient to indemnify the public for the first expence; and the encouragement alone of having bread cheaper than elsewhere, will bring you as many strangers as you incline to receive, provided a continual supply of food can be procured in proportion to the increase of the people.

But I imagine that it is always better for a state to multiply by means of its own inhabitants, than by that of strangers; for many reasons which to me appear obvious.

We come now to the second cause of high prices, to wit, a rise in the value of the articles of the first necessity, which we have said proceeds from the progress of industry having outstripped the progress of agriculture. Let me set this idea in a clearer light; for here it is shut up in too general terms to be rightly viewed on all sides.

The idea of inhabitants being multiplied beyond the proportion of subsistence, seems to imply that there are too many already; and the demand for their industry having been the cause of their multiplication, proves that formerly there were too few. Add to this, that if, notwithstanding the rise upon the price of work proceeding from the scarcity of subsistence, the scale of home demand is found to preponderate, at the expence of foreign trade, this circumstance proves farther, that however the inhabitants may be already multiplied above the proportion of subsistence, their numbers are still too few for what is demanded of them at home; and for what is required of them towards promoting the prosperity of their country, in supporting their trade abroad.

From this exposition of the matter, the remedy appears evident: both inhabitants and subsistence must be augmented. The question comes to be, in what manner, and with what precautions, must these operations be performed?

Inhabitants are multiplied by reducing the price of subsistence, to the value which demand has fixed upon the work of those who are to consume it. This is only to be accomplished by augmenting the quantity, by importation from foreign parts, when the country cannot be made to produce more of itself.

Here the interposition of a statesman is absolutely necessary; since great losses may often be incurred by bringing down the price of grain in a year of scarcity. Premiums, therefore, must be given upon importation, until a plan can be executed for the extending of agriculture; of which in another place. This must be gone about with the greatest circumspection; for if grain be thereby made to fall too low, you ruin the landed interest, and although (as we have said above) all things soon become balanced in a trading nation, yet sudden and violent revolutions, such as this must be, are always to be apprehended. They are ever dangerous; and the spirit of every class of inhabitants must be kept up.

By a discredit cast upon any branch of industry, the hands employed in it may be made to abandon it, to the great detriment of the whole. This will infallibly happen, when violent transitions do not proceed from natural causes, as in the example here before us, when the price of grain is supposed to be brought down, from the increase of its quantity by importation, and not by plenty. Because, upon the falling of the market by importation, the poor farmer has nothing to make up for the low price he gets for his grain; whereas, when it proceeds from plenty, he has an additional quantity.

In years, therefore, of general scarcity, a statesman should not, by premiums given, reduce the price of grain, but in a reciprocal proportion

proportion to the quantity wanted: that is to say, the more grain is wanted, the less the price should be diminished. $\frac{12}{21}$

It may appear a very extensive project for any government to undertake to keep down the prices of grain, in years of general scarcity. I allow it to be politically impossible to keep prices low; because if all Europe be taken together, the produce of the whole is consumed one year with another, by the inhabitants; and in a year when there is a general scarcity, it would be very hard, if not impossible, (without having previously established a plan for this purpose) to make any nation live in plenty while others are starving. All therefore that is proposed, is to keep the prices of grain in as just a proportion as possible to the plenty of the year.

Now if a government does not interpose, this never is the case. I shall suppose the inhabitants of a country to consume, in a year of moderate plenty, six millions of quarters of grain; if in a year of scarcity it shall be found, that one million of quarters, or indeed a far less quantity, be wanting, the five millions of quarters produced, will rise in their price to perhaps double the ordinary value, instead of being increased only by one fifth. But if you examine the case in countries where trade is not well established, as in some inland provinces on the continent, it is no extraordinary thing to see grain bearing three times the price it is worth in ordinary years of plenty, and yet if in such a year there were wanting six months provisions for the inhabitants of a great kingdom, all the rest of Europe would perhaps hardly be able to keep them from starving.

It is the fear of want, and not real want, which makes grain rise to immoderate prices. Now as this extraordinary revolution in the rise of it, does not proceed from a natural cause, to wit, the degree of scarcity, but to the avarice and evil designs of men who hoard it up, it produces as bad consequences to that part of the inhabitants of a country employed in manufactures, as the fall of grain would produce to the farmers, in case the prices should be, by importation,

importation, brought below the just proportion of the quantity produced in the nation.

Besides the importation of grain, there is another way of increasing the quantity of it very considerably, in some countries of Europe. In a year of scarcity, could not the quantity of food be considerably augmented by a prohibition to make malt liquors, allowing the importation of wines and brandies; or indeed without laying any restraint upon the liberty of the inhabitants as to malt liquors, I am persuaded that the liberty of importing wines duty free, would, in years of scarcity, considerably augment the quantity of subsistence.

This is not a proper place to examine the inconvenience which might result to the revenue by such a scheme; because we are here only talking of those expedients which might be fallen upon to preserve a balance on foreign trade. An exchequer which is filled at the expence of this, will not continue long in a flourishing condition.

These appear to be the most rational temporary expedients to diminish the price of grain in years of scarcity; we shall afterwards examine the principles upon which a plan may be laid down to destroy all precariousness in the price of subsistence.

Precautions of another kind must be taken in years of plenty; for high prices occasioned by exportation are as hurtful to the poor tradesman as if they were occasioned by scarcity. And low prices occasioned by superfluity are as hurtful to the poor husbandman as if his crop had failed him.

A statesman therefore, should be very attentive to put the inland trade in grain upon the best footing possible, to prevent the frauds of merchants, and to promote an equal distribution of food in all corners of the country: and by the means of importation and exportation, according to plenty and scarcity, to regulate a just proportion between the general plenty of the year in Europe, and the price of subsistence; always observing to keep it somewhat lower at home,

home, than it can be found in any rival nation in trade. If this method be well observed, inhabitants will multiply; and this is a principal step towards reducing the expence of manufactures; because you increase the number of hands, and consequently diminish the price of labour.

Another expedient found to operate most admirable effects in reducing the price of manufactures (in those countries where living is rendered dear, by a hurtful competition among the inhabitants for the subsistence produced) is the invention and introduction of machines. We have, in a former chapter, answered the principal objections which have been made against them, in countries where the numbers of the idle, or trifling industrious, are so great, that every expedient which can abridge labour, is looked upon as a scheme for starving the poor. There is no solidity in this objection; and if there were, we are not at present in quest of plans for feeding the poor; but for accumulating the wealth of a trading nation, by enabling the industrious to feed themselves at the expence of foreigners. The introduction of machines is found to reduce prices in a surprizing manner. And if they have the effect of taking bread from hundreds, formerly employed in performing their simple operations, they have that also of giving bread to thousands, by extending numberless branches of ingenuity, which, without the machines, would have remained circumscribed within very narrow limits. What progress has not building made within these hundred years? Who doubts that the conveniency of great iron works, and saw mills, prompts many to build? And this taste has greatly contributed to increase, not diminish, the number both of smiths and carpenters, as well as to extend navigation. I shall only add in favour of such expedients, that experience shews the advantage gained by certain machines, is more than enough to compensate every inconvenience arising from consolidated profits, and expensive living; and that the first inventors gain thereby a superiority which nothing but adopting the same invention can counterbalance.

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The third cause of high prices we have said to be owing to the natural advantages which neighbouring nations reap from their climate, soil, or situation.

Here no rise of prices is implied in the country in question, they are only supposed to have become relatively high by the opportunity other nations have had to furnish the same articles at a lower rate, in consequence of their natural advantages.

There are two expedients to be used, in order to defeat the bad effects of a competition which cannot be got the better of in the ordinary way. The first to be made use of, is, to assist the branches in distress with the public money. The other is patience, and perseverance in frugality, as has been already observed. A short example of the first will be sufficient in this place to make the thing fully understood. I have already said, that I purposely postpone an ample dissertation upon the principles which influence such operations.

Let me suppose a nation accustomed to export to the value of a million sterling of fish every year, undersold in this article by another which has found a fishery on its own coasts, so abundant as to enable it to undersell the first by 20 per cent. This being the case, the statesman may buy up all the fish of his subjects, and undersell his competitors at every foreign market, at the loss of perhaps 250,000*l.* What is the consequence? That the million he paid for the fish remains at home, and that 750,000*l.* comes in from abroad for the price of them. How is the 250,000*l.* to be made up? By a general imposition upon all the inhabitants. This returns into the public coffers, and all stands as it was. If this expedient be not followed, what are the consequences? That those employed in the fishery are forced to starve; that the fish taken either remain upon hand, or if sold by the proprietors, at a great loss; these are undone, and the nation for the future loses the acquisition of 750,000*l.* a year.

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To abridge this operation, premiums are given upon exportation, which comes to the same thing, and is a refinement on the application of this very principle: but premiums are often abused. It belongs to the department of the coercive power of government to put a stop to such abuse. All I shall say upon the matter is, that if there be crimes called high treason, which are punished with greater severity than highway robbery, and assassination, I should be apt (were I a statesman) to put at the head of that bloody list, every attempt to defeat the application of public money, for the purposes here mentioned. The multiplicity of frauds alone, discourages a wise government from proceeding upon this principle, and disappoints the scheme. If severe punishment can in its turn put a stop to frauds, I believe it will be thought very well applied.

While a statesman is thus defending the foreign trade of his country, by an extraordinary operation performed upon the circulation of its wealth, he must at the same time employ the second expedient with equal address. He must be attentive to support sobriety at home, and wait patiently until abuses among his neighbours shall produce some of the inconveniences we have already mentioned. So soon as this comes to be the case, he has gained his point; the premiums then may cease; the public money may be turned into another channel; or the tax may be suppressed altogether, according as circumstances may require.

I need not add, that the more management and discretion is used in such operations, the less jealousy will be conceived by other rival nations. And as we are proposing this plan for a state already in possession of a branch of foreign trade, ready to be disputed by others, having superior natural advantages, it is to be supposed that the weight of money, at least, is on her side. This, if rightly employed, will prove an advantage, more than equal to any thing which can be brought against it; and if such an operation comes to raise the indignation of her rival, it will, on the other hand, reconcile the favour of every neutral state, who will find a palpable benefit from

VOL. I.

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the competition, and will never fail giving their money to those who sell the cheapest. In a word, no private trader can stand in competition with a nation's wealth. Premiums are an engine in commerce, which nothing can resist but a similar operation.

Hitherto we have been proposing methods for removing the inconveniencies which accompany wealth and superiority, and for preserving the advantages which result from foreign trade already established: we must now change sides, and adopt the interest of those nations who labour under the weight of a heavy competition with their rich neighbours, versed in commerce, dextrous in every art and manufacture, and conducted by a statesman of superior abilities, who sets all engines to work, in order to make the most of every favourable circumstance.

It is no easy matter for a state unacquainted with trade and industry, even to form a distant prospect of rivalry with such a nation, while the abuses attending upon their wealth are not supposed to have crept in among them. Consequently, it would be the highest imprudence to attempt (at first setting out) any thing that could excite their jealousy.

The first thing to be inquired into, is the state of natural advantages. If any branch of natural produce, such as grain, cattle, wines, fruits, timber, or the like, are here found of so great importance to the rival nation, that they will purchase them with money, not with an exchange of their manufactures, such branches of trade may be kept open with them. If none such can be found, the first step is to cut off all communication of trade by exchange with such a people; and to apply closely to the supply of every want at home, without having recourse to foreigners.

So soon as these wants begin to be supplied, and that a surplus is found, other nations must be sought for, who enjoy less advantages; and trade may be carried on with them in a subaltern way. People here must glean before they can expect to reap. But by gleaning every year they will add to their stock of wealth, and the

the more it is made subservient to public uses, the faster it will increase.

The beginners will have certain advantages inseparable from their infant state; to wit, a series of augmentations of all kinds, of which we have so frequently made mention. If these can be preserved in an equable progression; if the balance of work and demand, and that of population and agriculture, can be kept in a gentle vibration, by alternate augmentations; and if a plan of oeconomy, equally good with that of the rivals, be set on foot and pursued; time will bring every natural advantage of climate, soil, situation, and extent, to work their full effects; and in the end they will decide the superiority.

I shall now conclude my chapter; with some observations on the difference between theory and practice, so far as regards the present subject.

In theory, we have considered every one of the causes which produce high prices, and prevent exportation, as simple and uncompounded: in practice they are seldom ever so. This circumstance makes the remedies difficult, and sometimes dangerous. Difficult; from the complication of the disease; dangerous, because the remedy against consolidated profits will do infinite harm, if applied to remove that which proceeds from dear subsistence, as has been said.

Another great difference between theory and practice occurs in the fourth case; where we suppose a nation unacquainted with trade, to set out upon a competition with those who are in possession of it. When I examine the situation of some countries of Europe (Spain perhaps) to which the application of these principles may be made, I find that it is precisely in such nations, where the other disadvantages of consolidated profits, and even the high prices of living, are carried to the greatest height; and that the only thing which keeps one shilling of specie among them, is the infinite advantage they draw from the mines, and from the sale of their

their pure and unmanufactured natural productions, added to their simplicity of life, occasioned by the wretchedness of the lower classes, which alone prevents these also from consuming foreign commodities. Were money in these countries as equally distributed as in those of trade and industry, it would quickly be exported. Every one would extend his consumption of foreign commodities, and the wealth would disappear. But this is not the case; the rich keep their money in their coffers; because lending at interest, there, is very wisely laid under numberless obstructions. The vice, therefore, is not that the lending of money at interest is forbid, but that the people are not put in a situation to have any pressing occasion for it, as a means of advancing their industry. Were they taught to supply their own wants, the state might encourage circulation by loan; but as they run to strangers for that supply, money is better locked up.

Upon a right use and application of these general principles, according to the different combinations of circumstances, in a nation whose principal object is an extensive and profitable foreign trade, I imagine a statesman may both establish and preserve, for a very long time, a great superiority in point of commerce; provided peace can be preserved: for in time of war, every populous nation, if great and extended, will find such difficulties in procuring food, and such numbers of hands to maintain, that what formerly made its greatness, will hasten its ruin.

C H A P. XIX.

Of infant, foreign, and inland Trade, with respect to the several Principles which influence them.

I HAVE always found the geography of a country easier to retain, from the inspection of maps, after travelling over the regions there represented, than before; as most prefaces are best understood, after reading the book, which they are calculated to introduce. I intend this as an apology for presenting my readers with a chapter of distribution in the middle of my subject.

My intention, at present, is to take a view of the whole region of trade, divided into its different districts, in order to point out a ruling principle in each, from which every other must naturally flow, or may be deduced by an easy reasoning. These I shall lay before my reader, that from them he may distribute his ideas in the same order I have done. Hence the terms I shall be obliged to use will be rendered more adequate, in expressing the combinations I may have occasion to convey by them.

I divide trade into infant, foreign, and inland.

1mo. Infant trade, taken in a general acceptation, may be understood to be that species, which has for its object the supplying the necessities of the inhabitants of a country; because it is commonly antecedent to the supplying the wants of strangers. This species has been known in all ages, and in all countries, in a less, or greater degree, in proportion to the multiplication of the wants of mankind, and in proportion to the numbers of those who depend on their ingenuity for procuring subsistence.

The general principles which direct a statesman in the proper encouragement of this commerce, relate to two objects.

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1. To promote the ease and happiness of the higher classes in making their wealth subservient to their wants and inclinations.
2. To promote the ease and happiness of the lower classes, by turning their natural faculties to an infallible means of relieving their necessities.

This communicates the idea of a free society; because it implies the circulation of a real equivalent for every service; to acquire which, mankind submit with pleasure to the hardest labour.

In the first book, I had little occasion to consider trade under different denominations; or as influenced by any other principle than that of promoting the multiplication of mankind, and the extension of agriculture, *by drawing the wealth of the rich into the hands of the industrious*. This operation, when carried no farther, is a true representation of infant trade.

But now I must set the matter in a new light: and consider this infant trade as a basis for establishing a foreign commerce. In itself it is only a means of gratifying the desires of those who have the equivalent; and of providing it for those who have it not. We are next to examine how, by the care of a statesman, it may prove a method whereby one society may be put in a situation to acquire a superiority over others; by diminishing, on one hand, the quantity they have of that general equivalent, and by increasing, on the other, the absolute quantity of it at home; in such a manner as not only to promote the circulation of that part of it which is necessary to supply the wants of all the citizens; but by a surplus of it, to render other nations dependent upon them, in most operations of their political oeconomy.

The statesman who resolves to improve this infant trade into foreign commerce, must examine the wants of other nations, and consider the productions of his own country. He must then determine, what kinds of manufactures are best adapted for supplying the first, and for consuming the latter. He must introduce the use of such manufactures among his subjects; and endeavour to extend

his population, and his agriculture, by encouragements given to these new branches of consumption. He must provide his people with the best masters; he must supply them with every useful machine; and above all, he must relieve them of their work, when home-demand is not sufficient for the consumption of it.

A considerable time must of necessity be required to bring a people to a dexterity in manufactures. The branches of these are many; and every one requires a particular slight of hand, and a particular master, to point out the rudiments of the art. People do not perceive this inconveniency, in countries where they are already introduced; and many a projector has been ruined for want of attention to it.

In the more simple operations of manufacturing, where apprenticeships are not in use, every one teaches another. The new beginners are put among a number who are already perfect: all the instructions they get, is, *do as you see others do before you*. This is an advantage which an established industry has over another newly set on foot; and this I apprehend to be the reason why we see certain manufactures, after remaining long in a state of infancy, make in a few years a most astonishing progress. What loss must be at first incurred! what numbers of aspiring geniuses overpowered by unsuccessful beginnings, when a statesman does not concern himself in the operation! If he assists his subjects, by a prohibition upon foreign work, how often do we see this expedient become a means of extending the most extravagant profits? Because he neglects, at the same time, to extend the manufacture by multiplying the hands employed in it. I allow, that as long as the gates of a kingdom are kept shut, and that no foreign communication is permitted, large profits do little harm; and tend to promote dexterity and refinement. This is a very good method for laying a foundation for manufactures: but so soon as the dexterity has been sufficiently encouraged, and that abundance of excellent masters are provided, then the statesman ought to multiply the number of scholars; and

a new generation must be brought up in frugality, and in the enjoyment of the most moderate profits, in order to carry the plan into execution.

The ruling principle, therefore, which ought to direct a statesman in this first species of trade, is to encourage the manufacturing of every branch of natural productions, by extending the home-consumption of them; by excluding all competition with strangers; by permitting the rise of profits, so far as to promote dexterity and emulation in invention and improvement; by relieving the industrious of their work, as often as demand for it falls short. And until it can be exported to advantage, it may be exported with loss, at the expence of the public. To spare no expence in procuring the ablest masters in every branch of industry, nor any cost in making the first establishments; providing machines, and every other thing necessary or useful to make the undertaking succeed. To keep constantly an eye upon the profits made in every branch of industry; and so soon as he finds, that the real value of the manufacture comes so low as to render it exportable, to employ the hands, as above, and to put an end to these profits he had permitted only as a means of bringing the manufacture to its perfection. In proportion as the prices of every species of industry are brought down to the standard of exportation, in such proportion does this species of trade lose its original character, and adopt the second.

2do. *Foreign trade* has been explained sufficiently: the ruling principles of which are to banish luxury; to encourage frugality; to fix the lowest standard of prices possible; and to watch, with the greatest attention, over the vibrations of the balance between work and demand. While this is preserved, no internal vice can affect the prosperity of it. And when the natural advantages of other nations constitute a rivalry, not otherwise to be overcome, the statesman must counterbalance these advantages, by the weight and influence of public money; and when this expedient also becomes ineffectual,

foreign

foreign trade is at an end; and out of its ashes arises the third species, which I call inland commerce.

3tio. The more general principles of *inland trade* have been occasionally considered in the first book, and more particularly hinted at in the 15th chapter of this; but there are still many new relations to be examined, which will produce new principles, to be illustrated in the subsequent chapters of this book. I shall, here only point out the general heads, which will serve to particularize and distinguish this third species of trade, from the two preceding.

Inland commerce, as here pointed out, is supposed to take place upon the total extinction of foreign trade. The statesman must in such a case, as in the other two species, attend to supplying the wants of the rich, in relieving the necessities of the poor, by the circulation of the equivalent as above; but as formerly he had it in his eye to watch over the balance of work and demand, so now he must principally attend to the balance of wealth, as it vibrates between consumers and manufacturers; that is, between the rich and the industrious. The effects of this vibration have been shortly pointed out, Chap. xv.

In conducting a foreign trade, his business was to establish the lowest standard possible as to prices; and to confine profits within the narrowest bounds: but as now there is no question of exportation, this object of his care in a great measure disappears; and high profits made by the industrious will have then no other effect than to draw the balance of wealth more speedily to their side. The higher the profits, the more quickly will the industrious be enriched, the more quickly will the consumers become poor, and the more necessary will it become to cut off the nation from every foreign communication in the way of trade.

From this political situation of a state arises the fundamental principle of taxation; which is, that, at the time of the vibration of the balance between the consumer and the manufacturer, the state should advance the dissipation of the first, and share in the profits of the latter. This

branch of our subject I shall not here anticipate; but I shall, in the remaining chapters of this book, make it sufficiently evident, that so soon as the wealth of a state becomes considerable enough to introduce luxury, to put an end to foreign trade, and from the excessive rise of prices to extinguish all hopes of restoring it, then taxes become necessary, both for preserving the government on the one hand, and on the other, to serve as an expedient for recalling foreign trade in spite of all the pernicious effects of luxury to extinguish it.

I hope from this short recapitulation and exposition of principles, I have sufficiently communicated to my reader the distinctions I wanted to establish, between what I have called infant, foreign, and inland trade. Such distinctions are very necessary to be retained; and it is proper they should be applied in many places of this treatise, in order to qualify general propositions: these cannot be avoided, and might lead into error, without a perpetual repetition of such restrictions, which would tire the reader, appear frivolous to him, perhaps, and divert his attention.

I only add, that we are not to suppose the commerce of any nation restricted to any one of the three species. I have considered them separately, according to custom, in order to point out their different principles. It is the business of statesmen to compound them according to circumstances.

CHAP. XX.

Of Luxury.

MY reader may perhaps be surprized to find this subject formally introduced, after all I have said of it in the first book, under a definition which renders the term sufficiently clear,

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by distinguishing it from sensuality and excess; and by confining it to *the providing of superfluities, in favour of a consumption*, which necessarily must produce the good effects of giving employment and bread to the industrious.

The simple acceptation of the term, was the most proper for explaining the political effects of extraordinary consumption. I cannot however deny, that the word *luxury* commonly conveys a more complex idea; and did I take no notice of this circumstance, it might be thought that I had purposely restrained a general term to a particular acceptation, in order to lead to error, and to suppress the vicious influence of modern oeconomy over the minds of mankind; which influence, if vicious, cannot fail to affect even their political happiness.

My intention therefore, in this chapter, is to amuse, and to set my ideas concerning luxury (in the most extensive acceptation of the word) in such an order, as first to vindicate the definition I have given of it, by shewing that it is a proper one; and secondly, to reconcile the sentiments of those who appear to combat one another, on a subject wherein all must agree, when terms are fully understood.

For this purpose I must distinguish *luxury* as it affects our different interests, by producing hurtful consequences; from *luxury*, as it regards the moderate gratification of our natural or rational desires. I must separate objects which are but too frequently confounded, and analyze this complicated term, by specifying the ideas it contains, under partial definitions.

The interests affected by luxury, I take to be four; *1mo. the moral*, in so far as it does hurt to the mind; *2do. the physical*, as it hurts the body; the *domestic*, as it hurts the fortune; and the *political*, as it hurts the state.

The natural desires which proceed from our animal oeconomy, and which are gratified by *luxury*, may be also reduced to four; *viz. hunger, thirst, love, and ease* or indolence. The moderate gra-

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tification

tification of these desires, and physical happiness, is the same thing. The immoderate gratification of them is *excess*; and if this also be implied by *luxury*, no man, I believe, ever seriously became its apologist.

The first point to be explained, is what is to be understood by *excess*. What appears an excess to one man, may appear moderation to another. I therefore measure the *excess* by the bad effects it produces on the *mind*, the *body*, the *fortune*, and the *state*: and when we speak of *luxury* as a vice, it is requisite to point out the particular bad effects it produces, to one, more, or all the interests which may be affected by it: when this is neglected, ambiguities ensue, which involve people in inextricable disputes.

In order to communicate my thoughts upon this subject with the more precision, I shall give an example of the harm resulting to the *mind*, the *body*, the *fortune*, and the *state*, from the excessive gratification of the several natural desires above-mentioned.

1^{mo}. As to the *mind*, *eating to excess* produces the inconvenience of rendering the perceptions dull, and of making a person unfit for study or application.

Drinking confounds the understanding, and often prevents our discovering the most palpable relations of things.

Love fixes our ideas too much upon the same object, makes all our pursuits and pleasures analogous to it, and consequently renders them trifling and superficial.

Ease, that is, too great a fondness for it, destroys activity, damps our resolutions, and misleads the decisions of our judgment on every occasion, where one side of the question implies an obstacle to the enjoyment of a favourite indolence.

These are examples of the evils proceeding from *luxury* in the most general acceptation of the term. While the gratification of those desires is accompanied by no such inconveniences, I think it is a proof, that there has been no *moral excess*, or that no moral evil has been directly implied in the gratification. But I cannot equally

determine, that there has been no luxury in the enjoyment of superfluity.

2^{do}. The *physical* inconveniences which follow from all the four, terminate in the hurt they do the body, health or constitution. If no such harm follows upon the gratification of our desires, I find no *physical* evil: but still *luxury*, I think, may be applied in every acceptation in which the term can be taken.

3^{io}. If the *domestic* inconveniences of the four species be examined, they all center in one, viz. the dissipation of fortune, upon which depends the future ease of the proprietor, and the well-being of his posterity. When *luxury* is examined with respect to this object, the idea we conceive of it admits of a new modification. An *excess* here, is compatible with a very moderate gratification of our most natural desires. It is not *eating*, nor *drinking*, *love*, nor *indolence* which are hurtful to the fortune, but the expence attending such gratifications. All these are frequently indulged even to *excess*, in a *moral* and *physical* sense, by people who are daily becoming more wealthy by these very means.

4^{to}. Some *political* inconveniences of *luxury* have been already pointed out. The extinction of foreign trade is the most striking. But the loss of trade, conveys no ideas of any *moral*, *physical*, or *domestic excess*; and still it is vicious in so far as it affects the well-being of a state. Besides this particular evil, I very willingly agree, that in as far as the good government of a state depends upon the application and capacity, as well as the integrity of those who sit at the helm, or who are employed in the administration, or direction of public affairs, in so far may the moral inconveniences of *luxury* mentioned above, affect the prosperity of a state. The consequences of *excessive luxury*, *moral* and *physical*, as well as the dissipation of private fortunes, may render both the statesman, and those whom he employs, negligent in their duty, unfit to discharge it, rapacious and corrupt. These may, indirectly, be reckoned among the *political* evils attending *luxury*, in so far as they take place. But on the

the other hand, as they cannot be called the *necessary effects* of the *cause* to which they are here ascribed, that is, to *moral, physical, and domestic luxury*, I do not think they can with propriety be implied in the definition of the term. They are rather to be attributed to the imperfection of the human mind, than to any other second cause, which might occasionally contribute to their production. They may proceed from *avarice*, as well as from *prodigality*.

I hope this short exposition of a matter, not absolutely falling within the limits of my subject, will suffice to prove that my definition of *luxury*, describes at least the most essential requisite towards determining it: *the providing of superfluity with a view to consumption*. This is inseparable from our ideas of *luxury*; but vicious *excess* certainly is not. A sober man may have a most delicate table, as well as a glutton; and a virtuous man may enjoy the pleasures of love and ease with as much sensuality as Heliogabalus. But no man can become luxurious, in our acceptance of the word, without giving bread to the industrious, without encouraging emulation, industry, and agriculture; and without producing the circulation of an adequate equivalent for every service. This last is the palladium of liberty, the fountain of gentle dependence, and the agreeable band of union among free societies.

Let me therefore conclude my chapter, with a metaphysical observation. The use of words, is to express ideas; the more simple any idea is, the more easy it is to convey it by a word. Whenever, therefore, language furnishes several words, which are called *synonymous*, we may conclude, that the idea conveyed by them is not simple. On every such occasion, it is doing a service to learning, to render them as little synonymous as possible, and to point out the particular differences between the ideas they convey.

Now as to the point under consideration. I find the three terms, *luxury, sensuality, and excess*, generally considered in a synonymous light, notwithstanding the characteristic differences which distinguish them. *Luxury consists in providing the objects of sensuality, in so far*

as

as they are superfluous. *Sensuality consists in the actual enjoyment of them; and excess implies an abuse of enjoyment*. A person, therefore, according to these definitions, may be very *luxurious* from vanity, pride, ostentation, or with a political view of encouraging consumption, without having a turn for sensuality, or a tendency to fall into excess. *Sensuality*, on the other hand, might have been indulged in a Lacedemonian republic, as well as at the court of Artaxerxes. *Excess*, indeed, seems more closely connected with *sensuality*, than with *luxury*; but the difference is so great, that I apprehend *sensuality* must in a great measure be extinguished, before *excess* can begin.

C H A P. XXI.

Of Physical and Political Necessaries.

AFTER having cleared up our ideas concerning *luxury*, it comes very naturally in, to examine what is meant by *physical necessary*.

I have observed in the third chapter of the first book, that in most countries where food is limited to a determined quantity, inhabitants are fed in a regular progression down from plenty and ample subsistence, to the last period of want, and dying from hunger. *It is ample subsistence where no degree of superfluity is implied, which communicates an idea of the physical-necessary*. It is the top of this ladder; it is the first rank among men who enjoy no superfluity whatsoever. A man enjoys the physical-necessary as to food, when he is fully fed; if he is likewise sufficiently clothed, and well defended against every thing which may hurt him, he enjoys his full physical-necessary. The moment he begins to add to this, he may be considered as moving upwards into another category, to wit, the class of the *luxurious*.

luxurious, or consumers of superfluity; of which there are to be found, in most countries, as many stages upward, as there are stages downwards, from where he stood before. This is one general idea of the question. Let me now look for another.

If we examine the state of many animals which have no appetites leading them to excess, we may form a very just idea of a *physical-necessary* for man. When they are free from labour, and have food at will, they enjoy their full physical-necessary. They are then in the height of beauty, and enjoy the greatest degree of happiness they are capable of. Animals which are forced to labour, prove to us very plainly, that this *physical-necessary* is not fixed to a point, but that it may vary like most other things: every one perceives the difference between labouring cattle which are well fed, and those which are middling, or ill fed; all however, I suppose to live in health, and to work according to their strength. This represents the nature of a *physical-necessary* for man.

In many of the inferior classes in every nation, we find various degrees of ease among the individuals; and yet upon the whole, it would be hard to determine, which are those who enjoy superfluity; which are those who possess the pure physical-necessary; and which are those who fall below it. The cause of this ambiguity must here be explained.

The nature of man furnishes him with some desires relative to his wants, which do not proceed from his animal oeconomy, but which are entirely similar to them in their effects. These proceed from the affections of his mind, are formed by habit and education, and when once *regularly established*, create another kind of necessary, which, for the sake of distinction, I shall call *political*. The similitude between these two species of *necessary*, is therefore the cause of ambiguity.

This *political-necessary* has for its object, certain articles of *physical superfluity*, which distinguishes what we call *rank* in society.

Rank

Rank is determined by birth, education, or habit. A man with difficulty submits to descend from a higher way of living to a lower; and when an accidental circumstance has raised him for a while, above the level of that *rank* where his *birth* or *education* had placed him, his ambition prompts him to support himself in his elevation. If his attempt be a rational scheme, he is generally approved of; the common consent of his fellow-citizens prescribes a certain *political-necessary* for him, proportioned to his ambition; and when at any time *this* comes to fail, he is considered to be in want.

If on the other hand, a person either from vanity, or from no rational prospect of success, forms a scheme of rising above the *rank* where *birth* or *education* had placed him, his fellow-citizens do not consent to prescribe for him a political-necessary suitable to his ambition; and when this fails him, he is only considered to fall back into the class he properly belonged to. But if the political-necessary suitable to this *rank* should come to fail, then he is supposed to be deprived of his *political-necessary*.

The measure of this last species of *necessary*, is determined only by general opinion, and therefore can never be ascertained justly; and as this opinion may have for its object even those who are below the level of the *physical-necessary*; it often happens, that we find great difficulties in determining its exact limits.

It may appear absurd, to suppose that any one can enjoy *superfluity* (which we have called the characteristic of *political-necessary*) to whom any part of the *physical-necessary* is found wanting. However absurd this may appear, nothing, however, is more common among men, and the reason arises from what has been observed above. The desires which proceed from the affections of his mind, are often so strong, as to make him comply with them at the expence of becoming incapable of satisfying that which his animal oeconomy necessarily demands.

From this it happens, that however easy it may be to conceive an accurate idea of a physical-necessary for *animals*, nothing is more difficult

difficult, than to prescribe the proper limits for it with regard to man.

This being the case, let us suppose the condition of those who enjoy but little superfluity, and who fill the lower classes of the people, to be distinguished into three denominations; to wit, the highest, middle, and lowest degree of physical-necessary; and then let us ask, how we may come to form an estimation as to the respective value of the consumption implied in each, in order to determine the minimum as to the profits upon industry. This question is of great importance; because we have shewn that the prosperity of foreign trade depends on the cheapness of manufacturing; and this again depends on the price of *living*, that is of the physical-necessary for manufacturers.

One very good method of estimating the value of the total consumption implied by this necessary quantity, is to compute the expence of those who live in communities, such as in hospitals, workhouses, armies, convents, according to the different degrees of ease, severally enjoyed by those who compose them. In running over the few articles of expence in such establishments, it will be easy to discern between those, which relate to the supply of the physical, and those which relate to the supply of the political-necessary: ammunition bread is an example of the first; a Monk's hood and long sleeves, are a species of the latter.

When once the real value of a man's subsistence is found, the statesman may the better judge of the degree of ease, necessary or expedient for him to allow to the several classes of the laborious and ingenious inhabitants.

As we have divided this physical-necessary into three degrees; the *highest*, *middle*, and *lowest*; the next question is, which of the three degrees is the most expedient to be established, as the standard value of the industry of the very lowest class of a people.

I answer, that in a society, it is requisite that the individual of the most puny constitution for labour and industry, and of the

most

most slender genius for works of ingenuity, having no natural defect, and enjoying health, should be able by a labour proportioned to his force, to gain the *lowest* degree of the physical-necessary; for in this case, by far the greatest part of the industrious will be found in the second class, and the strong and healthy all in the first.

The difference between the highest class and the lowest, I do not apprehend to be very great. A small quantity added to what is barely sufficient, makes enough: but this *small quantity* is the most difficult to acquire, and this is the most powerful spur to industry. The moment a person begins to live by his industry, let his livelihood be ever so poor, he immediately forms little objects of ambition; compares his situation with that of his fellows who are a degree above him, and considers a shade more of ease, as I may call it, as an advancement, not only of his happiness, but of his rank.

There are still more varieties to be met with among those who are confined to the sphere of the physical-necessary. The labour of a strong man ought to be otherwise recompensed than that of a puny creature. But in every state there is found labour of different kinds, some require more, and some less strength, and all must be paid for; but as a weakly person does not commonly require so much nourishment as the strong and robust, the difference of his gains may be compensated by the smallness of his consumption.

What we mean by the *first class* of the physical-necessary, is when a person gains wherewithal to be well fed, well clothed, and well defended against the injuries of heat and cold, without any superfluity. This I say, a strong healthy person should be able to gain by the exercise of the lowest denominations of industrious labour, and that without a possibility of being deprived of it, by the competition of others of the same profession.

Could a method be fallen upon to prevent competition among industrious people of the same profession, the moment they come to be reduced within the limits of the *physical-necessary*, it would prove

the best security against decline, and the most solid basis of a lasting prosperity.

But as we have observed in the first book, the thing is impossible, while marriage subsists on the present footing. From this one circumstance, the condition of the industrious of the same profession, is rendered totally different. Some are loaded with a family, others are not. The only expedient, therefore, for a statesman, is to keep the general principles constantly in his eye, to destroy this competition as much as he can, at least in branches of exportation; to avoid, in his administration, every measure which may tend to promote it, by constituting a particular advantage in favour of some individuals of the same class; and if the management of public affairs, necessarily implies such inconveniencies, he must find out a way of indemnifying those who suffer by the competition.

We may therefore, in this place, lay down two principles: First, that no competition should be encouraged among those who labour for a *physical-necessary*; secondly, that in a state which flourishes by her foreign trade, competition is to be encouraged in every branch of exportation, until the competitors have reduced one another within the limits of that necessary.

Farther, I must observe, that this *physical-necessary* ought to be the highest degree of ease, which any one should be able to acquire with labour and industry, where no peculiar ingenuity is required. This also is a point deserving the attention of a statesman. How frequently do we find, in great cities, different employments, such as carrying of water, and other burthens, sawing of wood, &c. erected into confraternities, which prevent competition, and raise profits beyond the standard of the *physical-necessary*. This, I apprehend, is a discouragement to ingenuity, and has the bad effect of rendering living dear, without answering any one of the intentions of establishing corporations, as shall be shewn in another place. The *physical-necessary*, therefore, ought to be the reward of labour and

industry; whatever any workman gains above this standard; ought to be in consequence of his superior *ingenuity*.

It is not at all necessary to prescribe the limits between these two classes; they will sufficiently distinguish themselves by the simple operation of competition. Let a particular person fall upon an ingenious invention, he will profit by it, and rise above the lower classes which are confined to the *physical-necessary*; but if the invention be such as may be easily copied, he will quickly be rivalled to such a degree as to reduce his profits within the bounds of that *physical-necessary*; so soon as this comes to be the case, his *ingenuity* disappears, because it ceases to be *peculiar* to him.

Here arises a question: whence does it happen that certain workmen avoid this competition, and make considerable gains by their employment, while others are rivalled in their endeavours to retain a bare *physical-necessary*?

There is a combination of several causes to operate these effects, which we shall examine separately; leaving to the reader to judge, how far the combination of them may extend profits beyond the *physical-necessary*.

I. We have said (chap. 9.) that the value of a workman's labour is determined from the quantity performed, in general, by those of his profession, neither supposing them the best nor the worst, nor as having any advantage or disadvantage, from the place of their abode. A workman therefore, who, to an extraordinary dexterity, joins the advantages of place, must gain more than another.

II. We have often remarked, that competition between workmen of the same profession, diminishes the profits upon labour. From this it follows, that in such arts where the least competition is found, there must be the largest profits. Now several circumstances prevent competition. First: An extraordinary dexterity in any art, and especially in those where the whole excellency depends upon great exactness, such as watch-making, painting of all kinds, making mathematical instruments, and the like; all which

set a celebrated artist in a manner above a possibility of rivalry, and make him the master of his price, as experience shews. 2d. The difficulty of acquiring the dexterity requisite, resulting both from the time and money necessary to be spent in apprenticeship, proves a plain obstacle to a numerous competition. Few there are, who having the stock sufficient to defray the loss of several years fruitless application, have also the turn necessary to lead them to that particular branch of ingenuity. 3d. Many there are, who have skill and capacity sufficient to enter into competition, but are obliged to work for others, because of the expensive apparatus of instruments, machines, lodging, and many other things necessary for setting out as a master in the art. These, and similar causes, prevent competition, and support large profits. 4th. Masters increase their profits greatly by sharing that of their journeymen: this share, the first have a just title to from the constant employment they procure for the latter; and the certainty these have of gaining their *physical-necessary*, together with a profit proportional to their dexterity, makes them willing to share with their master. The 5th cause of considerable gains, and the last I shall mention, is the most effectual of all, viz. great oeconomy, and parsimonious living. In proportion to the concurrence and combination of these circumstances, the fortune of the artist will increase, which is the answer to the first part of the question proposed.

We are next to enquire how it happens that many industrious people are rivalled in an industry which brings no more than a bare *physical-necessary*. This proceeds from some disadvantage either in their personal or political situation. In their personal situation, when they are loaded with a numerous family, interrupted by sickness, or other accidental avocations. In their political situation, when they happen to be under a particular subordination from which others are free, or loaded with taxes which others do not pay.

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I shall only add, that in computing the value of the *physical-necessary* of the lowest denomination, a just allowance must be made for all interruptions of labour: no person can be supposed to work every free day; and the labour of the year must defray the expence of the year. This is evident. Farther, neither humanity, or policy, that is the interest of a state, can suggest a rigorous oeconomy upon this essential quantity. If the great abuses upon the price of labour are corrected, those which remain imperceptible to the public eye, will prove no disadvantage to exportation; and as long as this goes on with success, the state is in health and vigour. Exportation of work is another pulse of the political body.

CHAP. XXII.

Preliminary Reflections upon inland Commerce.

I RESUME the subject, which, as a rest to the mind, I drop at the end of the 19th chapter.

I am to treat directly of inland commerce, which has been sufficiently distinguished from infant, and foreign trade.

We are to consider ourselves now as transported into a new country. Here foreign trade has been carried to the greatest height possible; but the luxury of the inhabitants, the carelessness, perhaps, of the statesman, and the natural advantages of other nations, added to the progress of their industry and refinement, have concurred to cut this branch off, and thereby to dry up the source which had constantly been augmenting national opulence.

We must examine the natural effects of this revolution; we must point out how every inconvenience may be avoided, and how a statesman may regulate his conduct, so as to prevent the exportation of

of any part of that wealth which the nation may have heaped up within herself, during the prosperity of her foreign trade. How he may keep the whole of his people constantly employed, and by what means he may promote an equable circulation of domestic wealth, as an adequate equivalent given by the rich, for services rendered them by the industrious poor. How, by a judicious imposition of taxes, he may draw together an equitable proportion of every man's annual income, without reducing any one below the standard of a full physical-necessary. How he may, with this public fund, preserve in vigour every branch of industry, and be enabled also, by the means of it, to profit of the smallest revolution in the situation of other nations, so as to re-establish the foreign trade of his own people. And lastly, how the society may be thereby sufficiently defended against foreign enemies, by a body of men regularly supported and maintained at the public charge, without occasioning any sudden revolution hurtful to industry, either when it becomes necessary to increase their numbers, in order to carry on an unavoidable war, or to diminish them, upon the return of peace and tranquility. This is, in few words, the object of a statesman's attention when he is at the head of a people living upon their own wealth, without any mercantile connections with strangers.

However hurtful the natural and immediate effects of political causes may have been formerly, when the mechanism of government was less compounded than at present, they are now brought under such restrictions, by the complicated system of modern oeconomy, that the evil which might otherwise result, is guarded against with ease.

As often, therefore, as we find a notable prejudice resulting to a state, from a change of their circumstances, *gradually taking place*, we may safely conclude, that negligence, or want of abilities, in those who have the direction of public affairs, has more than any other cause been the occasion of it.

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It was observed, in the third chapter of the first book, that before the introduction of modern oeconomy, which is made to subsist by the means of taxes, a state was seldom found to be interested in watching over the actions of the people. They bought and sold, transferred, transported, modified, and compounded productions and manufactures, for public use, and private consumption, just as they thought fit. Now it is precisely in these operations that a modern state is chiefly interested; because proportional taxes are made to affect a people on every such occasion.

The interest the state has in levying these impositions, gives a statesman an opportunity of laying such operations under certain restrictions; by the means of which, upon every change of circumstances, he can produce the effect he thinks fit. Do the people buy from foreigners what they can find at home, he imposes a duty upon importation. Do they sell what they ought to manufacture, he shuts the gates of the country. Do they transfer or transport at home, he accelerates or retards the operation, as best suits the common interest. Do they modify or compound what the public good requires to be consumed in its simple state, he can either prevent it by a positive prohibition, or he may permit such consumption to the more wealthy only, by subjecting it to a duty.

So powerful an influence over the operations of a whole people, vests an authority in a modern statesman, which was unknown in former ages, under the most absolute governments. We may discover the effects of this, by reflecting on the force of some states, at present, in Europe, where the sovereign power is extremely limited, as to every *arbitrary* exercise of it, and where, at the same time, that very power is found to operate over the wealth of the inhabitants, in a manner far more efficacious than the most despotic and arbitrary authority can possibly do.

It is the order and regularity in the administration of the complicated modern oeconomy, which alone can put a statesman in a capacity to exert the whole force of his people. The more he has

VOL. I.

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their actions under his direction, the easier it is for him to make them concur in advancing the general good.

Here it is objected, that any free people who invest a statesman with a power to control their most trivial actions, must be out of their wits, and considered as submitting to a voluntary slavery of the worst nature, as it must be the most difficult to be shaken off. This I agree to; supposing the power vested to be of an arbitrary nature, such as we have described in the thirteenth chapter of this book. But while the legislative power is only exerted in acquiring an influence over the actions of individuals, in order to promote a scheme of political oeconomy, uniform and consistent in all its parts, the consequence will be so far from introducing slavery among the people, that the execution of the plan will prove absolutely inconsistent with every arbitrary or irregular measure.

The power of a modern Prince, let him be, by the constitution of his kingdom, ever so absolute, becomes immediately limited so soon as he establishes the plan of oeconomy which we are endeavouring to explain. If his authority formerly resembled the solidity and force of the wedge, which may indifferently be made use of, for splitting of timber, stones, and other hard bodies, and which may be thrown aside and taken up again at pleasure; it will at length come to resemble the watch, which is good for no other purpose than to mark the progression of time, and which is immediately destroyed, if put to any other use, or touched by any but the gentlest hand.

As modern oeconomy, therefore, is the most effectual bridle ever invented against the folly of despotism; so the wisdom of so great a power shines no where with greater lustre, than when we see it exerted in planning and establishing this oeconomy, as a bridle against the wanton exercise of power in succeeding generations. I leave it to my reader to seek for examples in the conduct of our modern Princes, which may confirm what, I think, reason seems to point out: were they less striking, I might be tempted to mention them.

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The part of our subject we are now to treat of, will present us with a system of political oeconomy, still more complicated than any thing we have hitherto met with.

While foreign trade flourishes and is extended, the wealth of a nation increases daily; but her force is not so easily exerted, as after this wealth begins to circulate more at home, as we shall easily shew. But, on the other hand, the force she exerts is much more easily recruited. In the first case, her frugality enables her to draw new supplies out of the coffers of her neighbours; in the last, her luxury affords a resource from the wealth of her own citizens.

In opening my chapter, I have introduced my reader into a country; or indeed I may say, that I have brought him back into the same which we had under our consideration in the first book.

Here luxury and superfluous consumption will strike his view almost at every step. He will naturally compare the system of frugality, which we have dismissed, with that of dissipation, which we are now to take up; and we may very naturally conclude, that the introduction of the latter, must prove a certain forerunner of destruction. The examples found in history of the greatest monarchies being broken to pieces, so soon as the taste of simplicity was lost, seem to justify this conjecture. It is, therefore, necessary to examine circumstances a little, that we may compare, in this particular also, the oeconomy of the antients with our own; in order to discover whether the introduction of luxury be as hurtful at present, as it formerly proved to those states which made so great a figure in the world; and which now are only known from history, and judged of, from the few scattered ruins which remain to bear testimony of their former greatness.

Luxury is the child of wealth; and wealth is acquired by states, as by private people, either by a lucrative, or by an onerous title, as the civilians speak. The lucrative title, by which a state acquires, is either by rapine, or from her mines; the onerous title, or that for a valuable consideration, is by industry.

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The wealth of the ancient monarchs of Babylon, Persia, Greece, and Rome, was the effect of rapine; whereas industry enriched the cities of Sydon, Tyre, Carthage, Athens, and Alexandria. The luxury of the first, proved the ruin of the luxurious; the luxury of the last, advanced their grandeur: because they had no rivals to take advantage of the natural effects of this luxury, in cutting off the profits of foreign trade. Peace was as hurtful to the plunderers, as war was destructive to the industrious.

When an empire was at war, its wealth was thereby made to circulate for an equivalent in services performed. So soon as peace was restored, every one returned, as it were, to a state of slavery. The monarch then possessed himself of all the wealth, and distributed it by caprice. Fortunes were made in an instant, and no body knew how: they were lost again by transitions equally violent and sudden. The luxury of those days was attended with the most excessive oppression. Extraordinary consumption was no proof of the circulation of any adequate equivalent in favour of the industrious: it had not the effect of giving bread to the poor, nor of proportionally diminishing the wealth of the rich. The great constantly remained great; and the more they were prodigal, the more the small were brought into distress. In one word, luxury had nothing to recommend it, but that quality which *solely* constitutes the abuse of it in modern times; to wit, the excessive gratification of the passions of the great, which frequently brought on the corruption of their manners.

When such a state became luxurious, public affairs were neglected; because it was not from a right administration that wealth was to be procured. War, under such circumstances, worked effects almost similar to the springing up of industry in modern times; it procured employment, and this produced a more regular circulation, as has been said.

On the other hand, the wealth and luxury of the trading cities abovementioned, which was of the same species with that of modern

times, proceeded from the alienation of their work; that is, from their industry. Nothing was gained for nothing, and when they were forced to go to war, they found themselves obliged either to dissipate their wealth, by hiring troops, or to abandon the resources of it, the labour of their industrious citizens. Thus the punic wars exalted the grandeur of plundering Rome, and blotted out the existence of industrious Carthage. I do not here pretend to vindicate the justness of these reflections in every circumstance, and it is foreign to my present purpose to be more particular; all I seek for, is to point out the different effects of luxury in ancient and modern times.

Ancient luxury was quite *arbitrary*; consequently could be laid under no limitations, but produced the worst effects, which *naturally* and *mechanically* could proceed from it.

Modern luxury is *systematical*; it cannot make one step, but at the expence of an adequate equivalent, acquired by those who stand the most in need of the protection and assistance of their fellow citizens; and without producing a vibration in the balance of their wealth. This balance is in the hands of the statesman, who may receive a contribution upon every such vibration. He has the reins in his hand, and may turn, restrain, and direct the luxury of his people, towards whatever object he thinks fit.

Luxury here is so far from drawing on a neglect of public affairs, that it requires the closest application to the administration of them, in order to support it. When these are neglected, the industrious will be brought to starve, consumption will diminish; that is, luxury will insensibly disappear, and hoarding will succeed it. These and similar consequences will undoubtedly take place, and *mechanically* follow one another, when a skilful hand is not applied to prevent them.

It is impossible not to perceive the advantages of supporting a flourishing inland trade, after the extinction of foreign commerce. By such means elegance of taste, and the polite arts, may be carried

ried to the highest pitch. The whole of the inhabitants may be employed in working and consuming; all may be made to live in plenty and in ease, by the means of a swift circulation, which will produce a reasonable equality of wealth among all the inhabitants. Luxury can never be the cause of inequality. Hoarding and parsimony form great fortunes, luxury dissipates them and restores equality.

Such a situation would surely be of all others the most agreeable, and the most advantageous, were all mankind collected into one society, or were the country where it is established cut off from every communication with other nations.

The balance between work and demand would then only influence the balance of wealth among individuals. If hands became scarce, the balance would turn the quicker in favour of the laborious, and the idle would grow poor. If hands became too plentiful (which indeed is hardly to be expected) every thing would be bought the cheaper; but the same quantity of wealth would still remain without any diminution.

Where is, therefore, the great advantage of foreign trade?

I answer by putting another question. Where is the great advantage of a person's making a large fortune in his own country? A man of a small estate may, no doubt, be as happy as another with a great one; and the same thing would be true of nations, were all equally inspired with a spirit of peace and justice; or were they subordinate to a higher temporal power, which could protect the weak against the violence and injustice of the strong.

It is, therefore, the separate interests of nations who incline to communicate together, and consume of one another's commodities, which renders the consideration of the principles of trade, a matter of great importance.

While nations contented themselves with their own productions, while the difference of their customs, and contrast of their prejudices

judices were great, the connections between them were not very intimate.

From this proceeds the great diversity of languages and dialects. When a traveller finds a sudden transition from one language to another, or from one dialect to another, it is a proof that the manners of such people have been long different, and that they have had little communication with one another. On the contrary, when dialects change by degrees, as in the provinces of the same country, it is a proof that there has been no great repugnancy in their customs. In like manner, when we find several languages, at present different, but plainly deriving from the same source, we may conclude, that there was a time when such nations were connected by correspondence, or that the language has been transplanted from one to the other, by the migration of colonies. But I insensibly wander from my subject.

I have said, that when nations contented themselves with their own productions, connections between them were not very intimate. While trade was carried on by the exchange of consumable commodities, this operation also little interested the state: consumption then was equal on both sides; and no balance was found upon either. But so soon as the precious metals became an object of commerce, and when, by being rendered an universal equivalent for every thing, it became also the measure of power between nations, then the acquisition, or at least the preservation of a proportional quantity of it, became, to the more prudent, an object of the last importance.

We have seen how a foreign trade, well conducted, has the necessary effect of drawing wealth from all other nations. We have seen in what manner the benefit resulting from this trade may come to a stop, and how the balance of it may come round to the other side. We are now to examine how the same prudence which set foreign trade on foot, and supported it as long as possible, may guard against a sudden revolution, and at the same time put an

effectual stop to it; to the end that a nation enriched by commerce may not, by blindly or mechanically carrying it on, when the balance is against her, fall into those inconveniencies which other nations must have experienced during her prosperity.

C H A P. XXIII.

When a Nation, which has enriched herself by a reciprocal Commerce in Manufactures with other Nations, finds the Balance of Trade turn against her, it is her Interest to put a Stop to it altogether.

TRADE having subsisted long in the nation we are now to keep in our eye, I shall suppose that, through length of time, her neighbours have learned to supply one article of their own and other peoples wants cheaper than she can do. What is to be done? No body will buy from her, when they can be supplied from another quarter at a less price. I say, what is to be done? For if there be no check put upon trade, and if the statesman do not interpose with the greatest care, it is certain, that merchants will import the produce, and even the manufactures of rival nations; the inhabitants will buy them preferably to their own; the wealth of the nation will be exported; and her industrious manufacturers will be brought to starve. We may therefore look upon this, as a problem in trade, to be resolved by the principles already established.

First, then, it must be inquired, if, in the branch in which she is underfold, her rivals enjoy a natural advantage above her, which no superior industry, frugality, or address on her side, can counter-balance? If this be the case, there are three different courses to be pursued, according to circumstances.

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1^{mo}. To renounce that branch of commerce entirely, and to take the commodities wanted from foreigners, as they can furnish them cheaper.

2^{do}. To prohibit the importation of such commodities altogether.

3^{io}. To impose a duty upon importation, in order to raise the price of them so high as to make them dearer than the same kind of commodity produced at home.

The first course may be taken, if, upon examining how the hands employed in a manufacture may be disposed of, it be found, that they may easily be thrown into another branch of industry, in which the nation's natural advantages are as superior to her rivals, as their's are superior to her's in the branch she intends to abandon; and providing her neighbours will agree to open their ports to the free importation of the commodities in question. For though there may be little profit in a trade by exchange, I still think it advisable to continue correspondence, and to avoid every occasion of cutting off commerce with other nations. A laborious, oeconomical, and sagacious nation, such as I suppose our traders to be, will be able to profit of many circumstances, which would infallibly turn to the disadvantage of others less expert in commerce, with whom she trades; and in expectation of favourable revolutions, she ought not rashly, nor because of small inconveniencies, to renounce trading with them; especially if luxury should appear there to be on the growing hand.

But suppose the rival nation will not consent to receive the manufactures which the traders may produce with great natural advantages, what course then is the best to be taken?

I think she ought to encourage the branch in which she is rivalled, for her own consumption, though she must give over exporting it; and, in this case, it must be examined, whether that trade with foreigners should be prohibited altogether, (which is the second course mentioned above) or whether it be more advisable to prefer the last scheme, viz. to allow the commodities to be imported,

VOL. I.

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with a duty which may raise their price to so just a height as neither to suffer them to be sold so cheap as to discourage the domestic fabrication, nor dear enough to raise the profits of manufactures above a reasonable standard, in case of an augmentation of demand.

The second course must be taken, when the natural advantages of the foreign nations are so great, as to oblige the statesman to raise duties to such a height as to give encouragement to smuggling.

The third course seems the best, when the advantages of the rivals are more inconsiderable; in which case, the traders, may, in time, and by the progress of luxury among their neighbours, or from other revolutions, which happen frequently in trading nations, regain their former advantages.

This may be a decision, in case a nation be rivalled in a branch where she has not equal advantages with her neighbours; and when she cannot compensate this inconvenience, either by her frugality or industry, or by the means of a proper application of her national wealth. These operations have been already fully explained, and are now considered as laid aside; not that we suppose they can ever cease to operate their effects in all nations, but in order to simplify our ideas, and to point out the principles which ought to direct a statesman upon occasions where he finds better expedients impracticable, from different combinations of circumstances.

Let me next suppose a nation to be rivalled in her staple manufactures; that is, in those where she has the greatest natural advantages in her favour.

Whenever such a case happens, it must proceed from some vice within the state. Either from the progress of luxury in the workmen, which must proceed from consolidated profits, or from accidental disadvantage; such as dearth of subsistence, or from taxes injudiciously imposed. These (I mean all, except the taxes, of which afterwards) must be removed upon the principles above laid down; and if this cannot be compassed, no matter why; then comes the fatal period, when all foreign reciprocal commerce in manufactures

must

must be given up. For if no profit can be made upon branches where a nation has the greatest natural advantages, it is more than probable, that every other branch will prove at least equally disadvantageous. If upon this revolution the ports of the nation be not shut against the importation of foreign manufactures, merchants will introduce them, and this will drain off the nations wealth, and bring the industrious to starve.

It is upon this principle that incorporations are established. Of these we shall say a word, and conclude our chapter.

Cities and corporations, may be considered as nations, where luxury and taxes have rendered living so expensive, that work cannot be furnished but at a high rate. If labour, therefore, of all kinds, were permitted to be brought from the provinces, or from the country, to supply the demand of the capital and smaller corporations, what would become of tradesmen and manufactures who have their residence there? If these, on the other hand, were to remove beyond the liberties of such corporations, what would become of the public revenue, collected in these little states, as I may call them?

By the establishment of corporations, a statesman is enabled to raise high impositions upon all sorts of consumption; and notwithstanding that these have the necessary consequence of increasing the price of labour, yet by other regulations, of which afterwards, the bad consequences thereby resulting to foreign trade may be avoided, and every article of exportation be prevented from rising above the proper standard for making it vendible, in spite of all foreign competition.

The plan of modern taxation seems first to have been introduced into cities, while the country was subject to the barons, and remained in a manner quite free from them. Cities having obtained the privilege of incorporation, began, in consequence of the power vested in their magistrates, to levy taxes: and finding the inconveniences resulting from external competition (foreign trade) they

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erected the different classes of their industrious into confraternities, or corporations of a lower denomination, with power to prevent the importation of work from their fellow tradesmen not of the society.

Here arises a question.

Why are corporations complained of in many countries, as being a check upon industry; if the establishment of them proceeds from so plain a principle as that here laid down?

Let me draw my answer from another question. Why are they not complained of in all countries?

The difference between the situation of one country and another, will plainly point out the principle which ought to regulate the establishment and government of corporations. When this is well understood, all disputes concerning the general utility, or harm arising from them will be at an end: and the question will be brought to the proper issue; to wit, their relative utility considered with respect to the actual situation of the country where they are established. In one province a corporation will be found useful, in another just the contrary.

First then it must be agreed, on all hands, that the principle laid down is just. No body ever advanced, that the industry carried on in *towns*, where living is dear, ought to suffer a competition with that of the *country*, where living is cheap; I mean for the direct consumption of the citizens. But it may be advanced, that no subaltern corporation should enjoy an exclusive privilege against those who share of every burthen imposed by the great corporation from which they draw their existence. That they have no right of exclusion against citizens; but only against strangers who are not under the same jurisdiction, nor liable to the same burthens. Here the dispute lies between the members of the great corporation and those of the smaller. Now, I say, while no other interest is concerned, the decision of this question ought to be left to the corporation itself. But the moment the public good comes to be

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affected by certain privileges enjoyed by individuals, such privileges should either be abolished, or put under limitations.

In countries where industry stands at a determined height, while the consumption of cities neither augments nor diminishes; when those who live upon an income acquired, live uniformly in the same way; when this regular consumption is regularly supplied, by a certain number of citizens sufficient to supply it; when the hands employed for this purpose are in a perfect proportion to the demand made upon them; in such countries, I say, any diminution of the privileges of corporations would be a means of overturning the equal balance between work and demand.

We have said above, that when hands become too many for the work, profits fall below the necessary standard of subsistence; that the industrious enter into competition for the physical-necessary, and hurt one another. Here then is the principle which the corporation ought to keep in their eye: the profits upon every trade ought to be in proportion to work.

In order to come the better at the knowledge of this proportion, many corporations in Germany have the subaltern corporations of trades restrained to certain numbers. There is a determined number of apothecaries, joiners, smiths, &c. allowed in every town, and no more; according as employment is found for them. This seems a good regulation. I do not say it may not be abused. But the power of administration must be lodged somewhere; and if in a country where industry is making little progress, corporations were laid open, the consequence would be, that every one would starve another; and the consumers would be ill served.

On the other hand, when industry springs up, when the manners of a people change all of a sudden, or by quick degrees, as has been the case in many countries in Europe within these threescore years: it is a mark of a narrow capacity not to perceive that a change of administration becomes necessary; and if on such revolutions those who are at the head of corporations should profit of the increase.

crease of demand, and occasion prices to rise in favour of the incorporated workmen, the infallible consequence will be, to make the city become deserted, and deprived of a trade, which otherwise would necessarily fall to her share, in consequence of the advantage she must draw from establishments already made for supplying every branch of consumption *. But let the principle above mentioned be constantly followed; let profits be kept at a right standard; let hands be increased according to demand; let the city workmen gain no advantage over those of the country which may not be compensated by the difference of the price of subsistence; let the disadvantages again on the side of the town affect only their own consumption, not the surpluses of their industry; let every convenience for carrying on foreign trade (every thing here is understood to be foreign, which does not enter into the consumption of the town) be provided for in the suburbs, or, if you please, in a place out of the town walled in for that purpose; let markets there be held for every kind of work coming from the country; and then the true intent of a corporation will be answered. If it be found that the prosperity of trade demands still more liberty, then the corporation may be thrown open; but on the other hand, every burthen must be taken off, and every incorporated member must be indemnified by the state, for the loss he is thereby made to suffer.

* The cities of the Austrian Netherlands are, from these causes, at present in a state of depopulation; and the industrious classes are assembling in the villages, which are beginning to rival the populousness of cities. In these villages, the privileges of the cities are not established. Privileges which will in all probability end in their bankruptcy as well as depopulation. The depopulation will follow from the causes already mentioned; the bankruptcy from the sums these corporations lend the sovereign, on the credit of new impositions constantly laying upon every branch of consumption. This is so true, that the acquisition of this country (one of the most fertile and most populous in Europe) would hardly be worth the having, if the debts owing by the corporations were to be fairly paid, and their ruinous *privileges* (as they are called) allowed to subsist without alteration.

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The great change daily operating on the spirit of European nations, where corporations have been long established, without any great inconvenience having been found to arise from them, suggests these reflections, which seem to flow naturally, from the principles we have deduced. I shall only add, that from the practice of imposing taxes within these little republics (as I have called them) Princes seem to have taken the hint of extending that system; by first appropriating to the public revenue, what the cities had established in favour of themselves, and then by enlarging the plan as circumstances favoured their design. That this is the true origin of the modern plan of taxation (I mean that upon consumption) may be gathered from hence; that the right of imposing taxes appears no where, almost, to have been essentially attached to royalty, even in those kingdoms, where Princes have long enjoyed an unlimited constitutional authority over the persons of their subjects. This right I take to be the least equivocal characteristic of an absolute and unlimited power. I know of no christian monarchy (except, perhaps, Russia) where either the consent of states, or the approbation or concurrence of some political body within the state, has not been requisite to make the imposition of taxes constitutional; and if more exceptions are found, I believe it will not be difficult to trace the origin of such an exertion of sovereign authority, without ascending to a very high antiquity. The prerogative of Princes in former times, was measured by the power they could constitutionally exercise over the *persons* of their subjects; that of modern princes, by the power they have over their *purse*.

Having, therefore, shewn the necessity of putting a stop to foreign reciprocal commerce in manufactures, so soon as in every branch this trade becomes disadvantageous to a nation; the next question comes to be, how to proceed in the execution, so as to avoid a sudden and violent revolution in the oeconomy of the state, which is of all things the most dangerous: the hurt, therefore, ought to be foreseen at a great distance, in order to be methodically prevented.

C H A P. XXIV.

What is the proper Method to put a Stop to a foreign Trade in Manufactures, when the Balance of it turns against a Nation?

IT must not be understood, from what was said in the last chapter, that so soon as the balance of foreign trade, either on the whole, or on any branch of manufacture, is to be found against a nation, that a statesman should then at once put a total stop to it. This is too violent a remedy ever to be applied with success.

It is hardly possible, that a considerable revolution in the trade of a nation should happen suddenly, either to its advantage, or disadvantage, unless in times of civil discord, or foreign wars, which at present do not enter into the question.

A sagacious statesman will, at all times, keep a watchful eye upon every branch of foreign commerce, especially upon importations. These consist either in the natural produce of other countries, or in such produce increased in its value by manufacture.

In all trade two things are to be considered in the commodity sold. The first is the matter; the second is the labour employed to render this matter useful.

The matter exported from a country, is what the country loses; the price of the labour exported, is what it gains.

If the value of the matter imported, be greater than the value of what is exported, the country gains. If a greater value of labour be imported, than exported, the country loses. Why? Because in the first case, strangers must have paid, *in matter*, the surplus of labour exported; and in the second case, because the country must have paid to strangers, *in matter*, the surplus of labour imported.

It is therefore a general maxim, to discourage the importation of work, and to encourage the exportation of it.

When

When any manufacture begins to be imported, which was usually made at home, it is a mark that either the price of it begins to rise within the country, or that strangers are making a new progress in it. On the other hand, when the importation of manufactures consumed within a country comes to diminish, and when merchants begin to lose upon such branches of trade, it is a proof that industry at home is gaining ground in those articles. The statesman then must take the hint, and set out by clogging gently the importation of those commodities, not so as to put a stop to it all at once; because this might have the effect of carrying profits too high upon the home fabrication of them.

All sudden revolutions are to be avoided. A sudden stop upon a large importation, raises the prices of domestic industry by jerks, as it were; they do not rise gradually; and these sudden profits engage too many people to endeavour to share in them. This occasions a desertion from other branches of industry equally profitable to the state. Such revolutions do great harm; because it is a long time before people come to be informed of their true cause, and during the uncertainty, they are, as it were, in a wilderness, surprized and delighted with the consequences, according as their several interests are affected by them. Every one accounts for the phenomena in a different way. Some are for applying remedies against the inconveniencies; while others are totally taken up in profiting to the utmost of every momentary advantage. In a word, nothing is more hurtful than a sudden revolution, in so complicated a body as that of the whole class of the industrious, in a modern society. When therefore such changes happen, in spite of all a statesman can do, the best way to prevent the inconveniencies which they draw along with them, is to inform the public of the true causes of every change, favourable or hurtful to the several classes of inhabitants. This also seems to be the best method to engage every one to concur in promoting the proper remedies, when the inconveniencies themselves cannot be prevented. So

VOL. I.

X x

much

much for a scheme of encouraging growing manufactures, or of supporting them in their decline. I proceed next to consider the methods of preventing the loss of others already established.

We have said, that the importation of any article of consumption usually provided at home, was a proof by no means equivocal of a foreign rivalry. I shall say nothing, at present, of the methods to be used as a remedy for this inconvenience: these have been already discussed. We must now suppose, every one that might be contrived for this purpose, to become ineffectual; and that foreign industry is so far gaining ground, as daily, more and more, to supply the several branches of domestic consumption.

Upon this, the statesman will begin by laying the importation of such commodities under certain restrictions. If these do not prove sufficient, they must be increased; and if the augmentation produces frauds, difficult to be prevented, the articles must be prohibited altogether. By this method of proceeding, it will be found, that without any violent or sudden prohibition laid upon foreign trade, by little and little, every pernicious branch of it will be cut off, till at last it will cease altogether, as in the case mentioned above; to wit, when the most advantageous branches cannot be carried on without loss.

Something, however, must here be added, in order to restrain so general a plan of administration. Nothing is more complex than the interests of trade, considered with respect to a whole nation. It is hardly possible for a people to have every branch of trade favourable for the increase of her wealth: consequently, a statesman who, upon the single inspection of one branch, would lay the importation of it under limitations, in proportion as he found the balance upon it unfavourable to the nation, might very possibly undo a flourishing commerce.

He must first examine minutely every use to which the merchandise imported is put: if a part is re-exported with profit, this profit must be deduced from the balance of loss incurred by the consumption

of the remainder. If it be consumed upon the account of other branches of industry, which are thereby advanced, the balance of loss may still be more than compensated. If it be a means of supporting a correspondence with a neighbouring nation, otherwise advantageous, the loss resulting from it may be submitted to, in a certain degree. But if upon examining the whole chain of consequences, he finds the nation's wealth not at all increased, nor her trade encouraged, in proportion to the damage at first incurred by the importation, I believe he may decide, that such a branch of trade is hurtful; and therefore that it ought to be cut off, in the most prudent manner, according to the general rule.

The first object of the care of a statesman, who conducts a nation, which is upon the point of losing her foreign trade, without any prospect or probability of recovering it, is to preserve her wealth already acquired. No motive ought to engage him to sacrifice this wealth, the safety alone of the whole society excepted, when suddenly threatened by foreign enemies. The gratification of particular people's habitual desires, although the wealth they possess may enable them, without the smallest hurt to their private fortunes, to consume the productions of other nations; the motive of preventing hoards; that of preventing a brisk circulation within the country; the advantages to be made by merchants, who may enrich themselves by carrying on a trade disadvantageous to the nation; even, to say all in one word, the supporting of the same number of inhabitants, ought not to engage his consent to the diminution of national wealth.

Here follow my reasons for carrying this proposition so very far, even to the length of sacrificing a part of the inhabitants of a country to the preservation of its wealth; and I flatter myself, that when duly examined, I may avoid the smallest imputation of Machiavelian principles, in consequence of so bold an assertion.

While a people are fed with the produce of their own lands, the preservation of their numbers is quite consistent with the preservation

tion of their wealth. If, therefore, in such a case, their numbers should be diminished upon a decay of foreign trade, either by their food's being exported, or by their lands becoming uncultivated, I should never hesitate to lay the blame upon the statesman's administration.

But an industrious people may (as has been said) carry their numbers far beyond the proportion of their own subsistence. The deficiency must be supplied from abroad, and must be paid with the balance of the trade in their favour. Now when this balance comes to turn against them, and when, consequently, a stop is put to the disadvantageous foreign trade, upon the principles we have been laying down, the statesman is reduced to this alternative; either annually to allow a part of the wealth already got, to be exported; in order to buy subsistence for the *surplus* of his people, as I may call them, or to reduce their numbers by degrees, either by encouragements given to their leaving the country, or by establishing colonies, &c. until they are brought down to the just proportion of national subsistence. If he prefers the first, supposing the execution of such a plan to be possible, the consequence will be, that so soon as all the wealth is spent, the whole society, except the proprietors of the lands, and these who cultivate them, must go to destruction: If he prefers the second, he remains independent of all the world with respect to the inhabitants he preserves. They remain in a capacity of maintaining themselves, and he may alter the plan of his political oeconomy as best suits his circumstances, relatively to other nations. While all his subjects are employed and provided for, he will remain at the head of a flourishing and happy people.

It may be here objected, that the first alternative is an impossible supposition. I allow it to be so, if you suppose it to be carried the length to which I have traced it; because no power whatsoever in a statesman, can go so far as to preserve numbers at the expence of the whole riches of his people. But I can very easily suppose a case, where numbers may be supported at an eminent loss to a state which

which finds itself in the situation in which we have represented it in our supposition.

Suppose a prince, upon the failure of his foreign trade, to increase his army, in proportion as he finds his industrious hands laid idle by a deficiency of demand for their labour; and let him fill his magazines for their subsistence by foreign importation, leaving the produce of his country to feed the rest of his subjects. By such a plan, every body will remain employed, and also provided for, and such a prince may be looked upon as a most humane governor. This I willingly agree to. I should love such a prince; but the more I loved him, the more I should regret that his project must fail, from a physical impossibility of its being long supported; and when it comes to fail by the exhausting of his wealth, it will not be his regrets which will give bread to his soldiers, nor employment to his industrious subjects, who will no longer find an equivalent for their labour.

Let this suffice at present, upon the general principles which influence the stop necessary to be put to the importation of foreign commodities, and to the diminution of national wealth, in the case we have had before us.

Next as to the articles of exportation. The most profitable branches of exportation are those of work, the less profitable those of pure natural produce. When work cannot be exported in all its perfection, because of its high price, it is better to export it with a moderate degree of perfection, than not at all; and if even this cannot be done to advantage, then will a people be obliged to renounce working except for themselves: and then, if domestic consumption does not increase in proportion to the deficiency of foreign demand, a certain number of hands will be idle, and a certain quantity of natural produce will remain upon hand. The first must disappear in a short time; they will starve or desert; the last will become an article of exportation. Here then is a new species of trade which takes place upon the extinction of the other.

When:

When a nation has been forced to reduce her exportations to articles of pure natural produce, in conformity to the principles we have been laying down, then the plan proposed in the title of this chapter is executed. She is then brought as low in point of trade as she can be, but at the same time, she may enjoy her natural advantages in spite of fortune; and in proportion to them, she may, with a good government and frugality, retain a balance of trade in her favour, which will constantly go on in augmenting her national wealth.

There is, therefore, a period at which foreign trade may stop in every article, but in natural produce. I do not know whether this period be at a great distance, when the state of trade is considered relatively to certain nations of Europe.

Were industry and frugality found to prevail equally in every part of the great political bodies, or were luxury and superfluous consumption, every where carried to the same height, trade might, without any hurt, be thrown entirely open. It would then cease to be an object of a statesman's care and concern. On the other hand, were all nations equally careful to check every branch of unprofitable commerce, a general stagnation of trade would soon be brought about. Manufactures would no more be the object of traffic; every nation would supply itself, and nothing would be either exported or imported but natural productions.

But as industry and idleness, luxury and frugality, are constantly changing their balance throughout the nations of Europe, able merchants make it their business to inform themselves of these fluctuations, and able statesmen profit of the discovery for the re-establishment of their own commerce; and when they find that this can no more be carried on with the manufactures or produce of their own country, they engage their merchants to become carriers for their neighbours, and by these means, form as it were a third and last entrenchment, which, while they can defend it, will not suffer their foreign trade to be quite extinguished; because, by this last

last expedient, it may continue for some time to increase their national stock. It is in order to cut off even this resource, that some nations lay not only importations under restraint, but also the importers*. Let such precautions be carried to a certain length on all hands, and we shall see an end to the whole system of foreign trade, so much alarmed, that it appears to become more and more the object of the attention as well as of the imitation of all modern statesmen.

C H A P. XXV.

When a rich Nation finds her Foreign Trade reduced to the Articles of Natural Produce, what is the best plan to be followed? and what are the Consequences of such a Change of Circumstances?

THERE is now no more question of a trading nation; this character is lost, the moment there is a stop put to the export of the labour and ingenuity of her people.

The first objects of her care should be to increase, by every possible means, the quantity of her natural produce; to be as frugal as possible in the consumption of it, and to export the surplus to the best advantage.

If she finds her exportation of subsistence going forward, while some of her people remain in want, she may rest assured that industry is made to suffer by some internal vice; and the most probable cause of such an effect will be found to be an unequal competition between those of the lower classes, who work for a physi-

* By the act of navigation in England.

cal-necessary. This must be removed, and the statesman should never rest, until he has set the balance of work and demand so far right, as to prevent at least *the scale of work* from preponderating; for this is the door by which misery gets in among the people.

The scale of demand preponderating, will not now be so hurtful, as this alteration of the balance will only raise prices, and accelerate circulation; and keep the other balance, to wit, that of wealth (of which we shall treat in the following chapter) in a constant vibration, without diminution of the public stock.

Another object of a statesman's care in these supposed circumstances, is to suffer no work whatever, nor the natural produce of any other country conducive to luxury, to be imported; for although I have said, that superfluous consumption can do little harm when the interests of foreign trade do not enter into the question so as to prevent exportation, by raising prices at home; and though the importation of foreign produce, in exchange for like commodities of national growth, does no hurt to a state with respect to her wealth, yet if such importation be an article of mere superfluity, I think a statesman should prudently discourage it; because the search of superfluities is of itself a proof of a luxurious turn, and I should wish to see this turn improved so as to promote national purposes only, that is, to the augmentation and subsistence of useful inhabitants.

Let me illustrate this by an example. Foreign wines, I shall suppose, become a la mode, as a part of the luxury of an elegant table. A statesman, by his example, may discourage this, and introduce many other articles of expence in entertainments sufficient to compensate it. The furniture of apartments may be rendered more magnificent, ornaments of the side board, decoration of deserts, new amusements immediately after dinner might be introduced, which would have an air of refinement and delicacy.

By such examples he might easily substitute one expence, which might become a national improvement, in the place of another, where

where the luxury produces no such effect. And when prodigality and expence have neither the good effect of giving bread to the poor, nor of accelerating circulation at home in favour of the public, I can see no reason why a statesman should interest himself for their support; and much less, why a speculative person, who examines only the methods of making mankind happy by their mutual services to each other, should strain a subject, in order to find arguments proper to make either the apology or panegyric of the various schemes of dissipation.

I need not add, as a restriction of this principle of discouraging the importation of foreign commodities (which become articles of a greater superfluous home-consumption) that when such a branch of trade becomes necessary to be carried on, in order to engage a neighbouring nation to consume of home-superfluities; in this case, the luxury of the consumers of the foreign produce, has an evident tendency to national improvement. If delicate wines, and raw silk, are imported as a return for salt herrings and raw hides, the support of such a trade is only the means of making the rich consume these articles of home-production, by converting them into burgundy and velvet.

These considerations regard the augmentation, or at least the preservation of national wealth. If they are attended to, it is hardly possible that any part of what is already acquired, can go abroad; and in this case the whole balance of the exportation of natural produce becomes clear gain.

There are still several things to be observed with regard to the exportation of natural produce. Such articles as are in great abundance, and are not produced in other countries, as wines in the southern countries of Europe, ought always to be exported by the inhabitants, because considerable profits must be made upon a trade where there is no rivalry; and on such occasions, a people ought to be wise enough to keep such profits for themselves.

But if other nations will not receive them, unless they be imported by their own subjects, then the statesman may impose a duty upon exportation, which is one way of sharing the profits with the carriers. All the precaution necessary, in imposing this duty, is not to raise it so high as to diminish the demand; nor to give an encouragement to a neighbouring nation, to enter into competition for such a branch of trade.

Neighbouring states which furnish the same articles of natural produce, regulate, commonly, the duties upon exportation, in such a manner as nearly to compensate all differences which strangers may find, between trading with the one or with the other. Or they grant particular privileges in point of trade, to the nations with whom they find it most for their advantage to trade.

If the natural advantages upon such articles are less considerable, no duty can be imposed. Exportation may then be encouraged by granting still greater privileges to strangers or others, who may promote the exportation at little cost to the state.

If in the last place, the natural produce of a country be common to others, where it is perhaps equally plentiful, it will be difficult to procure the exportation of it; and yet it may happen, that too great an abundance of it at home, may occasion inconveniencies. In this case, the statesman must give a premium or bounty upon exportation, as the only method of getting rid of a superfluity, which may influence so much the whole mass of the commodity produced, as to sink the price of the industry of those employed in it, below the standard of their physical-necessary. By giving, therefore, this premium, he supports industry in that branch; he takes nothing from the national wealth; and the exportation, which takes place in consequence of the bounty, is all clear gain. This is an uncommon operation in trade, but it has so intimate a connection with the doctrine of taxes, and the proper application of public money, that I will postpone the farther consideration of it until I come to that branch.

branch of my subject; and the rather, that this book is swelling beyond its due proportion.

I have little occasion to speak of importations, into a country which exports no manufactures. The ruling principle in such cases, is to suffer no importation but what tends to encourage the exportation of the surplus of natural produce, and which, at the same time, has no tendency to rival any branch of domestic industry. Thus it is much better for a northern country to pamper the taste of her rich inhabitants with wines and spices, than to discourage agriculture by the importation of rice and foreign grain; supposing the alternative quite optional, and the one as well as the other to be the returns of her own superfluity.

I come next to the consideration of her inland trade, and consumption of her own manufactures. Here there is no question of either an increase or diminution of her wealth, but only of making it circulate in the best manner to keep every body employed. Several considerations must here influence our statesman's conduct, and a due regard must be had to every one of them. I shall reduce them to three different heads, and pass them in review very cursorily, as we have already explained sufficiently the principles upon which they depend.

1^{mo}. To regulate consumption and the progress of luxury, in proportion to the hands which are found to supply them.

2^{do}. To regulate the multiplication of inhabitants according to the extent of the fertility of the soil. These two considerations must constantly go hand in hand.

In so far therefore, as the statesman finds his country still capable of improvement, in so far he may encourage a demand for work, and even countenance new branches of superfluous consumption; since the equivalent to be given for them must of necessity prove an encouragement to agriculture. But whenever the country becomes thoroughly cultivated and peopled to the full proportion of its own produce, a check must be put to multiplication, that is, to

luxury, or misery and depopulation will follow; unless indeed, we suppose that numbers are to be supported at the expence of national wealth, the fatal consequences of which we have already pointed out.

3^{tho}. He should regulate the distribution of the classes of his people, according to the political situation of the country.

This is the most complicated case of all. It would be imprudent, for example, in a very small state situated on the continent, to distribute all its inhabitants into producers and consumers, as we have called them on several occasions; that is, into those who live upon a revenue already acquired, and those who are constantly employed in acquiring one by supplying the wants of the other. There must be a third class; to wit, those who are maintained and taken care of at the expence of the whole community, to serve as a defence. This set of men give no real equivalent for what they receive; that is to say, none which can circulate or pass from hand to hand; but still they are usefully employed as members of a society mutually tied together by the band of reciprocal dependence. Here is no vice implied; but at the same time, the statesman must attend to the consequences of such a distribution of classes.

The richer any state is, the more it has to fear from its neighbours: consequently, the greater proportion of the inhabitants must be maintained for its defence, at the expence of the industry of the other inhabitants. This must diminish the number of free hands employed in manufactures, and in supplying articles of consumption: consequently, it would be imprudent to encourage the progress of luxury, while public safety calls for a diminution of the hands which must supply it. If in such circumstances luxury do not suffer a check, demand will rise above the proper standard; living will become dearer daily, prices will rise, and they will prove an obstacle to the recovery of foreign trade; an object of which a prudent statesman will never lose sight for a moment.

It

It is for these and other such considerations, that many small states are found to fortify their capital; to keep a body of soldiers in constant pay, bearing a great proportion to the number of the inhabitants; to form arsenals well stored with artillery, and to institute sumptuary laws and other regulations proper to check luxury. Nothing so wise in every respect! Their territory cannot be extended nor improved, nor can their inhabitants be augmented, but at the expence of their wealth; for such as gained their livelihood at the expence of strangers, are at present out of the question. Were their own citizens therefore permitted, out of the abundance of their wealth, to give bread to as many as their extravagance could maintain, the public stock would be constantly diminishing, in proportion to the foreign subsistence imported for these supernumeraries, fed at the expence of the luxurious; which would be just so much lost.

In other states which are extended, powerful by means of wealth, and strong by nature and situation, whose safety is connected with the general system of European politics, which secures them against conquest; such as Spain, France, Great Britain, &c. the progress of luxury does little harm (as these territories are still capable of infinite improvements) provided it does not descend to the lower classes of the people.

It ought to be the particular care of a statesman to check its progress there, otherwise there will be small hopes of ever recovering foreign trade. Whereas, if the lower classes of a people continue frugal and industrious, from these very circumstances trade may open anew, and be recovered by degrees, in proportion as luxury comes to get footing in other nations, where the common people are less laborious and frugal.

Luxury, among those who live upon a revenue already got, and who, by their rank in the state, are not calculated for industry, has the good effect of affording bread to those who supply them; but there never can be any advantage in having luxury introduced among

among the lower classes, because it is then only a means of rendering their subsistence more chargeable, and consequently more precarious.

Having thus briefly laid together the principal objects of a statesman's care, upon the cessation of the foreign trade of his people, I shall finish my chapter, by pointing out some general consequences which reason and experience shew to be naturally connected with such a revolution; not with regard to industry and inland trade, but as they influence the spirit, government, and manners of a people.

Nothing is more certain than that the spirit of a nation changes according to circumstances. While foreign trade flourishes, the minds of the monied people are turned to gain. Money, in such hands, is generally employed to procure more, not to purchase instruments of luxury; except for the consumption of those prodigal strangers who are thereby becoming daily poorer. It is this desire of becoming rich, which produces frugality. A man is always frugal while he is making a fortune; another very commonly becomes extravagant in the enjoyment of it; just so would it be with nations, were a wise statesman never to interpose.

When, by the cessation of foreign trade, the mercantile part of a nation find themselves cut off from the profits they used to draw from strangers; and on the other hand, perceive the barriers of the nation gradually shutting against every article of unprofitable correspondence, they begin to withdraw their stocks from trade, and seek to place them within the country. This money is often lent to landed men, hitherto living within bounds, for two most substantial reasons. First, because there was little money to be borrowed, from the high rate of interest, owing to the great profits on foreign trade; and because the national stock was then only forming. The second, because the taste of the times was frugality. But when once the money which was formerly employed in buying up loads of work for the foreign markets, falls into the hands of landed

men, they begin to acquire a taste for luxury. This taste is improved and extended by an infinity of arts, which employ the hands formerly taken up in furnishing branches of exportation. Thus by degrees we see a rich, industrious, frugal, trading nation, transformed into a rich, ingenious, luxurious, and polite nation.

As the statesman formerly kept his attention fixed on the preservation of an equal balance between work and demand, and on every branch of commerce, in order to prevent the carrying off any part of the wealth already acquired; he must now direct his attention towards the effects of the domestic operations of that wealth. He was formerly interested in its accumulation; he must now guard against the consequences of this.

While the bulk of a nation's riches is in foreign trade, they do not circulate within the country; they circulate with strangers, against whom the balance is constantly found. In this case, the richest man in a state may appear among the poorest at home. In foreign countries you may hear of the wealth of a merchant, who is your next door neighbour at home, and who, from his way of living, you never knew to be worth a shilling. The circulation of money for home-consumption will then be very small; consequently, taxes must be very low; consequently, government will be poor.

So soon as all this load of money which formerly was continually going backwards and forwards, without almost penetrating, as one may say, into the country, is taken out of foreign trade, and thrown into domestic circulation, a new scene opens.

Every one now begins to appear rich. That wealth which formerly made the admiration of foreigners, now astonishes the proprietors themselves. The use of money, formerly, was to make more of it: the use of money now, is to give it in exchange for those or such like commodities, which were then consumed by strangers only.

It is this revolution in the spirit of a people, which renders the consideration of the balance of their wealth an object of the greatest political!



political concern; because the constant fluctuation of it, among the several classes of inhabitants, is what lays the foundation of public opulence.

A government must always be respected, feared, and obeyed by the people governed; consequently, it must be powerful, and its power must be of a nature analogous to that of the subjects. If you suppose a great authority vested in the grantees of a kingdom, in consequence of the number and dependence of their vassals, the crown must have still a more powerful vassalage at its command: if they are powerful by riches, the crown must be rich. Without preserving this just balance, no government can subsist. All power consists in men, or in money.

If therefore we suppose a vast quantity of wealth thrown into domestic circulation, the statesman must follow new maxims. He must promote the circulation of it so as to fill up the blank of foreign consumption, and preserve all the industrious who have enriched him. The quicker the circulation is found to be, the better opportunity will the industrious have of becoming rich speedily; and the idle and extravagant will become the more quickly poor. Another consequence equally certain, is, that the quicker the circulation, the sooner will wealth become equally divided; and the more equality there is found in wealth, the more equality will be found in power. From these principles it will follow, that upon such a revolution of national circumstances, a popular government may very probably take place, if the statesman do not take proper care to prevent it.

This is done by the imposition of taxes, and these are differently laid on, according to the spirit of the government.

By taxes a statesman is enriched, and by means of his wealth, he is enabled to keep his subjects in awe, and to preserve his dignity and consideration.

By the distribution of taxes, and manner of levying them, the power is thrown into such hands as the spirit of the constitution requires

quires it should be found in. Are they imposed in a monarchy where every man is taught to tremble at the King's name, the great men will be made rich by his bounty, and the lower classes will be loaded and kept poor; that they may, on easier terms, be engaged to fill those armies which the Prince entertains to support his authority at home, and his influence abroad.

Here independent people will always be looked upon with an evil eye, and considered as rivals to the Prince, who ought to be the only independent person in the state.

In limited governments, where the sovereign has not the sole power of taxation, they will be laid on more equally, and less arbitrarily; providing the theory of them in general be well understood. Here every man must know *what* he is to pay, and *when*; and the amount of the tax must bear a proportion, on one hand, to the exigencies of the state; and on the other, to the quantity of circulation which takes place upon the payment of it: that is, a man must not be made to pay all the state can demand of him for a year, upon his making a trifling, though most essential acquisition of a necessary article of subsistence.

I think I have observed one remarkable difference in the point of view in levying taxes in countries where these two forms of government are established.

Under the pure monarchy, the Prince seems jealous, as it were, of growing wealth, and therefore imposes taxes upon people who are growing richer. Under the limited government they are calculated chiefly to affect those who are growing poorer.

Thus the monarch imposes a tax upon industry; where every one is rated in proportion to the gain *he is supposed* to make by his profession. The poll-tax and *taille*, are likewise proportioned to the *supposed* opulence of every one liable to them. These, with others of the same nature, are calculated (as it is alledged) to establish an equality in the load supported by the subjects; by making the industrious, and money gatherers, contribute in proportion to their

gains, although the capital stock from which these profits arise be concealed from the eyes of the public.

In limited governments, impositions are more generally laid upon consumption. They encourage industry, and leave the full profits of it to make up a stock for the industrious person. When the stock is made, that is, when it ceases to grow, it commonly begins to decrease: the number of prudent people, who live precisely upon their income, is very small. It is therefore upon the dissipation of wealth, in the hands of private people, that the state is enriched. Thus the career towards poverty is only a little abridged: he who is in the way of spending his estate will get at the end of it, if his life be spared; and therefore there is no harm done to him, and much good done to the state, in making a part of his wealth circulate through the public coffers.

The only precaution necessary to be taken in taxing consumption, is, to render the impositions equal, and to prevent their affecting what is purely necessary; or operating an unequal competition between people of the same denomination. Such impositions have still a worse effect, than those which fall upon growing wealth: they prevent the poor from being able to subsist themselves. A fellow feeling excites compassion among those of the lower classes; they endeavour to assist each other, and by this operation, like a pack of cards, set up by children upon a table, the first that is thrown down tumbles down another, until all are laid flat; that is, misery invades the lower classes: more than one half of a people.

From these principles (which I have been obliged to anticipate) we may gather the necessity of taxes, in states where foreign trade begins to decay. Without them, there is no security for a government against the power of domestic wealth. Formerly, Princes lived upon their domain, or patrimonial estate. What domain would be sufficient, at present, to support the expence of government? And if a government is not able to hold the reins of every principle of action within the state, it is no government, but an idol, that is,

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an object of a voluntary respect. The statesman, therefore, must hold the reins; and not commit the management of the horses to the discretion of those whom he is employed to conduct.

Another consequence of taxes, is, that the more luxury prevails, the more the state becomes rich: if luxury, therefore, breeds licentiousness, it at the same time provides a curb against its bad effects.

This augmentation of wealth produces a double advantage to the statesman: for besides the increase of the public revenue, the progress of luxury changing the balance of wealth constantly, by removing it from the rich and extravagant, to the poor and laborious, renders those who were formerly rich, and consequently powerful, dependent upon him for their support. By the acquisition of such persons, he gains additional credit, and supports his authority. Thus wealth and power circulate, and go hand in hand.

It may be asked, how these principles can be reconciled with the vigour and strength commonly found in the government of flourishing trading nations; for in such we must suppose few taxes; consequently, a poor and therefore a weak government; and a rich, consequently, a powerful people?

I answer, that under such circumstances, a people are commonly taken up with their trade, and are therefore peaceable; and as their wealth does not appear, being constantly in circulation with strangers, the influence of it is not felt at home. While wealth is employed in pursuit of farther gains, it cannot give power; consequently, as to all political effects at home, it is as if it did not exist; and therefore there is no occasion for the state to be possessed of a wealth they have no occasion to employ. If such a nation be attacked by her enemies, she becomes wealthy in an instant, every one contributes to ward off the common danger: but if, on the contrary, her tranquillity is disturbed at home, the rebellion generally proves successful; which is a confirmation of the principles laid down. I might illustrate this by many historical remarks. I shall only suggest to my reader, to examine the nature of the Dutch

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revolutions,

révolutions, and to compare the success of rebellions in France and England, during the last century, with others of a fresher date. Here the reader may consult the learned Mr. Hume's observation upon the commencement of the civil war. *History of Great Britain*, Vol. I. p. 325.

When, therefore, foreign trade has ceased for some time, and luxury has filled up the void, a considerable part of national wealth begins to circulate through the public treasury. It is natural then for great men to resort to court, in order to partake of the profits of government; and for the statesman to be fond of attaching such people to his interest, in order to be a constant check upon the turbulent spirit, which new gotten wealth may excite in the minds of one set of people, and desperate fortunes in those of others.

While there was little circulation of money in Europe, and few taxes, there was small profit to be made in following of Kings. These were more formidable to their enemies, than profitable to their friends. The great men of the state lived upon their lands, and their grandeur resembled that of the Prince; it consisted in the number and dependence of their vassals; who got as little by their Lord, as he did by the King. The poor in those days were plundered of the little money they had, by the great; now the great are stripped of the largest sums, by the numbers of poor, who demand from them on all hands, the just equivalent of their industry.

When Princes find their great men all about them, all asking, and all depending for different marks of their favour, they may perceive the great change of their situation, produced by luxury, and a swift circulation. This revolution has not been sudden, it has been the work of several centuries; and I think we may distinguish three different stages during this period.

The first during the grandeur of the feudal government: then the great Barons were to be consulted, and engaged to concur in the King's wars, because it was they who paid the expence, and suffered the greatest loss. These are called by some the days of liberty;

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because the states of every country in Europe, almost, were then in all their glory: they are called so with great reason, when we consider the condition of the great only.

In those days there were seldom any troubles or disturbances in the state, seldom any civil wars levied against the King, but such as were supported by the grandees; who, either jealous of their own just rights, or ambitious of acquiring others at the expence of the crown, used to compel their vassals, or engage them by the constitutional influence they had over them, to disturb the public tranquillity.

The second stage, I think, may be said to have begun with the times of industry, and the springing up of trade. Such Princes, whose subjects began to enrich themselves at the expence of other nations, found, on one side, the means of limiting the power of the great lords, in favour of the extension of public liberty. The lords, on the other side, when they wanted to disturb the public tranquillity, did not, as formerly, vindicate their own privileges, so much as they combined with the people, and moved them to revolt, on popular considerations.

This may be called the period of confusion, out of which has arisen certain determined forms of government; some drawing nearer to the monarchical, others nearer to the popular form, according as the power of Princes has been more or less able to support itself, during the shock of the revolution, and the overturn of the balance between public and private opulence.

The third and last stage, of which I shall speak at present, may be fixed at that period when the proportion of the public revenue became adequate to the mass of national wealth; when general laws were made to govern, and not the arbitrary power of the great. The grandees now, from being a bridle on royal authority, are often found dependent upon it for their support. The extraordinary flux of money into the treasury, enables Princes to keep splendid courts, where every kind of pleasure and amusement is to

be had. This draws together the rich men of the state. The example of the sovereign prompts these to an imitation of his expence, this imitation increases consumption, which in its turn augments the King's income, as it diminishes that of every other person.

When the great men of a kingdom have exhausted their estates, in paying a regular court to the Prince, they employ the credit they have acquired with him during the time of their dissipation, to obtain marks of his favour, in order to support them in their decline. By these they are enabled to live in as much state as before. They find no difference in their situation; unless perhaps they should accidentally reflect, that the fund which produced their former opulence, was in their own possession; whereas that of their present wealth is in the hands of their master.

To compensate this difference, they are made to acquire, by the favour of the court, advantages which they never could have enjoyed from the largest independent fortune.

The luxurious system of living, every where introduced, draws the wealthy together, either in the capital or in other great cities of the kingdom; where every one compares the expence and figure he makes, with that of others who are about him. A person honoured with the King's favour, of the same quality with another, acquires, by this circumstance, a great superiority. He commands, I shall suppose, in a place; he is the person to whom people must apply, in order to obtain favours, perhaps justice; he is adorned with a title, or outward mark of distinction, which procure him respect and consideration; and, which is still more, he is on the road to a farther elevation. It requires a great stock both of philosophy and good sense, not to be dazzled with these advantages. Independency, compared with them, is but a negative happiness. To be truly happy, we must have power, and have other people to depend on us.

C H A P. XXVI.

Of the Vibration of the Balance of Wealth between the Subjects of a modern State.

WE have frequently mentioned this balance, as an object of great importance to a statesman who is at the head of a luxurious nation; which having lost its foreign trade, has substituted, in the place of it, an extensive inland commerce. This will supply the loss of the former, so far, as equally to provide employment, and, consequently, subsistence, to every one inclined to be industrious; although it must prove quite ineffectual for augmenting the national wealth already acquired.

I shall first explain what I mean by the balance of wealth vibrating between the members of a society, and from that will be seen why I rank this also among the political balances of a modern state.

It has been observed in the beginning of the nineteenth chapter, that the great characteristic of what we call liberty, is the circulation of an adequate equivalent for every service.

By wealth, I understand this circulating adequate equivalent.

The desires of the rich, and the means of gratifying them, make them call for the services of the poor: the necessities of the poor, and their desire of becoming rich, make them cheerfully answer the summons; they submit to the hardest labour, and comply with the inclinations of the wealthy, for the sake of an equivalent in money.

This permutation between the two classes, is what we call circulation; and the effects produced by it, upon the political situation of the parties at the precise time of the circulation, and the consequences after it is completely effected, explains what is called the balance of wealth.

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To render our ideas more correct, let us consider the money on one side, and the prestations, as the civilians call them, or performances of any kind, on the other, as *reciprocal* equivalents for one another; and then let us examine the nature of those prestations which tend to put these equivalents into circulation; that is to say, what are the things which money can purchase.

These we may divide, with the lawyers, into corporeal and incorporeal. The corporeal may again be divided into consumable and inconsumable; and the incorporeal into personal service, and what the lawyers call *jura*, rights in or to any thing whatever. I cannot fully explain myself without the help of this distribution.

Let us next consider the effects of the circulation of money, as it has for its object, the acquisition of the four several species here laid down.

1. Of inconsumable things. 2. Of things consumable. 3. Of personal service. 4. Of rights acquired in or to any thing whatever.

1. The only thing inconsumable is the surface of the earth. This must not be taken in a philosophical, and far less in a chemical sense. A thing is consumed, so far as it concerns our inquiry, the moment it becomes useless, or even when it is lost.

The surface of the earth, therefore, is the only thing inconsumable; because, generally speaking, it never can cease to be useful, and never can be lost; it may be changed, but the earth must always have a surface. What is said of the surface, may be understood likewise of that small part of its body accessible to man, for supplying him with what he finds useful there, as the produce of mines.

Next to the earth itself, nothing is less consumable than her metals, consequently coin may very properly be classed under the head of things inconsumable; although it may be lost, and even worn out in circulation.

Let us now consider the effects of circulation in the purchase of land. (A), I shall suppose, has a piece of land, and (B) has one thousand

thousand pounds weight of gold coin, which the laws of society have constituted to be an adequate circulating equivalent for every thing vendible. They agree to make an exchange. Before the exchange the balance of their wealth is equal; the coin is worth the land, the land is worth the coin; the exchange makes no alteration, nor has it the effect of making any afterwards; the new landlord may apply himself to the improvement of the soil, the monied man to the turning of his thousand weight of gold coin to the best advantage; consequently, by this transaction, no vibration of the balance seems to be affected.

If coin itself be the object of sale, the consequences are much the same. (A) has a guinea, (B) has twenty one shillings, the exchange they make produces no alteration in their circumstances. The same holds good in other species of circulation, such as the transmission of money by inheritance. (A) dies and leaves his money to (B); here the possessor of the money only changes his name, perhaps his inclinations, and that is all. In like manner a person pays his debts, and withdraws his bond, or other security; no balance is affected by this circulation, matters stand between the parties just as before.

The nature, therefore, of circulation, when one inconsumable commodity is given for another, is, that it operates no vibration in the balance of wealth between the parties; because, in order to produce this, one must remain richer than he was before, and the other proportionally poorer.

II. Under the second head of alienation, to wit, that of consumable commodities, is comprehended every thing corporeal, except money, and land, which money may purchase. In these, two things deserve attention. First, the simple substance, or the production of nature; the other, the modification, or the work of man. The first I shall call the *intrinsic worth*; the other, the *useful value*. The value of the first, must always be estimated according to its usefulness after the modification it has received is entirely

destroyed, and when by the nature of the thing both must be consumed together, then the total value is the sum of both. The value of the second must be estimated according to the labour it has cost to produce it. An example will make this plain.

The intrinsic worth of any silk, woollen, or linnen manufacture, is less than the primitive value employed, because it is rendered almost unserviceable for any other use but that for which the manufacture is intended. But the intrinsic substance of a loaf of bread loses nothing by the modification, because the last cannot be consumed without the first. In a piece of silver plate curiously wrought, the intrinsic worth subsists entire, and independent of the useful value, because it loses nothing by the modification. The intrinsic value, therefore, is constantly something real in itself: the labour employed in the modification represents a portion of a man's time, which having been usefully employed, has given a form to some substance which has rendered it useful, ornamental, or in short, fit for man, mediately or immediately.

Let us now apply these distinctions to the different circumstances which attend consumption, in order to perceive their effects.

The consumption of the intrinsic value of any commodity, takes place the moment the matter employed begins to diminish, and is completed so soon as it is consumed totally. The consumption of the useful value proceeds in like manner, in proportion as the use it is put to makes the value of it diminish, or disappear altogether.

Let us next take an example, and examine the effects of circulation in the purchase of things consumable, as to the vibration of the balance of wealth. (A) has a piece of coin, (B) has something which his labour has produced; they make an exchange. (A) hitherto has neither gained or lost, neither has (B); but (A) begins to make use of what he had purchased with his coin, and in using it a part disappears; that moment the balance begins to turn

against him. (B) on the other hand, exchanges his piece of coin with another, whom we shall call (C), and gets in return a piece of wood; if (B) puts this piece of wood into the fire, in proportion as the wood consumes, the balance is returning to its level between (A) and (B), and is changing in favour of (C). If (B), instead of burning his wood, makes a beam of it for supporting his house, the balance will turn more slowly, because the wood is then longer in consuming: but if he makes some useful piece of furniture of one part of his wood, he may warm himself with the remaining part of it, and with the coin he gets for his work, may buy a beam for his house, and even food to eat. If (B) stops at this period, and works no more, he will find himself just upon a level with (A); so soon as his fire is burnt out, his beam rotten, and his food consumed, and the whole balance will be found in favour of (C), providing that by his industry he has been able to procure for himself all necessaries, and preserve the piece of coin entire. Here then is the spur to industry; to wit, the acquisition of this balance, which gives a relative superiority even among those of the lowest classes, and determines their rank as well as their political-necessary, according to the principles laid down in the twenty-first chapter.

The essential characteristic of this vibration of the balance of wealth, is the change in the relative proportion of riches between individuals. But it must be observed, that under this second species we are to consider the change of proportion no farther than as it is produced by the circulation of a free adequate equivalent, of such a nature as to be transferable to another hand without any diminution. The consumption, therefore, is the only thing which makes the balance turn. While the consumable commodity remains entire in the hands of the purchaser, he still remains possessor of the value; and may, by inverting the operation, return to the possession of the same species of wealth he had before.

Here it may be asked, if money be absolutely necessary for producing a vibration of this balance by the means of consumption.

We may easily conceive the greatest inequality between the numbers of a state, without supposing the existence of money. We may suppose the property of lands unequally divided, and a great surplus of subsistence found in the hands of one individual, which may by him be given in exchange for the produce of industry. Under such circumstances then it may be asked, if without money there can be no such thing as a vibration in the balance of wealth; supposing in this case, the term *wealth* to imply, in general, the means of purchasing whatever man can perform or produce.

I answer, that no doubt the balance may be susceptible of small vibrations, because even in the exchange of consumable commodities, the consumption may go on faster on one side than on the other; but I think, unless the inconsumable fund of wealth (which is what gives the superiority, and which in the example alledged, we supposed to be coin) can be made to change hands according to the adequate proportion of the consumption made, we cannot say properly, that a vibration can be operated in any considerable degree.

Let us suppose (A) to be a proprietor of a bit of land, and (B) an industrious workman; in order that (B) may purchase the land of (A), it must be supposed that (A) is very extravagant, and that he inclines to consume a much greater proportion of work than what is equivalent to all the surplus-produce of his land. Now in order to supply (A) to the value of the land itself, (B) must distribute his work to many different persons, and take in exchange, not such things as he has use for himself, but such as may be found useful to (A). But so soon as (A) has paid to (B) the whole surplus of his land, what fund of credit will he find in order to engage (B) to furnish more? He cannot pay him in land, because this fund is not susceptible of circulation; and every expedient that could be fallen upon to keep accounts clear between them, is neither more or less than the introduction of *money*, either *real* or *symbolical*. These terms must be explained.

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By real money, is meant what we call coin, or a modification of the precious metals, which by general agreement among men, and under the authority of a state, carries along with it its own intrinsic value.

By symbolical money, I understand what is commonly called credit, or an expedient for keeping accounts of debt and credit between parties, expressed in those denominations of money which are realized in the coin. Bank notes, credit in bank, bills, bonds, and merchants books (where credit is given and taken) are some of the many species of credit included under the term *symbolical money*.

In the example before us, we may suppose that (A) having no more circulating equivalent to give (B) for his work, and being desirous to consume of it to the value of his land, shall agree to issue notes of hand, every one of which shall carry in it a right to an acre of land, to a fruit tree, to ten yards of the course of a river, &c. and that every such parcel of property, shall be esteemed at a certain proportion of work. This agreement made, he goes on with his consumption, and pays regularly, and adequately, the value of what he receives; and in proportion as consumption proceeds on the side of (A), the balance of wealth must turn in favour of (B); whereas while (A) kept his bit of land, and (B) his faculty of working up an equivalent for the surplus of it, the balance stood even; because the land on one hand, and the industry on the other, produced adequate equivalents for each other. The produce of both was consumable, and supposed to be consumed; which operation being over, the land and the industry remained as before, ready to produce anew. Here then is the effect of credit or symbolical money; and here I ask, whether or not the notes of hand given by (A) to (B), do not contain as real a value, as if he had given gold or silver? and farther, whether or not it appears, that the country where they live becomes any richer by this invention? does this note any more than declare who is the proprietor of the value contained?

Nothing.

Nothing is so easy as to invent a money which may make land circulate as well as houses, and every other thing which is of a nature to preserve the same value during the time of circulation. Whatever has a value, may change hands for an equivalent, and whenever this value is determined, and cannot vary, it may be made to circulate; and in the circulation to produce a vibration in the balance of wealth, as well as a pound of gold or silver made into coin.

Those nations, therefore, who only circulate their metals, confine industry to the proportion of the mass of them. Those who would circulate their lands, their houses, their manufactures, nay their personal service, even their hours, might produce an encouragement for industry far beyond what could be done by metals only. And this may be done, when the progress of industry demands a circulation beyond their power.

This anticipation of the subject of the following book, is here thrown in, only to enable my reader to form to himself an idea of the extent of the subject we are at present upon, and to help him to judge to what length luxury, that is consumption, may be carried. Since, by what we have said, it appears that there is no impossibility for a people to throw the whole intrinsic value of their country into circulation. All may be cut into paper, as it were, or stamped upon copper, tin, or iron, and made to pass current as an adequate equivalent for the produce of industry; and as there is no bounds to be set to consumption and prodigality, it might be possible, by such an invention, in the compass of a year, to circulate an equivalent in consumable commodities produced by industry, for the whole property of the most extended and most wealthy kingdom. That this is no chimerical supposition, appears plain by the activity of many modern geniuses, who, in an inconsiderable space of time, find means to get through the greatest fortunes; that is to say, in our language, they throw them into circulation by the means of the symbolical money of bonds, mortgages, and accounts. But does
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this species of circulation increase the riches of a state? surely no more than it would increase the riches of France or England, to carry all the plate in the two kingdoms to be coined at the mint. The use of symbolical money is no more than to enable those who have effects, which by their nature cannot circulate (and which, by the bye, are the principal cause of inequality) to give an adequate circulating equivalent for the services they demand, to the full extent of all their worth. In other words, it is a method of melting down, as it were, the very causes of inequality, and of rendering fortunes equal.

The patrons therefore of Agrarian laws and of universal equality, instead of crying down luxury and superfluous consumption, ought rather to be contriving methods for rendering them more universal. If they blame what is called perpetual substitutions of property or entails (made by parents in favour of their posterity as yet unborn) because they are in some respects prejudicial to industry; they should not, I think, find fault with that charming leveller *dissipation*, that nurse of industry, and the only thing intended to be prevented by such dispositions.

Some have persuaded themselves, that an equality of fortune would banish luxury and superfluous consumption. Among the rest, is M. de Montesquieu, an author for whom I have the highest esteem, and who has, in this respect, been copied by many others. But I never found his idea set in a clear light. Equality of fortune would certainly change the nature of luxury, it would diminish the consumption of some, and would augment the consumption of others; but without making people idle, it could never destroy industry itself, and while this subsists in an equal degree, there must be the same quantity of what it produces regularly consumed. Farther, this proposition never can be advanced, but on the supposition that the luxurious person, that is the consumer, must be richer than he who supplies him. This I cannot by any means admit to be true. Must the carter who drinks a pot of beer be richer
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than the alehouseman? Must a country girl who buys a bit of ribband, be richer than the haberdasher who sells it? Must the beau be richer than his taylor? the traveller than the banker who gives him his money? the client than the lawyer? the sick than the physician?

How then does it appear that equality must prevent luxury, unless we suppose every one confined to an absolute physical-necessary, and either deprived of the faculty of contriving, or of the power of acquiring any thing beyond it. This principle Lycurgus alone laid down for the basis of his republic; and yet riches were known in Sparta as well as poverty.

Absolute equality, *de facto*, is an absurd supposition, if applied to human society. Must not frugality amass, and prodigality dissipate? These opposite dispositions, are of themselves sufficient to destroy at once, the best regulations for supporting equality, and, when carried to a certain length, must substitute in its place as great an inequality as the quantity of circulation is capable to produce. Whatever circulates, may stagnate. Why was there so great equality at Sparta? because there was little circulation. Why are the Capucins in a state of perfect equality? because among them there is no circulation at all.

If therefore such variations in the balance of wealth depend on the difference of *genius* among men, what scheme can be laid down for preserving equality, better than that of an unlimited industry equivalent to an universal circulation of all property, whereby dissipation may correct the effects of hoarding, and hoarding again those of dissipation? This is the most effectual remedy both against poverty and overgrown riches; because the rich and the poor are thereby perpetually made to change conditions. In these alterations in their respective situations, the parties who are changing by degrees, must surely in their progress towards a total alteration, become, at one time or other, upon a level, that is, to an equality; as the buckets in a well meet, before they can pass one another.

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310. The first species of things incorporeal, which may be purchased with money, is personal service; such as the attendance of a menial servant, the advice of a physician, of a lawyer, the assistance of skilful people in order to acquire knowledge, the service of those employed in the administration of public affairs at home and abroad, or for the defence of a kingdom by sea, or land; the residence of great men at court, who do honour to princes, and make their authority respected; and even when money is given to procure amusement, pleasure, or dissipation, when no durable and transferable value is given in return.

There is a kind of resemblance between the species here enumerated, and what we called the *useful value* in consumable commodities. In the one and the other, there is an equivalent given for a man's time usefully employed; but the difference between them lies in this: that the *useful value* being supported, or having for a substratum, as the schoolmen call it, the intrinsic substance, is thereby rendered permanent and vendible; whereas here, for want of a permanent and transferable substance, the personal services though producing advantages which are sufficiently felt, cannot however be transferred for the adequate price they cost.

The circulation produced by this third species of acquisition, operates an instantaneous vibration of the balance. The moment the personal service is performed, it may be said to be consumed; and although the purchaser has received a just equivalent for the money given, and in some cases may even be thereby put in a situation to indemnify himself of all his expence, by performing the like services to others, yet every body must perceive that such services cannot properly be considered as a circulation of the former.

410. The acquisition of the other species of things incorporeal, that is, rights, produces little more balance, when an adequate circulating equivalent is given for them, than the sale of land; because a right implies no more than a power to use, that is, to consume;

and by the use, the right is not diminished: it is balanced by the use of the money; the money therefore and the right being both permanent, there is no vibration in the scales. Of this species are all servitudes; the purchasing of privileges or immunities, even the lending of money at interest, may here not improperly be classed.

Here it will, perhaps, be alledged, that an example be given, where the creation of such a right, though purchased with an adequate circulating equivalent, produces the greatest vibration in the balance of wealth possible. It is when a state contracts debts, and when the public creditors acquire a right to general impositions on the people for the payment of their interest.

This objection requires a little explanation, and I have proposed it chiefly for the sake of introducing an illustration of my subject.

If it be said, that in this example a vibration in the balance of wealth *within the state* is implied; then I say that it must take place either 1st. between the creditors and the state; or 2d. between the state and the people, or 3d. between the creditors and the people. But,

1mo. The creditors acquire no balance against the state, because they have given one inconsumable commodity for another; to wit, money for an annual income. The money is worth the income, the income is worth the money. If therefore any change in the balance comes afterwards to take place, it must be in consequence of other operations quite independent of this transaction. But let us suppose, which is but too frequently the case, that here money must be considered as a consumable commodity, because it is only borrowed to be spent. In this light does not the creditor seem to acquire a balance in his favour against the state, so soon as the money is actually spent. I answer in the negative: because a state by expending the money borrowed, remains with respect to the creditors just as wealthy as before. It is the people who pay the interest, for which the state gives them in return no adequate *transferable* equivalent.

2do. Here:

2do. Here it is urged, that this being the case, the state has acquired a balance against the people according to the principles above laid down, where it was said, that upon occasions, where money is given for personal service, and where nothing transferable is given in return, the balance turns instantaneously in favour of him who received the money.

To this I answer, that as to the interest paid by the people, the state does not receive it for herself, but for the creditors. The personal services are then supposed to be already paid for, and the vibration has taken place before the interest becomes due. Therefore the balance does not turn between the state and the people.

In levying of taxes which are destined to pay the interest of money already spent, the public gives no adequate equivalent on one hand; and on the other, it is not enriched with respect to the people, any more than it was impoverished with respect to the creditors, by spending the money borrowed; and since there is no reciprocal change in the situation of the two parties, I do not see how we can infer any vibration in the balance of wealth between them. We shall presently see between whom the balance is made to vibrate.

3tio. The balance between the creditors and the people is what at first sight appears to be principally affected; because the first receive a constant retribution from the latter, in consequence of the loan. But neither is any true vibration found here, either adequate to the loan, or to the money spent. 1mo. Because the creditors themselves are part of the people who contribute towards all impositions on consumptions, which are commonly the most regular, the most permanent, and the most familiarly appropriated for the payment of the interest. 2do. Because the money spent by the state, if spent at home, returns to other hands indeed, but still returns to the people, of whom we are here speaking. And 3tio. because there is no transaction at all between the creditors and the people.

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Objection.

Objection. By this way of reasoning it would appear, that the exhausting a people by taxes, makes no vibration in the balance of their wealth.

Answer. If the people be exhausted, it must be by enriching strangers. This case should at present be excluded, as we have laid aside the consideration of foreign relations. But allowing this circumstance also to be implied in the objections made, I agree that every penny of money sent out of a country, for no real and permanent equivalent received in return, operates a vibration in the wealth between nation and nation; but none between subject and subject. To this it is answered, that when taxes are high, many people are ruined while others are enriched. This operates a vibration. I allow it; but then I reply, that by the very supposition, in every such case, the money must remain at home; whereas in the former, it was supposed to be expended abroad. Now we are not at present examining the effects of debts and taxes, in changing the balance between man and man, but only between the three cumulative interests above specified, the state, the people, and the creditors.

Let me now ask, what is the effect of taxes on the vibration of the balance of wealth between individuals?

I answer, that whoever pays a tax, appears to pay for a personal service. He receives no corporeal equivalent which can be alienated by him for the same value; and he who is employed by the state, and is paid with the produce of taxes, acquires a balance in his favour against those who pay them. When the amount of taxes goes abroad for foreign services, there can be no alteration upon the balance at home, as has been said; neither is there any when it remains at home: the people and the creditors are as rich as before. Let this suffice at present, as to the effects of debts and taxes upon the balance of national wealth.

Industry is the only method of making wealth circulate, so as to change its balance between the parties; all kinds of circulation
which

which operate no such change, are foreign to the present purpose.

A man dies and leaves his wealth to another, no body loses by this, but he who is no more; a second pays his debts, neither debtor, or creditor can be said to change circumstances by the operation. A merchant buys a quantity of merchandize for ready money, he thereby loses no balance of his wealth; it is true he has given money for consumable effects; but the balance does not operate until the consumption takes place, and as he is not supposed to buy in order to consume, I rank this branch of circulation among those which do not influence the balance.

Thus we find two different kinds of circulation in a state; one which makes the balance turn, and one which does not. These objects are of no small consequence to be attended to in the right imposition of taxes, as shall, in its proper place, be more fully explained. At present it is sufficient to observe, that the proper time of laying on taxes is at the time of circulation: because the imposition may then be always exactly proportioned to the sum circulating; consequently, to the faculties of the persons severally interested.

In all excises, or taxes upon consumption, it is the money of the consumer which is taxed, in the instant of the payment; so that he against whom the balance is to turn, has the additional load to pay. This species of tax, imposed at the time of circulation, is what produces the largest sums to a state. I never heard of a proper expedient for taxing the person in whose favour the balance is to turn, though from the principles which are afterwards to be laid down, we may perhaps discover one.

As for the other species of circulation, where the balance does not turn, it is not so much the custom to impose very considerable taxes upon it: there are however several examples to be met with, which point out how they may be imposed. The casualties paid upon the change of vassals, or upon the fall of lives, in leases upon
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lands in England; the confirmation of testaments in Scotland; investitures in Germany; the *centième denier*, the *lods et ventes*, and the *control* upon the acts of notaries in France; the emoluments of the *Rota* in Spain, and in many Roman Catholic countries, are of this species. Upon the same principle, taxes more or less considerable might be laid upon every branch of this kind of circulation; for which purpose, it would be highly necessary to find out all the ramifications of it, by analysing it to the bottom, as we have hitherto run through it very superficially.

C H A P. XXVII.

Circulation and the Balance of Wealth, objects worthy of the attention of a modern Statesman.

HAVING explained the nature of circulation, and of this balance, we are next to point out the objects of a statesman's attention concerning them.

I. *He ought to form to himself a clear and distinct idea of the nature, properties, and effects of circulation; a word frequently made use of without much meaning, and in a vague and undetermined sense.*

The term *circulation* is, perhaps, one of the most expressive in any language, and is therefore easily understood. It represents the successive transition of money, or transferable commodities, from hand to hand, and their return, as it were in a circle, to the point from which they set out. This is the rough idea which every one, who understands the word at all, must form of its meaning. But a statesman's perceptions must be more accurate as well as more complex.

He must combine the consequences which result from this successive transition, and attend to the effects produced by it. He must

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not only consider the money, which is a permanent value, passing from hand to hand, but weigh the consequences of the variety of consumption which it draws along with it, in its progress.

Before a guinea can travel from London to York, it may be the means of consuming a thousand times its value, and as much more, before it can return to London again. Every stop the guinea makes in its course, marks a want of desire to consume, in him who possesses it. If, therefore, in any country, there were but one guinea in circulation, all consumption would stop (or barter would take place) the moment it fell into the hands of a miser. This leads us to the second object of a statesman's attention.

II. *He ought at all times to maintain a just proportion between the produce of industry, and the quantity of circulating equivalent, in the hands of his subjects, for the purchase of it; that, by a steady and judicious administration, he may have it in his power at all times, either to check prodigality and hurtful luxury, or to extend industry and domestic consumption, according as the circumstances of his people shall require the one or the other corrective, to be applied to the natural bent and spirit of the times.*

For this purpose, he must examine the situation of his country, relatively to three objects, viz. the propensity of the rich to consume; the disposition of the poor to be industrious; and the proportion of circulating money, with respect to the one and the other.

If the quantity of money in circulation is below the proportion of the two first, industry will never be able to exert itself; because the equivalent in the hands of the consumers, is then below the proportion of their desires to consume, and of those of the industrious to produce. Let me illustrate this by a familiar example taken from a party at quadrille.

When, on dealing the cards, every one puts in a fish into the stake, according to the old English fashion, a very few are sufficient for the circulation of the game: but when you play the aces, the consolation and the multiplication of beasts according to the French custom,

custom, you must have a box with contracts, fishes, and counters; so reducing all to the lowest denomination, every player has occasion for above five hundred marks. It is therefore plain, that the number of marks must be in proportion to the circulation of the game. But at play, as in a state, circumstances render this circulation very irregular. Fortune may run so equally among the players, during a considerable time, that none of them may have occasion to pay away above the value of a hundred counters, and while this equality continues, there is not found the smallest interruption in the circulation. But let one of the players have a run of luck, you will soon see three of the boxes empty, and all the circulating marks heaped up before the winner. Fortune at quadrille, forms stagnations of the circulating equivalent, as industry and frugality form them in a state. At this period of the game, must not the players stop, or must they not fall upon a way of drawing back their marks into circulation? If they borrow back from the winner, this represents loan. If they buy back their marks with money from their purses, it represents what I call throwing solid property into circulation.

From this familiar example, we may judge how necessary it is that the circulating fund be constantly kept up to the proportion of the occasions for it. It is impossible to determine the proportion of coin necessary for carrying on the circulation of a country, especially of one where neither loan, or paper credit, that is the melting down of solid property, are familiarly known. Here is the reason: the solution of the question does not depend upon the quantity of coin alone, but also upon the disposition of those who are the possessors of it; and as these are constantly changing, the question thereby becomes insoluble.

It is, therefore, the business of a statesman, who intends to promote circulation, to be upon his guard against every cause of stagnation; and when he has it not in his power to remove these political obstructions, as I may call them, by drawing the coin of the country

country out of its repositories; he ought (in proportion as the other political interests of his people are found to require it) to facilitate the introduction of symbolical money to supply its place.

A great political genius is better discovered by the extent of his perceptions, than by the minute exactness of them in every part of the detail. It is far better for a statesman to be able to discern (though superficially) every object of government under all its relations, than to be able to trace any one with the greatest accuracy. This is apt to occupy him too much, and no one relation should ever engross his whole attention.

I cannot omit in this place taking notice of a very judicious remark of M. de Melon, an eminent political French writer, who was employed by the Duke of Orleans in state affairs, during his regency of the kingdom.

“It belongs only (says he) to one who has had the direction of every branch of government to lay down a general plan of administration, and even then, one must not expect from such a person, very particular details with respect to many objects, of which he himself is entirely ignorant, and which he has been obliged to confide to the care of others subordinate to him. A person who can stoop to a minute exactness in small affairs, proves commonly very unequal to the administration of great ones. It is enough for such a person to know principles by experience and reflection, and to apply fundamental maxims as occasion requires.”

I apply this observation to the point in hand. A statesman who allows himself to be entirely taken up in promoting circulation, and the advancement of every species of luxurious consumption, may carry matters too far, and destroy the industry he wishes to promote. This is the case, when the consequences of domestic consumption raises prices, and thereby hurts exportation.

A principal object of his attention must therefore be, to judge when it is proper to encourage consumption, in favour of industry;

And when to discourage it, in favour of a reformation upon the growth of luxury.

If the country he governs be in a state of simplicity, and that he wishes to awaken a taste for industry and refinement, he must, as has been said, encourage domestic consumption, for the sake of multiplying, and giving bread to the industrious; he must facilitate circulation, by drawing into the hands of the public what coin there is in the country, in case he finds any part of it locked up; and he must supply the actual deficiency of the metals, by such a proportion of paper credit, as may abundantly supply the deficiency.

In every country where simplicity prevails, and where there is any considerable quantity of coin, a great proportion of it must be locked up: because the consumption there must be small; consequently, little circulation; consequently, either little coin, or many treasures. In such cases, therefore, a statesman must engage the possessors of these riches to part with them, at the desire of those who can give security for their worth: and he must establish the standard of an annual retribution for the loan. If this be difficult to be brought about, from the want of confidence in the monied men, he may, in their favour, contrive expedients to become the borrower himself, at the expence of the alienation of certain rights, or the creation of new privileges, in lieu of interest; and when he has engaged them to part with their coin, he may lend it out to such as have both solid property and a desire to consume; but who, for want of a circulating fund to purchase superfluities, have hitherto lived in simplicity.

The introduction, therefore, of loans upon interest, is a very good expedient to accelerate circulation, and give birth to industry.

Obj. But here it is objected, that such a plan is looked upon by some nations to be contrary to the precepts of the christian religion, and therefore a statesman cannot permit it.

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To this I can make no answer, because I am no casuist; but I can propose an expedient which will supply the defect of borrowing at interest; and as it may serve to illustrate the principles I am now upon, I shall here introduce it.

The intention of permitting loans upon interest, is not to provide a revenue to those who have ready money locked up, but to obtain the use of a circulating equivalent to those who have a sufficient security to pledge for it. If the statesman, therefore, shall find himself withheld by the canons of his church, from drawing the coin of his subjects into circulation, by permitting the loan of it upon interest, nothing is more easy than to invent another species of circulation, where no interest at all is necessary.

Let him open an office, where every proprietor of lands may receive, by virtue of a mortgage thereon, a certain proportional value of circulating paper of different denominations, the most proper for circulation. He may therein specify a term of payment in favour of the debtor, to give him an opportunity to call in his obligation, and relieve the engagement of his property. But that term being elapsed, the land is to belong to the creditor, or the paper to become payable by the state, if required, which may in consequence become authorised either to sell the land engaged, or to retain a proportional value of the income, or of the property of the land itself, as shall be judged most expedient.

Farther, let him constitute a real security for all debts upon every species of solid property, with the greatest facility in the liquidation of them, in favour of those who shall have given credit to the proprietors for merchandise of any kind. To compass this, let all entails, substitutions, and *fidei commissa*, or trusts, restraining the alienation of land-property, be dissolved; and let such property be rendered as saleable as household furniture. Let such principles influence the spirit of the government; let this sort of paper credit be modified and extended according to circumstances, and a taste for consumption will soon take place.

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The greatest of all obstacles to industry in its infancy, is the general want of credit on both sides. The consumers having no circulating value, the difficulty of liquidating what they owe by the alienation of their lands, prevents their getting credit; and the many examples of industrious people giving way, on account of bad payments, discourages others from assisting them in the beginning of their undertaking.

From these principles we may gather, that a statesman who intends to increase industry and domestic consumption, should set out by providing a circulating fund of one kind or other, which ought always to be ready, and constantly at the command of those who have any sort of real equivalent to give for the consumption they incline to make: for as specie may often times be wanting, a contrivance must be fallen upon immediately to supply that want.

The utility of this kind of credit, or paper money, is principally at the instant of its entering into circulation, because it is then only that it supplies the want of real specie; and by this invention, the desire to consume creates, as it were, the circulating equivalent, without which the alienation of the produce of industry would not have taken place; consequently, the industry itself would have suffered a check.

But in the after circulation of this paper money from hand to hand, this utility comes to cease; because the subsequent consumer, who has another man's paper to give in exchange, is already provided with a circulating equivalent, and therefore were it not for the wearing of the specie, or difficulty of procuring it, it is quite indifferent both to the state, as well as to circulation, whether this paper continues to pass current, or whether it be taken up, and realized by the debtor, and gold and silver be made to circulate in its place.

Let me now endeavour to make this whole doctrine still more plain, by an example.

Suppose:

Suppose a country where there is a million of pieces of gold employed necessarily in carrying on the ordinary circulation, a million of pieces of the same value locked up, because the proprietors have no desire to spend them. Suppose the revenue of the solid property of the country to be worth also a million a year; and that if the fund itself could be sold, it might be worth twenty millions of the same specie. Suppose no such thing as credit or paper money to be known, and that every man who inclines to make any consumption, must be provided previously with a part of the circulating million, before he can satisfy his inclination.

Under these circumstances, the statesman resolves to establish industry, and finding that by his people's taking a taste for a greater consumption, the million which was formerly sufficient for carrying on circulation, is no longer so; he proposes to those who have the other million locked up, to borrow it from them at 5 per cent. and the better to engage them to comply with his proposal, he offers, to impose duties upon the whole of the inhabitants to the annual amount of fifty thousand pieces of gold, to be paid annually to the creditors, in return for their treasure. If this scheme be adopted, he may lend out his million in small sums, to every one who inclines to borrow, upon good security; or by premiums and other encouragements given to his infant manufactures, he may throw it into the hands of the public, that is, into circulation. Here is one method of increasing the quantity of a circulating fund, when an augmentation upon the consumption of the produce of industry comes to demand it.

But let us now suppose this regular plan of borrowing to be contrary to what is called the constitution of the state, to religion; or to the spirit of the people, what must be done to supply the place of such a scheme?

The statesman must then fall upon another contrivance, by extending the use of pledges, and instead of moveables, accept of lands, houses, &c. The *Monte pieta* at Rome issues paper money upon

upon moveable security deposited in their hands. Let the statesman, without exacting interest, do the same upon the lands of his subjects, the best of all securities. While the lands subsist, this paper money must retain its value; because I suppose the regulations to be such as to make it convey an indisputable right to the lands engaged. The advantage of such an establishment will be, that as formerly no man could purchase the smallest produce of industry, without having a part of the circulating million of pieces of gold; every body now who has an inclination to consume, may immediately procure paper money in proportion to his work, and receive in return whatever he desires to possess.

Now let me suppose that this paper money shall in time, and from the growing taste for superfluities, amount to the value of five millions of pieces of gold. I ask, whether the real value of this paper is any way diminished, because it exceeds, by far, all the gold and silver in the country, and consequently cannot all at once be liquidated by the means of the coin? Certainly not: because it does not draw its value from any representation of these metals, but from the lands to which it conveys a right. Next, I ask, if the country is thereby become any richer? I answer, also, in the negative: because the property of the lands, if fold, being supposed worth twenty millions, the proprietors of the paper are here supposed to have acquired, by their industry, five millions of the twenty; and no more than the remaining fifteen millions belong to the landlords.

Let us now suppose a million of this paper money to fall into the hands of those who have no inclination to spend it. This is the case of the frugal, or money hoarding persons, and they will naturally chuse to realize their paper, by taking possession of the lands represented by it. The moment this operation takes place, the million of paper money is annihilated, and the circulating capital is reduced to four millions of paper, and one million of specie. Suppose, on the other hand, that those who have treasures which they cannot

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lend at interest, seeing a paper money in circulation, which conveys a right to solid property, shall purchase it with their million of pieces of gold, and then lay hold of a proportional part of the land: what effect will this double operation produce upon the circulating fund? I answer, that instead of being composed as formerly, of one million of coin and five millions of paper; it will, at first, on the buying up of the paper, consist of two millions of coin and five millions of paper; and so soon as the million of paper bought up comes to be realized upon the land, and thereby extinguished, the circulating coin will be two millions, and the paper will be reduced to four. Here then is a very rational method of drawing all the coin of the country from the treasures of the frugal, without the help of interest. Let me take one step farther, and then I will stop, that I may not too far anticipate the subject of the following book.

I suppose, that the statesman perceiving that the constant circulation of the coin insensibly wears it away, and reflecting that the value of it is entirely in proportion to its weight, and that the diminution of the mass must be an effectual diminution of the real riches of his country, shall call in the metals and deposit them in a treasure, and shall deliver, in their place, a paper money having a security upon the coin locked up. Is it not plain, that while the treasure remains, the paper circulated will carry along with it as real (though not so intrinsic) a value as the coin itself could have done? But if this treasure comes to be spent, what will the case be then? It is evident, that the paper conveying a right to the coin, will then as effectually lose its value, as the other species of paper conveying a right to the lands, and issued, as we have supposed, by the proprietors of them, would have done, had an earthquake swallowed up, or a foreign conqueror seized the solid property engaged as a security for this paper.

The expedient, therefore, of symbolical money, which is no more than a species of what is called credit, is principally useful to encourage

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rage consumption, and to increase the demand for the produce of industry. And the bringing the largest quantity of coin possible into a country, cannot supply the want of it in this respect; because the credit is constantly at hand to every one who has property, and the other may fail them on a thousand occasions. A man who has credit may always purchase, though he may be many times without a shilling in his pocket.

Whenever, therefore, the interest of a state requires that the rich inhabitants should increase their consumption, in favour of the industrious poor; then the statesman should fall upon every method to maintain a proportion between the progress of industry, and the gradual augmentation of the circulating fund, by enabling the inhabitants to throw with ease their solid property into circulation whenever coin is found wanting. Here entails are pernicious.

On the other hand, when luxury begins to make too great a progress, and when it threatens to be prejudicial to foreign trade, then might solid property be rendered more unwieldy; and entails might then become useful: all moveable debts, except bills of exchange in foreign circulation, might be stripped of their privileges, and particularly, as in France, of the right of arresting the person of the debtor. Usury ought then to be punished severely; even something like the *Senatus Consultum Macedonianum*, which made the contract of loan void on the side of the borrowers, while they remained under the power of their fathers, might be introduced. Merchants accounts should no more be allowed to enjoy a preference to other debts; but on the contrary, be made liable to a short prescription. In a word, domestic circulation should be clogged, and foreign circulation accelerated. When foreign trade again comes to a stop, then the former plan may be taken up a-new, and domestic circulation accelerated and facilitated, in proportion as the produce of industry and taste of superfluity require it.

III. *A statesman ought carefully to distinguish between those branches of circulation which operate a vibration in the balance of wealth, and those*
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which do not, in order to regulate the taxes which he may think proper to lay upon his people.

In treating of this third object of a statesman's attention, I shall confine myself to the application of those principles which point out the necessity of taxation among a luxurious people, become wealthy by the means of trade, where the industrious can no longer be made to subsist but by means of a great domestic circulation, which is the object of our present inquiry.

In every case where the balance of wealth is made to vibrate by circulation, there is an opportunity of imposing a tax upon consumptions, perfectly proportioned to the quantity of the circulation. Now by the imposition of taxes, and the right employment of the amount of them, a statesman has it in his power to retard or to promote the consumption of any branch of industry. By the imposition of duties he may either check luxury when he finds it calling off too many hands from other more necessary occupations; or by granting premiums, he may promote consumption or exportation upon branches where it is expedient to increase the hands employed, which last is the reverse of taxation; or in the third place, when foreign trade begins to bear a small proportion to domestic consumption, he may profit of luxury, and draw a part of the wealth of the luxurious into the public treasure, by gently augmenting the impositions upon it; for when taxes are gently increased, consumption is not checked; consequently, this is the proper method to be followed, when luxury does no harm. But when it proves hurtful, the rise in the impositions should be sudden, that they may operate the effects of violent revolutions which are always accompanied with inconveniencies, and on such occasions every inconvenience will mark the success of the operation. An example will make this plain.

If you want to check the drinking of spirituous liquors, let every alteration of your oeconomy concerning them, either as to the impositions upon the consumption, or regulations in the retailing
VOL. I. D d d them,

them, proceed by jerks as it were; if you want to increase the revenue, from the propensity people have to poison themselves with spirits, your augmentations and alterations may be gentle and progressive.

Here let me observe by the way, that the best method for a statesman to curb any sort of vice among his people, is to set out by facilitating the gratification of it, in order to bring it once upon a regular and systematical footing, and then by sudden and violent revolutions in the administration of the oeconomy of it, to destroy it and root it out.

Were all the strumpets in London received into a large and convenient building, whither the dissolute might repair for a while with secrecy and security, in a short time, no loose women would be found in the streets. And it cannot be doubted, but that by having them all together under certain regulations, which might render their lives more easy than they are at present, the progress of debauchery, and its hurtful consequences, might in a great measure be prevented. At Paris, they are to be found in their houses, because the police never troubles them there while they commit no riot or disturbance. But when they are persecuted in their habitations, they break forth into the streets, and by the open exercise of their profession, the delicacy of modesty is universally hurt and but too frequently blunted, and the example that those prostitutes openly set to their own sex, debauches more women than all the rakes in town do.

I hope this digression will not be misconstrued into an apology for public stews, where, in place of following good regulations for suppressing the vices with which they are filled, the principal object is frequently to encourage the abuses for the sake of making them turn to account as a branch of revenue. Such a plan of administration represents a statesman who turns against his people, those arms which he had provided for their defence. My intention is very different, it is to curb vice as much as possible, and to shut up what cannot be root-

out

out within the bounds of order, and to remove it as a nuisance from the eyes of the public, and from the contagious imitation of the innocent. I now come to the object of a statesman's attention, relative to that branch of circulation which implies no vibration of the balance of wealth between the parties concerned.

The more perfect and the more extended any statesman's knowledge is of the circumstances and situation of every individual in the state which he governs, the more he has it in his power to do them good or harm. I always suppose his inclinations to be virtuous and benevolent.

The circulation of large sums of money brings riches to light for a moment, which before and after are commonly hid from the eyes of the public. Those branches of property therefore, which have once made their appearance in this species of circulation, should not be lost sight of until they come naturally to melt away, by returning into the other branch of which we have been speaking; that is, until they are fairly spent, and the balance be made to turn against the former proprietors of them. After this revolution, they will circulate for a while in small sums, and remain imperceptible, but in time they will come to form new stagnations; then they will be lent out again, or employed in the purchase of lands; and falling once more under the eyes of the state, they will again become an object of the same attention as formerly.

Nothing is more reasonable, than that all property which produces an annual determined income, should be made to contribute to the common burthens of a state. But those taxes which are intended to operate upon so moveable a property as ready money, ought to be imposed with a most gentle hand, and even so as not to appear directly to affect it. The statesman here must load his wealthy citizens with duties, as Horace loads his sovereign with adulation, never addressing his compliments directly to the emperor, but conveying them to him in the most elegant manner, through the channel of an interposed person. Thus people possess-

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sing large capitals of ready money, which in a moment they can transport beyond the reach of the most extended jurisdiction, may have certain privileges granted them which may attach them to the country (in England, for example, a vote in a county or burrow) and then in consequence of their rank, not because of their money, be made to come under a sort of capitation, or other similar imposition bearing another name. Might not the creditors of that nation be represented in parliament, and in consequence of so great a privilege, and the additional security thereby granted to the funds, be made afterwards to come under taxations as well as other proprietors of a determined revenue. An admirable hint for the imposition of such taxes, is to be met with in a certain great European monarchy, where the highest order of knighthood is distinguished with a ribband, a star, and a pension of about an hundred and thirty pounds sterling a year. But so soon as any one is raised to that dignity, he pays exactly that very sum in lieu of capitation. The pension was given by the prince who instituted the order; the capitation followed in a subsequent reign, and now appears rather a mark of distinction than a burthen.

IV. *The next object of a statesman's attention proper to be taken notice of, is the different political considerations which must occur to him when he compares the turning of the balance of wealth against the industrious members of a state, with those vibrations which take place against the not working part of the inhabitants. In other words, the different effect of taxes, as they severally affect those who consume in order to reproduce, and those who consume in order to gratify their desires.*

The one and the other consumption implies a vibration in the balance of wealth, and whenever there is a vibration, there we have said that a proportional tax may be imposed.

But as the intention of taxes, as I understand them, is only to advance the public good (by throwing a part of the wealth of the rich into the hands of the industrious poor, and not to exhaust one part of a nation to enrich another, no necessary article of consumption

tion should be taxed to an industrious person, but in such a way as to enable him to draw back the full amount of it, from those who consume his work. By this means, the whole load of taxes must fall upon the other category of inhabitants, to wit, those who live upon the produce of a fund already acquired.

Let me here observe, by the way, that if taxes are rightly laid on, no industrious person, any more than another who lives upon his income, will ever be able to draw back one farthing of such impositions as he has paid *upon his consumption of superfluity*. This shall in its proper place be made sufficiently plain; at present it would be a superfluous anticipation of the doctrine of taxation, to point out the methods of compassing this end. My intention at present is only to recapitulate the objects of a statesman's attention, with regard to the consequences of circulation, and the vibrations of the balance of wealth; and having shewn how nearly those principles are connected with those of taxation, this alone is sufficient to shew their importance.

V. *A statesman ought to attend to the difference between the foreign and domestic circulation of the national wealth.*

This object, though in part relative to foreign commerce, must not be passed over without observation. In fact, there is no nation entirely deprived of foreign communications; therefore, although a statesman, who is at the head of a luxurious people, may act in general as if there were none at all, yet still he must be attentive to the consequences of circulation with his neighbours, in so far as it takes place.

Every commercial correspondence with foreign nations, not carried on by the exchange of consumable commodities, must produce a vibration of the balance of wealth, either in favour or prejudice of the interest we have in our eye. But it does not follow, because there is a vibration, that therefore a statesman has the same liberty of imposing taxes upon every article of consumption, as if the two scales.

scales were vibrating within the country subject to his administration.

When the consumers are his subjects, he may safely impose the tax, and if he raises it by degrees, so high as to diminish the consumption, and reduce the amount of the imposition, he will probably gain on the other hand, by discouraging the foreign importation, and by keeping the nation's wealth at home, more than he possibly could have got by the amount of his tax, in consequence of the dissipation of it.

When the foreigners are the consumers, the case is very different: for you cannot oblige a man who is not your subject, to pay beyond the advantage he gains by your correspondence. It is therefore, as has been said, only upon the exportation of goods, where the nation has great natural advantages over her neighbours, that any duty can be raised.

VI. The last object I shall mention as worthy of a statesman's attention, is, *the rules of conduct he should prescribe to himself, as to the extending or contracting taxation, according as he finds a variation in the proportion between the FOREIGN and DOMESTIC circulation of his country.*

For this purpose he must know exactly the proportions of the one and the other; he must compare the quantity of domestic consumption, with the produce of industry and quantity of importations.

If domestic consumption be equal to the sum of both, the country must annually lose the value imported. In this case, taxes are to be raised by sudden jerks, especially upon importations; not to increase the produce of them, but to prevent the increase of luxury, and dissipation of national wealth.

If domestic consumption do not exceed the produce of industry, this will prove that exportation is at least equal to importation. In this case the exportation must be supported; and when that can no otherwise be done, a part of the taxes levied upon home consumption must be distributed in premiums upon the articles of exportation; and when this also becomes ineffectual, then all importations

portations for consumption must be cut off, according to the principles above laid down.

If the domestic consumption should really fall short of the produce of industry, it marks a flourishing foreign trade. Prices then must be kept low, as has been abundantly explained; consequently, there will be less profit from taxes; because every penny imposed, which affects the price of exportable goods, must be refunded out of the next produce of them, and all the expence of collecting that part is entirely lost to the public: the remainder, therefore, will be greater or less, according as foreign trade is great or small.

In proportion, therefore, as domestic circulation gains ground upon the foreign, taxes become necessary; in order, with the amount of them, to correct the bad effects of luxury, in raising prices, by giving larger premiums to support exportation. And in proportion as a statesman's endeavours to support the trade of his country becomes ineffectual, from the growing taste of dissipation in his subjects, the utility of an opulent exchequer will be more and more discovered; as he will be thereby enabled to support his authority against the influence of the great load of riches thrown into domestic circulation, and to defend his luxurious and wealthy subjects from the effects of the jealousy of those nations which enriched them.

To conclude, the exportation of work, and the supporting a superiority in the competition of foreign markets (as has been said, and as shall be farther explained) seem to be the most rational inducements to engage a statesman to begin a scheme of imposing considerable taxes upon his people, while they enjoy any share of foreign commerce. If such taxes continue to subsist after the extinction of it, and are then found necessary; this necessity is itself a consequence of the change made on the spirit and manners of a people become rich and luxurious.

The charge of government, under such circumstances, must greatly increase, as well as the price of every thing. Is it not very natural;

natural, that he who is employed by the state should receive an equivalent proportioned to the value of his services? Is it to be supposed, that a person born in a high rank, who, from this circumstance alone, acquires an advantage, in most nations, hardly to be made up by any acquired abilities, will dedicate his time and his attendance for the remuneration which might satisfy his inferiors? The talents of great men deserve reward as much as those of the lowest among the industrious; and the state is with reason made to pay for every service she receives. This circulation of an adequate equivalent, we have said to be the palladium of liberty, the band of gentle dependence among freemen; and the same spirit ought to animate every part of the political body. That *nothing is to be done for nothing*, is a fundamental political maxim in every free government, and obligations, not liquidated by a just equivalent, form pretensions beyond their worth; and are constantly accompanied with discontent at one time or other.

Another use of taxes, after the extinction of foreign trade, is to assist circulation, by performing, as it were, the function of the heart of a child, when at its birth that of the mother can be of no farther use to it. The public treasure, by receiving from the amount of taxes, a continual flux of money, may throw it out into the most proper channels, and thereby keep that industry alive, which formerly flourished, and alone depended upon the prosperity of foreign commerce.

In proportion, therefore, as a statesman perceives the rivers of wealth, (as we have called them above) which were in brisk circulation with all the world, begin to flow abroad more slowly, and to form stagnations, which break out into domestic circulation, he ought to set a plan of taxation on foot, as a fund for premiums to indemnify exportation for the loss it must sustain from the rise of prices, occasioned by luxury; and also for securing the state itself, against the influence of domestic riches, as well as for recompensing those who are employed in its service.

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This system ought to be carried on and extended, in proportion to the decay of foreign trade; and when this comes in a manner to cease, then the increase of taxes, and the judicious application of them, going hand in hand, the state itself will support circulation, by receiving with one hand, and giving out with the other; until by a prudent management under the care and direction of an able statesman, through time and perseverance, every internal vice be corrected, and foreign commerce be made to flourish once more, from the principles we have been laying down, and from what may be farther said to illustrate them in the subsequent books of this inquiry.

While industry is kept alive there is still ground for hope. Manners change, and the same luxury which extinguished foreign trade, by calling home the wealth employed in that species of circulation, may afterwards, by keeping industry alive at home, and by throwing a sufficient power of wealth into the hands of a good statesman, render the recovery of that trade no difficult project, to one who has an instrument in his possession, so irresistible in removing every obstacle in the way of his undertaking.

This represents a new circulation; to wit, that of the spirit and manners of a people, who, under the government of able statesmen, may prosper in every situation; and since, from the nature of man, no prosperity can be permanent, the next best thing to be done, is, to yield to the force which cannot be resisted; and, by address and management, reconduct a people to the height of their former prosperity, after having made them travel (as I may say) with as little inconvenience as possible, through all the stages of decline.