

C H A P. XXVIII.

Circulation considered with regard to the rise and fall of the Price of Subsistence and Manufactures.

THE intention of this chapter is to apply the principles we have been in search of, to the solution of some questions, which have been treated by those great masters of political reasoning, Messrs. de Montesquieu and Hume. The ideas they have broached are so pretty, and the theory they have laid down for determining the rise and fall of prices so simple, and so extensive, that it is no wonder to see it adopted by almost every one who has writ after them.

I have not forgot how much I was pleased when first I perused these authors, from the easy distribution which a general theory enabled me to make of certain classes of my ideas then lying without order, in that great repository of human crudities, the memory; which frequently retains more materials, than people, commonly, have either time, or perhaps capacity rightly to digest.

I am very far from pretending to any superiority of understanding over those gentlemen whose opinions I intend to review: accident alone has led me to a more minute examination of the particular circumstances, upon which they have founded their general combinations; and in consequence of my inquiries, I think I have discovered, that in this, as in every other part of the science of political oeconomy, there is hardly such a thing as a general rule to be laid down.

There is no real or adequate proportion between the value of money and of goods; and yet in every country we find one established. How is this to be accounted for?

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We have, in the fourth chapter of this book, already inquired into the principles which point out the influence of trade upon the variation of the price of goods; but the question now comes to be, how to fix and determine the fundamental price, which is the object of variation. It has been said, that the price of a manufacture is to be known by the expence of living of the workman, the sum it costs him to bring his work to perfection, and his reasonable profit. We are now to examine what it is, which in all countries must determine the standard prices of these articles of the first necessity; since the value of them does necessarily influence that of all others.

The best way to come at truth, in all questions of this nature, is, to simplify them as much as possible, that they may be first clearly understood.

Whenever a question arises about price, an alienation is necessarily implied; and when we suppose a common standard in the price of any thing, we must suppose the alienation of it to be frequent and familiar. Now I must here observe, that in countries where simplicity reigns (which are those where the decision of this question ought regularly to be sought for, since it is there only where a complication of circumstances do not concur to raise the prices of subsistence) it is hardly possible to determine any standard for the price of articles of the first necessity.

Let us examine the state of those hunting Indians who live by their bow, and of other nations where the inhabitants exercise, I may say universally, that species of agriculture which I have called a direct method of subsistence, and we shall find, that the articles of food and necessaries are hardly found in commerce: no person purchases them; because the principal occupation of every body is to procure them for himself. What answer would a Scotch Highlander have given any one, fifty years ago, who would have asked him, for how much he sold a quart of his milk, a dozen of his eggs, or a load of his turf? In many provinces, unacquainted with

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trade and industry, there are many things which bear no determined price; because they are seldom or never sold.

Sale alone can determine prices, and frequent sale can only fix a standard. Now the frequent sale of articles of the first necessity marks a distribution of inhabitants into *labourers*, and what we have called *free hands*. The first are those who produce the necessaries of life; the last are those who must buy them: and as the fund with which they purchase is produced from their industry, it follows, that without industry there can be no sale of articles of subsistence; consequently, no standard price determined.

Another consequence of this reasoning, is, that the sale of subsistence implies a superfluity of it in the hands of the seller, and a proper equivalent for it in the hands of the buyer; and when the equivalent is not money, it also implies a superfluity of the produce of some sort of industry; consequently, by the exchange of superfluities upon certain articles, a man procures to himself a sufficiency upon every one. This represents that gentle dependence which unites the members of a free society.

Does it not follow from this analysis of the question, that the prices of articles of the first necessity, depend rather upon the occupation and distribution of the classes of inhabitants, than either upon the abundance of those necessaries, or of the money to purchase them; since many examples may be found, where these articles have borne little or no price, even in countries where money was not wanting. The reason therefore of low prices, is not the vast abundance of the things to be sold, but the little occasion any body has to buy them; every one being provided for them in one way or other, without being obliged to go to market.

How many familiar examples occur every where of this economy! do we not find in every country, even when the numbers of the industrious free are multiplied exceedingly, more than one half of the inhabitants fed directly from the earth? The whole class of farmers does not go to market for subsistence. Ask a country gentleman

gentleman the expence of his living; he will tell you the sum of money he yearly spends, perhaps the quantity of his rents in kind, which he consumes in his house, and the rent of the lands he holds himself in farm; but it will never come into his head to reckon the value of every chicken, sheep, or bullock, with which his farm provides him, which he consumes without estimation, and which in many countries he could not dispose of for any determined value.

From this I still conclude, that it is only in countries of industry where the standard prices of articles of the first necessity can be determined; and since in these, many circumstances concur to render them either higher or lower than in other countries, it follows, that in themselves they bear no determined proportion whatsoever, to the quantity of gold and silver in the country, as I hope presently to make still more evident.

What is it then which determines the standard value of these articles, in countries of industry? Here follows, in my humble opinion, the best answer to this question.

The standard price of subsistence is determined from two considerations. The first from the number of those who are obliged to buy, that is to say, of those who have them not of their own, and who are not provided with them, in lieu of service, by those who have. The second is, from the degree of employment found for those who are obliged to purchase them.

The number of the buyers of subsistence, nearly determines the quantity sold; because it is a necessary article, and must be provided in a determined proportion for every one: and the more the sale is frequent, the more the price is determined. Next as to the standard: this, I apprehend, must depend upon the faculties of the buyers; and these again must be determined by the extent of those of the greatest numbers of them; that is to say, by the extent of the faculties of the lower classes of the people. This is the reason why bread, in the greatest famine, never can rise above a certain price;
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for did it exceed the faculties of the great classes of a people, their demand must be withdrawn, which would leave the market overstocked for the consumption of the rich; consequently, such persons, who in times of scarcity are forced to starve, can only be such whose faculties fall, unfortunately, below the standard of those of the great class: consequently, in countries of industry, the price of subsistence never can rise beyond the powers to purchase of that numerous class who enjoy physical-necessaries; consequently, never to such an immoderate height as to starve considerable numbers of the people; a thing which very commonly happens in countries where industry is little known, where multitudes depend merely upon the charity of others, and who have no resource left, so soon as this comes to fail them.

The faculties, therefore, of those who labour for a physical-necessary, must, in industrious nations, determine the standard value of subsistence, and the value in money which they receive for their work, will determine the standard of their faculties, which must rise or fall according to the proportion of the demand for their labour.

By this exposition of the matter, I do not pretend to have dissipated every obscurity. The question still remains complex, as the nature of it requires it should do; and the solution of it depends upon farther considerations, which now lead me to the examination of the doctrine of Messrs. de Montesquieu and Hume, concerning the influence of riches upon the increase of prices. I shall begin by shortly laying this doctrine before my readers, in three propositions.

1^{mo}. The prices (say they) of commodities, are always proportioned to the plenty of money in the country. So that the augmentation of wealth, even fictitious, such as paper, affects the state of prices, *in proportion to its quantity.*

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2^{do}. The coin and current money in a country, is the representation of all the labour and commodities of it. So that *in proportion* as there is more or less of this representation, (money) there goes a greater or less quantity of the thing represented (commodities, &c.) to the same quantity of it. From this it follows, that

3^{tho}. Increase commodities, they become cheaper; increase money, they rise in their value.

Nothing can be more beautiful than these ideas. They appear at first sight, sufficiently extensive to comprehend every variation of circumstances which can happen. Who was the first author of this doctrine, I cannot say. I find it in Mr. Locke, and in the Spectator for the 19th of October, 1711; but they have been beautifully illustrated by Monfr. de Montesquieu; and Mr. Hume has extended the theory, and diversified it prettily in his political discourses; which have done much honour to that gentleman, and drawn the approbation of the learned world so much, that there is hardly a nation in Europe which has not the pleasure of reading them in their own language.

Upon examining this theory, when I came to treat of the matters it is calculated to influence, I found I could not make it answer to the principles I had pursued, in the most natural order in which I had been able to deduce them: and this consideration obliged me, with regret, to lay it aside, and to follow another, much more complex. I have already expressed the mortification I have always had upon finding myself forced to strike out a general rule, and this, of all others, had at first hit my fancy the most; but I am obliged to confess, that upon a close examination of the three propositions, I am obliged to range this ingenious exposition of a most interesting subject, among those general and superficial maxims which never fail to lead to error.

In order to set the matter in as clear a light as possible, I shall make a short application of my own principles, relating to the decision of the main question, the causes of the rise and fall of prices,

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and conclude my chapter with some remarks upon the three propositions above laid down, submitting the whole to the better judgment of my reader.

I have laid it down as a principle, that it is the complicated operations of demand and competition, which determines the standard price of every thing. If there be many labourers, and little demand, work will be cheap. If the increase of riches, therefore, have the effect of *raising* demand, work will increase in its value, because *there* competition is implied; but if it has only the effect of *augmenting* demand, prices will stand as formerly. What then will become of the additional quantity of coin, or paper money? I answer, that in both cases it will enter into circulation, in proportion to the *rise* or *augmentation* of demand; with this difference, that in the first case, it will have the effect of raising prices; because the supply is not supposed to augment in proportion: in the second, prices will stand as they were; because the supply is supposed to augment in proportion. These are the consequences of the augmentation of wealth, when it has the effect of either *raising* or *augmenting* demand. But if upon this revolution it be found that the state of demand remains without any variation, then *the additional coin* will probably be locked up, or converted into plate; because they who have it, not being inspired with a desire of increasing their consumption, and far less with the generous sentiment of giving their money away, their riches will remain without producing more effect than if they had remained in the mine. As for the paper money, so soon as it has served the first purpose of supplying the demand of him who borrowed it, (because he had at that time no coin) it will return upon the debtor in it, and become realized; because of the little use found for it in carrying on circulation.

Let the specie of a country, therefore, be augmented or diminished, in ever so great a proportion, commodities will still rise and fall according to the principles of demand and competition, and these will constantly depend upon the inclinations of those who have

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property or any kind of *equivalent* whatsoever to give; but never upon the quantity of *coin* they are possessed of.

Let the quantity of the coin be ever so much increased, it is the desire of spending it alone, which will raise prices. Let it be diminished ever so low, while there is real property of any denomination in the country, and a competition to consume in those who possess it, prices will be high, by the means of barter, symbolical money, mutual prestations, and a thousand other inventions. Let me give an example.

Suppose a country where prices are determined, and where the specie is sufficient for the circulation: is it not plain, that if this country has a communication with other nations, there must be a proportion between the prices of many kinds of merchandize, there and elsewhere, and that the sudden augmentation or diminution of the specie, supposing it could *of itself* operate the effects of raising or sinking prices, would be restrained in its operation by foreign competition? But let us suppose it cut off from every communication whatsoever, which seems the only case, where this theory can operate with any appearance of justice, will any body pretend, that the frugal or extravagant turn of the inhabitants, will have no influence upon prices, and will it be asserted, that no variation in the spirit of a people, as to frugality and dissipation, can take place, except upon a variation in the quantity of their gold and silver?

It may be answered, that as to articles of superfluity, no doubt the genius of a people may influence prices, in combination with the quantity of the specie; but that in articles of indispensable necessity, they must constantly remain in proportion to the mass of riches. This I cannot by any means admit to be just. Let me take the example of grain, which is the most familiar. Is it not plain, from what we have said above, that the proportion of wealth, found in the hands of the lowest class of the people, constantly regulates the price of it; consequently, let the rich be ever so wealthy, the price of subsistence can never rise above the faculties of the poor.

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And is it not also plain, that those of the lowest class of the people, *who purchase subsistence*, must buy it with the returns they receive from the rich for their industry? Now if the quantity of the wealth of the latter, does not regulate their demand for the service of the former, must it not follow, that the price of grain, as well as of every other thing offered to sale, must depend upon the degree of competition among the rich for the labour of the poor, that is, upon the demand for industry, and not on the quantity of wealth in the country?

No body ever denied, that the extraordinary demand for a commodity had the effect of raising the price of it: and certainly no body will deny, that the demand for a particular commodity may be greater at one time than at another, though the same quantity of that commodity be found at both times in the country; and the same quantity of specie likewise not only in the country, but also in circulation.

I acknowledge that in a country where there is much coin, and where credit is little known, a high and extraordinary demand for an article of superfluity, may raise the price more than in another where the coin is more scarce; because on certain occasions, the price of a thing has no other bounds than the extent of the faculties of the buyer. In like manner, in other countries where there is almost no coin, nor credit, it may be impossible for the highest demand to raise the price of such things even to the common standard established in those where there is great wealth. But these instances appear to be too particular to serve for the foundation of a general rule, with respect to the state of prices in the present situation of the nations of Europe, which, less or more, are all in communication with one another.

I cannot here omit taking notice of two very remarkable circumstances which we learn from undoubted historical authority, which seem to contradict one another, and to throw a great obscurity upon the principles I have been endeavouring to explain. I shall therefore

introduce them by way of illustration, and when they are examined, I hope they will confirm my doctrine.

The first is, that in Scotland, formerly, when coin and credit were certainly very rare, the price of eight pounds weight of oat meal, which is now commonly sold at eight pence sterling, was then valued at no more than two thirds of one penny: and that a labouring man used to receive one penny and one third of a penny sterling for his week's subsistence; that is to say, the value of sixteen pounds of oatmeal, which to this day is the regulated quantity given for that purpose.

There is a very curious confirmation of the authenticity of this computation, in an hospital at old Aberdeen; where in former times, some proprietors of lands had settled a certain quantity of oat meal in favours of the poor of the hospital, with a liberty to the hospital to accept the meal in kind, or the conversion at two thirds of a penny for every eight pounds weight. They imprudently chose the last, and to this very day they are paid according to this standard. Now it is certainly impossible that any degree of plenty, whatsoever, or any failing of demand, could at present reduce the price of that commodity so very low; consequently, it may be said that it is the augmentation of wealth, not that of demand which raises prices.

The second fact we learn from antiquity, that at the time when Greece and Rome abounded in wealth, when every rarity, and the work of the choicest artists was carried to an excessive price, an ox was bought for a mere trifle, and grain was cheaper perhaps than ever it was in Scotland.

If the application of our principles to the circumstances of those times, produce a solution of these apparent inconsistencies; and if we thereby can discover that the low prices of grain, both in Scotland, where there was little money, and at Rome where there was a great deal, was entirely owing to the little demand for articles of subsistence; will it not follow, that our principle is just, and that

the other, notwithstanding of the ingenuity of the thought; must fail in exactness; since it will appear, that low prices may be equally compatible with wealth, and with poverty.

Now as to Scotland in former times, as in all countries where there is little industry; where the inhabitants are mostly fed directly from the earth, without any alienation of her fruits taking place; where agriculture is exercised purely as a method of subsisting; where rents are low, and where, consequently, the free hands, who live upon them for the price of their industry, must be few; the demand for grain in the public markets must be very small; consequently, prices will be very low, whether there be little, or whether there be much money in the country. The reason is plain. The demand is proportioned here, not to the number of those who consume, but of those who buy: now those who consume, are all the inhabitants, but those who buy, are only the few industrious who are free, and who gain an independent livelihood by their own labour and ingenuity: now the price of their week's subsistence was one penny one third, consequently the subsistence they bought could not rise above this standard.

Next as to the state of Greece and Rome, where slavery was established. Those who were fed by the labour of their own slaves, by those of the state, or by the grain gratuitously distributed to the people, had no occasion to go to market; consequently, they did not enter into competition with the buyers. Farther, the simplicity of manners, and the few manufactures then known, made wants in general less extensive; consequently, the number of the industrious free was small, and *they* were the only persons who *could* have occasion to purchase food and necessaries; consequently, the competition of the buyers must have been small in proportion, and prices low.

Add to this, the reflections which naturally present themselves upon examining the nature of providing the markets. These were supplied partly from the surplus produced upon the lands of the great

great men, laboured by slaves; who being fed from the lands, the surplus cost in a manner nothing to the proprietors; and as the number of those who had occasion to buy, were very few, this surplus was sold cheap. Besides, the grain distributed to the people gratis, must necessarily have kept down the market, as a part of it would naturally, sometimes, be found superfluous to those who received it; and consequently, come to be sold in competition with that raised at private expence.

But when a fine mullet was brought to market, or when an artif appeared with a curious piece of work, the case was very different. There was plenty of money in the country, in the hands of the rich, who all appeared in competition for the preference; consequently, prices rose to an extravagant height. The luxury of those times, though excessive, was confined to a few, and as money, in general, circulated but slowly through the hands of the multitude, it was constantly stagnating in those of the rich, who found no measure, but their own caprice, in regulating the prices of what they wished to possess, and had money to purchase.

From what has been said, it appears, that the riches of a country has no determined influence upon prices; although, I allow, they may accidentally affect them: and if we depart from the principles above laid down, to wit, that prices are regulated by the complicated operation of demand and competition, in order to follow the other, we must add a restriction (which I observe Mr. Hume has attended to on one occasion, although he has lost sight of it on several others) to wit, *that the price of every commodity is in proportion to the sum of money circulating in the market for that commodity*; which is almost my proposition in other words: for the money to be employed in the purchase of any commodity, is just the measure of the demand. But even here, the money in the market *defined* only for the purchase of a particular commodity, does not regulate the price of it. Nothing but the finishing of the transaction, that is, the convention between the buyer and seller, can determine the price, and this must depend upon

upon inclination, not weight of money, as an example will make plain.

I shall suppose grain to have been at forty shillings *per* quarter, in a country market, for several months together, where the ordinary demand for the current consumption is twenty quarters every market day. If at any time an extraordinary demand should happen, which may exceed all that is to be found in the market, there will be a competition among the buyers, which will have the effect of raising the market. Now, according to the doctrine of our learned authors, it may be said, that the corn rises in proportion to the quantity of the specie which is in the market, and that it is because of this increase of specie, that the grain rises in its price. I answer, first, allowing this to be true, can it be said, that a particular temporary, or perhaps accidental demand for a few quarters of corn, more than usual, implies any augmentation of the quantity of money in the country, or indeed the smallest variation either upon the total consumption, or quantity of grain contained in it? For if the demand has risen in one market, it must probably have diminished in another, as the same inhabitants cannot consume in two places. This I think every person must be convinced of, without farther illustration. But I say farther, that prices will not rise in proportion to the money in the market; but in proportion to the desire of acquiring grain in those who have that money.

Suppose the whole quantity of grain in the market to be thirty quarters; if there be no demand for more, these will be sold at forty shillings, as the twenty quarters would have been. But suppose the demand to be for sixty quarters, and that there is a hundred and twenty pounds sterling ready to be employed for corn, does it follow, that grain will rise to four pounds a quarter, because the money in the market bears this proportion to the quantity of grain? Certainly not.

We must therefore, I think, adopt the other principle, and follow the proportions of demand and competition; and then we shall find,

find, that if the sellers want to raise their price up to the proportion of the specie, all demand will cease, as effectually as if it had never been made; and the sellers will afterwards be obliged to accept of such a moderate augmentation as shall be in proportion to the urgency of the demand, but never in proportion to the money ready to be employed.

The circulation of every country, as we have shewn above, must ever be in proportion to the industry of the inhabitants, producing the commodities which come to market: whatever part of these commodities is consumed by the very people who produce them, enters not into circulation, nor does it in anywise affect prices. If the coin of a country, therefore, falls below the proportion* of the produce of industry offered to sale, industry itself will come to a stop; or inventions, such as symbolical money, will be fallen upon to provide an equivalent for it. But if the specie be found above the proportion of the industry, it will have no effect in raising prices, nor will it enter into circulation: it will be hoarded up in treasures, where it must wait not only the call of a desire in the proprietors to consume, but of the industrious to satisfy this call.

We may therefore conclude, in consequence of the principles we have laid down, that whatever be the quantity of money in any nation, in correspondence with the rest of the world, there never can remain, *in circulation*, but a quantity nearly proportional to the consumption of the rich, and to the labour and industry of the poor inhabitants. The value of each particular species of which consumption is determined by a complication of circumstances at home and abroad; consequently, the proportion is not determined by the quantity of money actually in the country.

If the contrary is maintained, and if it be affirmed that the proportion between specie and manufactures is reciprocal and determined, then I am authorized to draw this conclusion, to wit: That if the greatest produce of industry must be sold for what specie is

* Let it be observed, that *proportion*, here, does not mean *value*.

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found in the country, *let the sum be ever so small*, so in like manner, the *smallest* produce of industry *must* be sold for *all the specie* found in the country, *let the sum be ever so great*. Consequently, in the first case, we must suppose, that the industrious will never seek for a better price from abroad; and in the second, that the monied people *must* spend all they have in supplying their most moderate wants, and never seek for cheaper merchandize than what they can find at home. Consequently, there can be no foreign trade, nor can there ever be any hoarding.

I shall now conclude my chapter, with a few observations upon the three propositions as they stand in their order.

PROP. I. Prices are in proportion to the plenty of money. And thus the augmenting even of fictitious wealth, such as paper, affects the state of prices, according to its quantity.

From this Mr. Hume disapproves of the introduction of paper money, when specie is wanting, and says, that if nothing were allowed to circulate but gold and silver, the quantity being less, prices would be lower.

This is neither more or less, in my humble opinion, than a project to destroy credit, with a view to support trade and industry. Because it would effectually prevent any person from making a consumption, except at the time he happened to be provided with ready money. Does the paper money in England, keep up the prices of grain at present, January 1759? And will not every article of necessaries fall, in a short time, as low in that country as in any other in Europe, if the same measures continue to be followed?

Were all paper money in that kingdom proscribed at once, no doubt the prices of many things would fall very considerably; but such a fall would neither be universal or equable. The reason of this fall would not be, because the specie would become proportionally divided among all the inhabitants, according to the value of their property; nor because of the small quantity of it, since

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prices abroad would still regulate many at home: but because of the sudden revolution, and the violent overturn thereby produced on the balance of work and demand. The scale of the first would preponderate to such a degree, that those classes of the industrious, who work for daily subsistence in furnishing superfluities, would enter into so strong a competition with one another, that their work would fall to nothing, while subsistence would remain at the price of exportation. If it be asked what could occasion this difference. I answer, because the workmen who supply superfluities, adapted to the taste of their nation, would find no more demand for them, from the want of credit, or of a circulating fund to buy with, and strangers would not profit of the fall in the price of a superfluity not adapted to their own taste; but they would very willingly become purchasers of every bushel of grain become superfluous, by starving so many of the inhabitants; and this would keep the price of subsistence upon a pretty even level with that of other countries.

But if we suppose all communication cut off with strangers, would this proportion between money and prices then hold true? By no means. Here is the reason: there are many ways of alienating goods or natural produce, without the assistance of specie. Immense quantities of both may be consumed by barter, or in lieu of service, where money is never heard of: now all this portion alienated, enters into the mass of what is called produce and manufactures which come to market; but can have no influence upon the specie, nor can specie have any upon it, since the money remains inactive during those operations.

Another reason is, that there is no such thing as preserving specie in an equal repartition, so as to serve the occasions of every body in proportion to their worth. The reason is manifest: money, like every other thing, will come into the hands of those who give the greatest value for it, and when the quantity of it is small in any country, where nothing can be procured without it, such pro-

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prietors of lands as have the greatest desire to consume, will purchase the specie at a higher interest, or with more of their lands than others.

This alone is sufficient to prove that the repartition of specie can never be in proportion to property; and this also destroys the supposition of prices rising and falling, according to the proportion of it, even in a country cut off from every foreign communication. Here is the proof: any individual who has, by mortgaging his lands, got together a large proportion of the specie of his country, will raise prices in his neighbourhood, by making an extraordinary demand for work; and the rest of the same country, drained of their circulating value, must diminish their demand; consequently, prices will fall elsewhere. I now come to the second proposition.

The coin and current money of a country, is the *representation* of all its labour and commodities; so that in proportion as there is more or less of this *representation*, a greater or less quantity of it will go for the same quantity of the thing represented.

To this *representation* I cannot agree, and I apprehend it to be the source of error. A proper equivalent for labour and manufactures, may, in one sense, be called a *representation*; but there is no necessity for this equivalent to consist in coin. Are not meat and clothes an equivalent for personal service? Is not a free house and a bit of land, a very good equivalent for all the manufactures a country weaver can work up for me who am his landlord? If there were not one penny of coin in a country, would it follow, that there could be no alienation, or that every thing might there be got for nothing?

Coin has an intrinsic value; and when it comes into a country, it adds to the value of the country, as if a portion of territory were added to it: but it has no title to represent any thing vendible, by preference, or to be considered as the only equivalent for all things alienable. It is made a common price, on no other account than because of its rarity, its solidity, its being of a nature to circulate,

late, and to suffer a correct division without end, and to carry its value along with it, which is a proper equivalent for every thing; and at the same time it is by its nature little liable to vary.

Were, indeed, a statesman to perform the operation of circulation and commerce, by calling in, from time to time, all the proprietors of specie in one body, and all those of alienable commodities, workmen, &c. in another; and were he, after informing himself of the respective quantities of each, to establish a general tariff of prices, according to our author's rule; this idea of *representation* might easily be admitted; because the parcels of manufactures would then seem to be adapted to the pieces of the specie, as the rations of forage for the horses of an army are made larger or smaller, according as the magazines are well or ill provided at the time: but has this any resemblance to the operations of commerce?

The idea of coin being the *representation* of all the industry and manufactures of a country, is pretty; and has been invented for the sake of making a general rule for operating an easy distribution of things extremely complex in their nature. From this comes error. We substitute a complex term, sometimes in one sense, and sometimes in another, and we draw conclusions as if it expressed a fixed and determined idea.

If in algebra, $x, y, z,$ &c. ever stood for more than a single idea, the science would become useless; but as they never represent but the very same notion, they never change their nature through all manner of transpositions.

It is not the same of terms in any other science, as abundantly appears from the question now before us: coin is called a *representation*, because it is an equivalent; and because it is a *representation*, it must bear an exact proportion to the thing represented. And since in some particular examples, this representation *appears* to hold; therefore the rule is made general, although circumstances may be different. If, for example, a merchant, or a private person, has upon hand a thousand pounds worth of grain, no doubt that the

thousandth part of the merchandize is worth the thousandth part of the sum; because both are determined in their quantity and quality: but the parcels of this corn, though exactly proportioned to the price of the whole, do not draw their value from this proportion, but from the total value of the whole mass; which is determined from the complicated operations of demand and competition, as has been said, and not from the specie of the country, which can bear no proportion either to the quantity or quality of the grain.

There may be vast quantities of coin in a country of little industry; and, *vice versa*, coin is constantly an *equivalent*, but never a *representation*, more than any other equivalent which may be contrived. Were the doctrine of this second proposition true, every commodity in a country should be sold like a parcel of the grain in the foregoing example, by the rule of three; as the property of all the labour and manufactures of the country is to the part I intend to alienate, so is all the gold and silver in the country to the part I am entitled to receive. This way of regulating prices may be very ingenious, but it is not very common. I now proceed to the third and last proposition.

Increase the commodities, they become cheaper: increase the money, they rise in their value.

This proposition is much too general: the first part of it is commonly true, the last part is more commonly false.

What can increase commodities, but a demand for them? If the demand be equal to the augmentation, there will be no alteration in the price.

Let extraordinary plenty increase subsistence, it will naturally fall in the price; but it may be hoarded up, and made to rise in spite of the plenty; it may be demanded from abroad; this also will make it rise.

Let the production of superfluities, not exportable, be produced by workmen whose branch is overstocked, prices will undoubtedly fall:

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The same observations are true of a diminution in the quantity of commodities. If this diminishes by degrees, from a diminution of demand, the price of them will not rise.

If the quantity of subsistence falls below the necessary consumption of the inhabitants, prices will undoubtedly rise.

If the articles of superfluity are diminished, prices will only rise in proportion to the eagerness to buy, that is, to the competition, not to the deficiency. On the other hand, as to coin or money,

Increase the money, nothing can be concluded as to prices, because it is not certain, that people will increase their expences in proportion to their wealth; and although they should, the moment their additional demand has the effect of producing a sufficient supply, prices will return to the old standard.

But diminish the quantity of specie *employed in circulation*, you both retard this, and hurt the industrious; because we suppose the former quantity exactly sufficient to preserve both in the just proportion to the desires and wants of the inhabitants.

These are but a few of the numberless modifications necessary to be applied to this general rule; and I hope what I have said, will justify the observation I have made on the whole doctrine; to wit, that it is much more specious than solid, in every one of its three branches.

Let me just propose one question more upon this subject, and then I shall conclude.

Suppose the specie of Europe to continue increasing in quantity every year, until it amounts to ten times the present quantity, would prices rise in proportion?

I answer, that such an augmentation might happen, without the smallest alteration upon prices, or that it might occasion a very great one, according to circumstances. If industry increases to ten times what it is at present, that is to say, were the produce of it increased to ten times its present value, according to the actual standard of prices, the value of every manufacture and produce might

might remain without alteration. This supposition is possible; because no man can tell to what extent demand may carry industry. If, on the other hand, the scale of demand could be supposed to preponderate, so as to draw all the wealth into circulation, without having the effect of augmenting the supply (which I take to be impossible) then prices would rise to ten times the present standard, at least in many articles.

This solution is entirely consistent both with Mr. Hume's principle and mine; because nothing is so easy in an hypothesis, as to establish proportions between things, which in themselves are beyond all the powers of computation,

C H A P. XXIX.

Circulation with foreign Nations, the same thing as the Balance of Trade.

WE have endeavoured to shew in a former chapter, how the circulation of money, given in exchange for consumable commodities, produces a vibration in the balance of domestic wealth: we are now to apply the same principles to the circulation of foreign trade; in order to find out, if there can really be such a thing as a balance upon it, which may enrich one country, and impoverish another.

It has been said, that when money is given for a consumable commodity, the person who gets it acquires a balance in his favour, so soon as he with whom he has exchanged, has begun to consume.

That if two consumable commodities are exchanged, the balance comes to a level, when both are consumed. That it is only the

wealth which is found in circulation, which can change its balance, and the remainder must be found locked up, made into plate, or employed in foreign trade. And it has been observed, that the quantity of money found in circulation, is ever in proportion to the sale of the produce of industry and manufactures; and that when the quantity of metals is not sufficient to carry on a circulation, proportioned to the demands of those who have any real equivalent to give, that symbolical money may be made to fill up the void, when the interest of the state comes to require it.

We have also laid it down as a kind of general rule, that while luxury only tends to keep up demand to the reasonable proportion of power and inclination in the industrious part of a people to supply it, that then it is advantageous to a nation; and that so soon as it begins to make the scale of home-demand preponderate, by forming a competition among the natives, to consume what strangers seek for, that then it is hurtful, and has an evident tendency to root out foreign trade. These principles are all analogous to one another, and should be retained while we examine the question before us.

I must still add, that the fluctuation of the balance of wealth is constantly inclining in favour of the industrious, and against the idle consumer. This however admits of a restriction, viz. The industrious must be supposed to be frugal; and the idle, extravagant. For if the industrious man consumes the produce of his industry, he will only have laboured to increase his consumption, not his wealth: and if the idle person, by his frugality, keeps within the bounds of his yearly income, he will thereby repair every disadvantage incurred by his sloth, the balance then will stand even between them; the industry in one scale, and the fund already provided in the other, will keep both parties on a level as before.

In order, therefore, to make the balance of domestic wealth turn in favour of a poor man, he must be both industrious and frugal.

Now let us apply these principles to a whole nation, considered as an individual in the great society of mankind. A private person who conducts his affairs with prudence, must either be in a way of growing richer by his industry, or of spending his income with oeconomy and discretion: so I must suppose a nation which is well governed, either to be growing rich by foreign trade, or at least in a state of not becoming poorer by it.

It is the duty of every statesman to watch over the conduct of those who hold the foreign correspondence, as it is the duty of the master of a family to watch over those he sends to market.

I find it is the opinion of the learned Mr. Hume, that there is no such thing as a balance of trade, that money over all the world is like a fluid, which must ever be upon a level, and that so soon as in any nation that level is destroyed by any accident, while the nation preserves the number of its inhabitants, and its industry, the wealth must return to a level as before.

To prove this, he supposes four fifths of all the money in Great Britain annihilated in one night, the consequence of which he imagines would be, that all labour and commodities would sink in their price, and that foreign markets would be thereby entirely supplied by that industrious people, who would immediately begin to draw back such a proportion of wealth, as would put them again upon a level with their neighbours.

This reasoning is consistent with the principles we have examined, and humbly rejected in the preceding chapter; both stand upon the same foundation, and lead to a chain of consequences totally different from the whole plan of this inquiry.

My intention is not so much to refute the opinions of others, as briefly to pass them in review. General propositions, such as those we have been treating of, are only true or false, according as they are understood to be accompanied with certain restrictions, applications, and limitations: I shall therefore say nothing as to the proposition itself, but only examine how far the example he has taken

taken of the sudden annihilation of a great proportion of a nation's wealth, can naturally be followed by the consequences he supposes.

For this purpose, let me suggest another consequence (different from that of the author, and flowing from the doctrine we have established) which possibly might happen, upon the annihilation of four fifths of all the money in Great Britain. I shall take no notice of the effects which so sudden a revolution might occasion; these have not been attended to by the author, and therefore I shall consider them as out of the question. I suppose the event to have happened, prices to have been reduced, and every immediate inconvenience to have been prevented. My only inquiry shall be directed towards the unavoidable consequences of such a revolution, as to foreign trade, as to drawing back the money annihilated, and as to the preserving the same number of inhabitants, and the same degree of industry as before. If I can shew, that the event alone of annihilating the specie, and reducing prices in proportion, (which I shall allow to be the consequence of it) will have the effect of annihilating both industry and the industrious, it cannot afterwards be insisted on, that the revolution can have the effect of drawing back a proportional part of the general wealth of Europe: because the preservation of the industrious is considered as the requisite for this purpose.

Here then is the consequence, which, in my humble opinion, would very probably happen upon so extraordinary an emergency; and I flatter myself that my reader has already anticipated my decision.

The inhabitants of Great Britain, who, upon such an occasion, would be found in possession of all the exportable necessaries of life, and of many other kinds of goods demanded in foreign markets, instead of selling them to their poor countrymen, for a price proportioned to our author's tariff, and to the diminution of the specie, which he takes to be the representation of them, would export

them to France, to Holland, or to any other country where they could get the best price, and the inhabitants of Britain would starve.

If it be replied, that the exportation would not be allowed. I answer, that such a prohibition would be highly seasonable; but quite contrary to the principle of laying trade open, and impossible to be effectual, as that author justly observes, when he says, "Can one imagine, that all commodities could be sold in France, for a tenth of the price they would yield on the other side of the Pyrenees, without finding their way thither, and drawing from that immense treasure?" Suppose this phrase to run thus. Can any one imagine, that provisions could be sold in Britain, for a fourth part of the price they would yield on the other side of the water, without finding their way thither, and drawing from that immense treasure? This is entirely consistent with our principles, and ruins the whole of Mr. Hume's former supposition: because the exportation of them would annihilate the inhabitants.

From this I conclude, that a nation, though industrious and populous, may reduce itself to poverty in the midst of wealthy neighbours, as a private person, though rich, may reduce himself to want, in the midst of the amusements and luxury of London or of Paris. And that both the one and the other, by following a different conduct, may amass great sums of wealth, far above the proportion of it among their neighbours.

This is not a matter of long discussion. It is not by the importation of foreign commodities, and by the exportation of gold and silver, that a nation becomes poor; it is by consuming those commodities when imported. The moment the consumption begins, the balance turns; consequently, it is evidently against the principles which we now examine, either to sell at home, or destroy confiscated goods. The only way of repairing the damage done by such frauds, is to export the merchandize, and by selling them cheap in other countries, to hurt the trade of the country which

first had furnished them: From this also we may conclude, that those nations which trade to India, by sending out gold and silver, for a return in superfluities of the most consumable nature, the consumption of which they prohibit at home, do not in effect spend their own specie, but that of their neighbours who purchase the returns of it for their own consumption. Consequently, a nation may become immensely rich by the constant exportation of her specie, and importation of all sorts of consumable commodities. But she would do well to beware of this trade, when her inhabitants have taken a luxurious turn, lest she should come to resemble the drunkard who commenced wine merchant, in order to make excellent cheer in wine with all his friends who came to see him; or the millener, who took it into her head to wear the fine laces she used to make up for her customers.

If a rich nation, where luxury is carried to the highest pitch, where a desire of gain serves as a spur to industry, where all the poor are at work, in order to turn the balance of domestic wealth in their favour, if such a nation, I say, is found to consume not only the whole work of the inhabitants, but even that of other countries, it must have a balance of trade against it, equivalent to the foreign consumption; and this must be paid for in specie, or in an annual interest, to the diminution of the former capital. Let this trade continue long, they will not only come at the end of their metals, but they may even succeed in exporting their lands. This last appears a paradox, and yet it is no uncommon thing. The Corsicans have exported; that is sold, the best part of their island to Genoa; and now, after having spent the price in wearing damask and velvet, they want to bring it back, by confiscating the property of the Genoese, who have both paid for the island, and drawn back the price of it by the balance of their trade against these islanders. It were to be wished that Corsica alone afforded an example of this kind.

Is it not, therefore, the duty of a statesman to prevent the consumption of foreign produce? If tapestry or other elegant furniture, such as is seen in a certain great capital in Europe, were allowed to be imported into a neighbouring nation, who doubts but this article would carry money out of that nation?

It may be answered, that as much elegance of another kind may be sent in return. True; and it would be very lucky if this could be the case; but then you must suppose an equality of elegance in both countries, and farther, you must suppose a reciprocal taste for the respective species of elegance. Now the taste of one country may, indeed, be common to both; but it may happen that the taste of the one may not be that of the other, though nothing inferior, perhaps, in the opinion of a third party. And the difference may proceed from this; that the young people of one country travel into the other, where the inhabitants stay at home: a circumstance which would prove very prejudicial to the country of the travellers, if a wise statesman did not, by seasonable prohibitions upon certain articles of foreign consumption, prevent the bad consequences of adopting a taste for what his subjects cannot produce.

This furnishes a hint, that it might not be a bad maxim in a great monarchy, to have houses built in the capital for every foreign minister, where the general distribution of the apartments of each might be, as much as possible, analogous to the taste of the country for whose minister it is calculated: but as to the furniture, to have it made of the most elegant domestic manufactures easily exportable, nicely adapted also to the uses and fashions of every foreign country. Such a regulation could never fail of being highly acceptable, as it would prove a great saving to foreign ministers, and would insensibly give them a taste for the manufactures and luxury of the country they reside in. On the other hand, I would be so far from expecting a return of this civility, that I would recommend a set of furniture, as a gratification, to every minister sent abroad,

abroad, who should regularly sell it off upon the expiration of his commission. Such an expence would not cost one penny to the nation, and would be a means of captivating unwary strangers, who might be thereby made to pay dearly for such marks of politeness and civility. I return.

Without being expert in the computation of exports and imports, or very accurate in combining the different courses of exchange between the different cities of Europe, a statesman may lay it down as a maxim, that whatever foreign commodity, of whatsoever kind it be, is found to be consumed within the nation he governs, so far the balance of trade is against her; and that so far as any commodity produced either by the soil, or labour of the inhabitants, is consumed by foreigners, so far the balance is for her.

A nation may in some measure be compared to a country gentleman, who lives upon his land. This I suppose to be his all. From it he draws directly his nourishment, perhaps his clothes are worked up in his family. If he be so very frugal as never to go to market for any thing, any spare produce which he can sell, is clear money in his purse. If he indulges now and then in a bottle of wine, which his farm does not produce, he must go to market with his purse in his hand; and so soon as his bottle is out, I think he is effectually so much poorer than he was before. If he goes on, and increases his consumption of such things as he is obliged to buy, he will run out the money he had in his purse, and be reduced to the simple production of his farm. If then this country gentleman be poorer, certainly some body is richer; and as it is no body in his family, it must be some of his neighbours.

Just so a nation which has no occasion to have recourse to foreign markets, in order to supply her own consumption, must certainly grow rich in proportion to her exportation.

These riches again will not circulate at home, in proportion to the domestic consumption of natural produce and manufactures, but in proportion to the alienation of them for money: the surplus-wealth

wealth will stagnate in one way or other, in the hands of the money gatherers, who are the small consumers.

While there is found a sufficient quantity of money for carrying on reciprocal alienations; those money gatherers will not be able to employ their stagnated wealth within the nation; but so soon as this gathering has the effect of diminishing the specie, below the proportion found necessary to carry on the circulation, it will begin to be lent out, and so return to circulate for a time, until by the operation of the same causes it will fall back into its former repositories.

Should it be here objected, that upon the augmentation of a nation's riches, no money can stagnate; because *prices rising in proportion to the augmentation of them*, all the additional wealth must be thrown into circulation: surely both reason and experience must point out the weakness of such an objection.

While a favourable balance, therefore, is preserved upon foreign trade, a nation grows richer daily; and still prices remain regulated as before, by the complicated operations of demand and competition; and when one nation is grown richer, others must be growing poorer: this is an example of a favourable balance of trade.

When this superfluity of riches is only profited of by the luxurious individuals, instead of being turned to profit by the state itself, with a view to secure the advantages thereby acquired, then the balance takes a contrary turn: this is the case whenever foreign importations for consumption, are either permitted as a gratification to the luxurious desires of the wealthy, or because of the rise in the price of goods at home, in consequence of domestic competition. If it be permitted purely in favour of the first, it marks a levity and want of attention unworthy of a statesman: if on account of the second, it shews either an ignorance of the real consequences of so temporary an expedient, or a disregard for the welfare of the lower classes of the people.

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Every augmentation of prices at home, must be a necessary consequence of many domestic circumstances, and must be removed by correcting them, as has been, I think, made clear. But let it be supposed, that from the augmentation of wealth *alone*, manufactures can no more produce work so cheap as other nations; I think that both in humanity and prudence, a people should submit to the inconvenience of paying dearer. In humanity, because by the introduction of foreign manufactures, you starve those very people, who by their labour have enriched you: in prudence, because by opening your ports to such importation you deliberately throw away that superiority of riches you have been at so much pains to acquire.

I freely grant, that particular people do not regulate either their expence or their schemes of getting money, with a view to promote the public good. One who has a coat to buy, will be very glad to find a piece of foreign manufacture at a cheap rate; another will wish to smuggle a piece of goods on which there is a high duty. But the question is, whether a statesman is to allow this foreign consumption? I think it is much the same question, as if it were asked, whether the master of a family should, in good oeconomy, allow his servants to invite their friends to drink in his cellar, instead of carrying them to a public house.

But suppose it said, that "by laying trade open, you are sure that wealth will naturally come to a balance, in all countries, and that all fears of a wrong balance of trade are only the effect of a gloomy imagination." See Mr. Hume's *Political Discourses*, Sect. v.

Several answers may be made to this objection. The first, that it is in order to prevent this kind of balance, that every nation gives themselves disquiet: for by balance here, is understood an equality of wealth; and it is rich nations only who are anxious, lest they should be brought to such an equality. In the question here before us, it is the loss of the superiority which is understood by a balance turning

turning against a nation. If, therefore, it be the interest of a nation, poor in respect of its neighbours, to have trade laid open, that wealth may, like a fluid, come to an equilibrium; I am sure it is the interest of a rich nation, to cut off the communication of hurtful trade, by such impediments as restrictions, duties, and prohibitions, upon importation; that thereby, as by dykes, its wealth may be kept *above* the level of the surrounding element.

Another answer is, that laying trade open would not have the effect proposed; because it would destroy industry in some countries, at least, if not every where. A manufacture must be very solidly established indeed, not to suffer any prejudice by a permission to import the like commodities from other countries. The very nature of luxury is such, that it prompts people often to consume, from caprice and novelty, what is really inferior to home-production. It may be answered, that this argument cuts two ways: for if a nation from caprice consumes foreign commodities, why may not other nations from caprice likewise, take off those which are left on hand? This reasoning may appear good, in a theory which does not take in every political consideration. But a poor manufacturer who cannot find work, because the branch he works in is supplied from abroad, cannot live till the caprice of foreigners makes them demand his labour. If a certain number of inhabitants be employed in a necessary branch of consumption, there must be a *certain* demand preserved for it; and whatever can render this precarious, will ruin the undertaking, and those employed in it.

A third answer is, that any nation who would open its ports to all manner of foreign importation, without being assured of a reciprocal permission from all its neighbours, would, I think, very soon be ruined; and if this be true, it is a proof that a balance of trade is a possible supposition, and that proper restrictions upon importation may turn to the advantage of a state.

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In order to promote industry, a statesman must act, as well as permit and protect. Could ever the woollen manufacture have been introduced into France, from the consideration of the great advantage England had drawn from it, if the King had not undertaken the support of it, by granting many privileges to the undertakers, and by laying strict prohibitions on all foreign cloths? Is there any other way of establishing a new manufacture any where?

Laying, therefore, trade quite open would have this effect, it would destroy at first, at least, all the luxurious arts; consequently, it would diminish consumption; consequently, diminish the quantity of circulating cash; consequently, it would promote hoarding; and consequently, would bring on poverty in all the *states* of Europe. Nothing, I imagine, but an universal monarchy, governed by the same laws, and administered according to one plan well concerted, can be compatible with an universally open trade. While there are different states, there must be different interests; and when no one statesman is found at the head of these interests, there can be no such thing as a common good; and when there is no common good, every interest must be considered separately. But as this scheme of laying trade quite open, is not a thing likely to happen, we may save ourselves the trouble of inquiring more particularly into what might be its consequences; it is enough to observe, that they must, in their nature, be exceedingly complex, and if we have mentioned some of them, it has only been to apply principles, and shew how consequences *may* follow one another: to foretel what *must* follow is exceedingly difficult, if not impossible.

In discovering of the balance of trade, I have hitherto considered it only so far as the specie of a country is augmented by it. In the subsequent book, when we shall have occasion to bring this subject once more upon the carpet, I shall shew how a balance may be extremely favourable without augmenting the mass of the precious metals; to wit, by providing subsistence for an additional number of inhabitants; by increasing the quantity of shipping, which is an

article of wealth; by constituting all other nations debtors to it; by the importation of many durable commodities, which may be considered also as articles of wealth; as a well furnished house, a well floored cellar, an ample wardrobe, and a fine stable of horses, are articles which enhance the value of the inheritance of a landed man.

Then we shall have occasion to shew how industry heightens the permanent value of a nation, as agriculture increases its annual produce.

C H A P. XXX.

Miscellaneous Questions and Observations relative to Trade and Industry.

IT is now time to draw to a conclusion of this book. The subject of trade and industry is inexhaustible, if considered in all its branches, and traced through every consequence. My intention has been to inquire into the original principles which influence general operations, and which, less or more, enter into every combination. I have represented trade in its infancy, manhood, and old age; and have endeavoured to prescribe a general regimen of health for every period. It is sufficient to be thoroughly master of the principles, to be able to apply them to particular cases, providing every circumstance be exactly known.

The intention of this chapter, is, to review some parts of our subject, which I think have not received all the light necessary to be thrown upon them, to suggest some remarkable differences between antient and modern oeconomy, with regard to circulation

and industry; and, in general, to lay certain circumstances together, which may point out the spirit of modern times, from which we are endeavouring to extract a set of consistent principles. Every thing which points out relations is useful; because we know nothing, but through this channel. Now certain relations are too frequently taken for granted, and nothing is more essential in political reasonings, than to point them out clearly, to proceed by the shortest steps, and still to keep experience and matter of fact before our eyes, when we draw a conclusion from a general proposition. Let the conclusion appear ever so just, if, when compared with experience, a disagreement appears, it is ten to one we have overlooked some circumstance, which ought to have entred into the combination.

To illustrate this, let me cite a mistake of my own, which I purposely left uncorrected, in the second chapter of the first book, where I very confidently declare, that a statesman, who, upon certain occasions, which seem favourable for raising great sums upon a people, increases taxes only in proportion to the interest of the money borrowed, must be shortsighted and regardless of futurity. This, I remember, appeared to me at the time I wrote, so clear and evident, that I thought I ran no risk in making it enter into a preliminary chapter. But when I came to look a little more particularly into the matter, I found I had been grossly mistaken; as I hope to shew evidently in its proper place. Had every such mistake been treated with the same indulgence, I should have been more employed in the correction of my own blunders, than in the prosecution of my subject. People who reason with tolerable exactness on such subjects, generally fall into mistakes, from the generality of their propositions. These may commonly be true enough, within the compass of the author's combinations at the time, and yet may not be true in every other case. From which I infer, that every one of my readers, who can form combinations more extensive than mine, will find sufficient matter for criticism in every page

of this inquiry. So much the better: it is by such criticisms and discussions, that particular branches of knowledge are brought to the certainty of science.

The more simple any plan of political oeconomy is, the more it is easy to govern by general rules; the more complex it becomes, the more it is necessary for a statesman to enter into combinations. But when general rules have been long established, they gain such an authority over the minds of a people, that any deviation from them appears like heresy in religion; and how seldom does it happen, that a people is blessed with a governor, who has both penetration to discover, art to persuade, and power to execute a plan adapted to every combination of circumstances.

No change can happen in a state, but what is advantageous to some class or other, and when the public good requires that a stop should be put to such advantages, numbers of discontented people will always be found. Circumstances, therefore, ought to be well weighed before new plans of administration are entered upon; and when once adopted, those who pretend to criticize, must suppose themselves provided with superior talents and better informations, as to every circumstance, than the author of the innovation. For this reason, there is little danger in censuring a statesman's opinion, when he delivers it; but a great deal in finding fault with his conduct, when his motives are not known.

In the former chapters, we have been treating of the nature and consequences of circulation, the effects of augmentations and diminutions of specie, and the doctrine of Mr. Hume concerning the balance of trade. The perspicuity with which this author writes, renders his ideas easy to conceive; and when people understand one another, most disputes are soon at an end.

In order, therefore, to throw a little more light upon the nature of the balance of trade between nations, let me examine the following questions while we have the subject of the last chapter fresh in our memory.

QUEST.

QUEST. I. Can any judgment be formed concerning the state of the balance of trade of a nation, barely from the quantity of specie that is found in it?

I answer in the negative: A great proportion of all the specie of Europe, may be found in a country against which the balance of trade has stood regularly for many years. An inconsiderable proportion of it may be found in another, which has had it as regularly in its favour for the same time.

The balance upon every article of trade, may be favourable to a nation which squanders away more than the returns of it, upon foreign wars.

The balance of every article of trade, may be against a country which receives more than all the loss incurred, either from her mines, from countries tributary to her, or who willingly furnish subsidies upon many political considerations.

Besides these varieties, there are still other combinations, relative to the specie itself. The money found in a country, may either be said to belong *absolutely* to the country, when neither the state itself, or the particular people of it, are in debt to foreigners; or only *by virtue of a loan*. Now, whether it is borrowed or not, the property of it belongs to the country; but the difference consists in this, that when it is borrowed, the acquisition of the metals adds nothing to the national patrimony, that is to say, there is no acquisition of wealth thereby made; but when it is gained by industry, the money adds to the real value of the country, in consequence of the principles laid down in the 26th chapter.

May not a nation then, having very little gold and silver, open a subscription for millions, at so much *per cent*? Will not strangers lend to her, when her own subjects cannot? May she not yearly, by paying away the interest of the money borrowed, and by a heavy balance of trade against her, be constantly diminishing her specie, and yet by new contracts, keep up; and even increase the mass of the circulating value, to such a degree, as to be possessed of a greater

greater proportion of specie than any of her neighbours? Further,

Is it not certain, that all nations will endeavour to throw their ready money, not necessary for their own circulation, into that country where the interest of money is high with respect to their own, and where consequently the value of property in land is low; since they may either draw a high interest from it, or make the acquisition of solid property? Forbidding therefore the acquisition of solid property to strangers, is, in effect, a prohibition upon the gratuitous importation of specie. I allow there may be examples of people who make such purchases, with a view to draw the rents of the lands bought, out of the country; but whatever be the intention at the time of purchase, such however is the effect of an established fortune in a country, that, sooner or later, it draws the proprietor to it; and when this does not happen, a subsequent alienation commonly takes place.

Were the purchase, therefore, of lands permitted universally, and were it established, that property in land, to a certain value, should give a right to naturalization, no doubt large sums would be brought into those countries, where lands are found cheapest; and as no exportable commodity is given in return, the specie of such countries might mark the quantity of lands sold, as well as that of merchandize exported. For want of a sufficient extension of these and many other combinations, which it would be easy to contrive, Mr. Belloni, in his *Dissertation upon Commerce*, Chap. I. Sect. 5. falls into several mistakes, when he judges of the exportation of commodities of a particular country, by the quantities of money found in it.

Essendo adunque da ciò venuto (says he) che l'abondanza del danaro, ovunque si ritrovi, significa l'abondanza stessa delle cose, delle quali egli è misura: perciò diviziosi meritamente sono stati detti quegli uomini, e ricco alteri quel regno, dove si ritrova gran copia di danaro. Dal altro canto poi, se si considera lo stato di un regno, ed il danaro, che è dentro di esso, tenendo sempre
salda

salda l'essenza della moneta (che altro non sia, che misura di cose, e prezza, che viene in compenso di mercanzie) ovunque di essa vedrasi affluenza, ognuno ben vede, doverli subito necessariamente arguire, un gran traffico di quel dominio, con esito di merci, in uso degli esteri, e all'incontro ovunque questa venga a mancare, doverli dedurre grande introito di merci, che sieno subentrate nel luogo della moneta, e che l'abbiano fatta uscire.

These consequences are only just so far as money comes into, or goes out of a country, as the price of merchandize exported or imported. But how much money has not this author himself drawn into Rome from England, for the exportation of nothing but the bills of travellers?

On the other hand, may not a country, which is actually in possession of great quantities of gold and silver, call in these metals, and circulate, in their place, a symbolical money? May not a nation then, as well as a private person, employ this specie in a profitable foreign trade, and gain daily by it? May she not, after some time, withdraw her stock, by calling in her debts? And may she not also call in her paper, and remain with an additional acquisition of specie in her pocket? Consequently, during the circulation of the paper, no judgment can be formed as to the balance of her trade, by examining the state of her specie; because I can suppose that at this time every shilling of it may be in the hands of strangers. Consequently, the richest nation in Europe may be the poorest in circulating specie.

“ The writings of Mr. Gec (says Mr. Hume in his *Political Discourse upon the Balance of Trade*) struck all the nation with a panic fear, by shewing from a long enumeration of particulars, that the balance inclined so much against us, and for so considerable sums, that in the space of five or six years, there would not remain one shilling in England. But happily twenty years are elapsed since, we have supported a long and expensive foreign war, and nevertheless, it is commonly believed, that money is

“ at

“ at present as plentiful in the kingdom as ever.” I quote from the French translation.

Mr. Gee was in the wrong to conclude, that the balance of trade would have the effect of carrying off the coin: and Mr. Hume has been misled by this mistake, to conclude, that Mr. Gee’s calculations were false. I know nothing as to the matter of fact; nor whether Mr. Gee was a good or a bad judge of the question he treated; but from what has been said, I hope it appears, that the state of the coin in England, at the time Mr. Hume wrote, was no proof on either side.

To judge of the balance of trade is one thing; to judge of the wealth of a nation as to specie is another. England may greatly increase her specie by her trade, and greatly diminish it by her wars: perhaps this may be the fact. She may also, at certain times, have a balance of trade against her; and great sums laid out in foreign wars, may be the means of making it return in her favour. Should that nation begin to pay off her debts to strangers, in ready coin, might she not soon diminish, perhaps exhaust, the specie she is now possessed of; yet surely none ever became poorer by paying off their debts. Nothing is so easy as to have specie, when one has solid property to pledge for it; and nothing can be worse judged, than to purchase specie from strangers, at the expence of paying an interest for it, when they can contrive a circulating value in paper money, representing the solid value which must have been pledged to strangers for the loan of their metals.

But still it may be asked, how it happens, that notwithstanding of the most unfavourable balance of trade, no nation is ever found to be entirely drained of her specie; and since we have proved, that the specie of a country may be diminished by a disadvantageous trade, what are the principles which prevent the total dissipation of it?

This is a very curious question, and opens a door to a multitude of new ideas, which will furnish abundant matter of speculation,

lation, when we come to treat more directly of credit. I shall here examine it in general, only for the sake of applying the principles we have laid down.

I. It may be said, that as common prudence prevents a private person from spending to his last shilling; so the like prudence commonly engages a people to put a stop to trade, before it has had time totally to drain them. Although most people drink wine, there is no reason why every body should be drunk.

II. Nothing is so complicated as the balance of trade, considered among many nations. The general wealth circulates from one to another, as the money which the farmer gives the landlord circulates back to the farmer. In the number of hands through which the money passes, some are of the class of the luxurious, some of the frugal; the first represents those nations who lose by the balance, the latter those who gain. But the most industrious nations of all, and those who, considered abstractedly from extraordinary accidents, appear in the way to swallow up the wealth of the rest, are, by the means of such accidents, made liable to terrible restitutions. How many millions, for example, has England restored to the continent, in consequence of her wars and subsidies? She then lays a foundation for many more years of favourable balance, and accordingly we see it return to her, as the money which the state spends within the nation, returns into the exchequer at the end of the year.

III. It may be asked, how it happens that no nation has ever spent to its last farthing, as many an individual has done? I answer, that I am far from believing that this has never happened; nay, I believe there is nothing more frequent or familiar than this very case, providing the riches of a country be here supposed to mean no more than the specie *absolutely* belonging to herself, not borrowed from other nations.

I have said above, that the acquisition of money by industry, increased the real value of a country, as much as the addition of a

portion of territory: now what should hinder a people from spending their ready money, and, at the same time, preserving their land? Because a young gentleman, whose father has left him a fine estate in land, and ten thousand pounds in ready money, has spent the ten thousand pounds, does it follow, that he is without a shilling? Upon this view of the question, it will, I believe, be granted, that Dr. Swift's idea that all the specie of Ireland would in a short time be exported, in consequence of an unfavourable balance of trade, is very far from being chimerical, and might be exactly true; although at this time there be six times more in circulation than ever; just as a person who is running through his fortune, has commonly more money in his hands than his father used to have, when he was acquiring it. Let Ireland pay her debts to England, and then count her specie. Let England pay her's to all the world, and then weigh her gold and silver. Suppose that on summing up the accounts, there is not found one shilling in either country, is this any proof of their being undone? By no means: *coin is one article of our wealth, but never can be the measure of it.*

I know little of the state of Ireland; but if it be true, that paper money is increasing daily in that country, it is, I suppose, because the specie is daily exported to England, as the returns of estates belonging to people who reside there, and that the Irish, instead of buying it back again for their own use in circulation, augment their paper, in proportion to the progress of their industry; and only buy such quantities of specie as are necessary for paying the balance of their trade. Now by buying specie, I do not suppose, that they bring any over to Ireland, in order to send it back to England; but that they send over goods to the value, which the English merchants pay in specie, or in English paper, to those who are creditors upon Ireland, for the value of their rents, &c.

Suppose then, for a farther illustration of some principles, that all the lands of Ireland belonged to Englishmen residing in their own country, and annually drawing from Ireland the income belonging

to them, what would the consequence be? As long as this portion of the produce of lands, which goes for rent, (and which, as we have said, is the fund provided for the subsistence of the free hands who purchase their own necessaries) could be bought and consumed by the Irish themselves, that is, in other words, while in Ireland there was a demand for this portion of the fruits, it would be paid for, either in coin, to the diminution of their specie, or in something which might be converted into money; that is, by the produce of their industry, and thus, by the means of trade, would come into the hands of the English proprietors, either in specie, or in any other form they judged proper.

That so soon as the demand for this portion of fruits came to fail, for want of money, or industry, in Ireland to purchase it, what remained on hand would be sent over to England in kind; or by the way of trade, be made to circulate with other nations (in beef, butter, tallow, &c.) who would give silver and gold for it, to the proprietors of the Irish lands. By such a diminution of demand in the country, for the fruits of the earth, the depopulation of Ireland would be implied; because they who consumed them formerly, consume them no more; that is to say, they either died, or left the country.

To conclude, a great part of the value of a country is its produce and manufactures; but it does not follow, as Mr. Belloni asserts, that these should as necessarily draw a proportional sum of the gold and silver of Europe into that country, as a shoal of small fishes draws water fowl, or as charity draws the poor, or as beauty draws admiration.

QUEST. 2. Can no rule be found to judge of the balance of trade from the state of specie, or at least to perceive the effects of that balance in augmenting or diminishing the mass of riches?

Could it be supposed that specie never circulated between nations, but in the way of trade, and in exchange for exportable commodities, this would be a rule.

In nations where the earth produces neither gold or silver, and where these metals are imported as the returns of industry only, the balance in their favour, from the introduction of specie, to this day, would be measured by the quantity of it which they possess. Here Mr. Belloni's opinion is just.

Farther, the consumption made by any nation for the same term of years, is equal to the whole natural produce and labour of the inhabitants for that time, *minus* the quantity of such produce and labour, as is, or has been equal in value to the actual national specie.

On the other hand, in nations where gold and silver are produced by the earth, the balance of trade against them, from the time these metals became the object of trade, to this day, may be estimated by the quantity of them which has been exported.

And farther, the consumption made by such nations, for the same term of years, is equal to the whole natural produce and labour of the inhabitants for that time, *plus* the quantity of such produce and labour, as is, or has been equal to the quantity of these metals exported.

These positions are by much too general to be laid down as principles, because trade is not concerned in every acquisition or alienation of specie; but they may serve, in the mean time, to illustrate the doctrine we have been considering, and even in many cases may be found pretty exact. For example,

If it be true, that in any nation of Europe, there be now just as much silver and gold as there was ten years ago, and if that nation during this period, has supported, without borrowing from strangers, an expensive war which may have cost it, I suppose, five millions, it is certain, that during this period, the home consumption must have been the value of five millions less than the natural produce, labour, and industry of the inhabitants; which sum of five millions must have come from abroad, in return for a like value of

of the production, labour, &c. remaining over and above their own consumption.

In this supposition, the national wealth (the metals) remains as before, the balance of it only is changed. How this change is performed, and what are its consequences, may be discovered by an application of the principles already laid down.

QUEST. 3. What were the effects of riches before the introduction of trade and industry?

I never can sufficiently recommend to my readers to compare circumstances, in the oeconomy of the antients, with that of modern times; because I see a multitude of new doctrines laid down, which, I think, never would have been broached, had such circumstances been properly attended to. I have endeavoured to shew, that the price of goods, but especially of articles of the first necessity, have little or no connection with the quantities of specie in a country. The slightest inspection into the state of circulation, in different ages, will fortify our reasoning: but the general taste of dissipation which is daily gaining ground, makes people now begin to imagine, that wealth and circulation are synonymous terms; whereas nothing is more contrary both to reason and matter of fact. A slight review of this matter, in different ages, will set it in a clearer light than a more abstract reasoning can.

It is a question with me, whether the mines of Potosi and Brasil, have produced more riches to Spain and Portugal, within these two hundred years, than the treasures heaped up in Asia, Greece, and Egypt, after the death of Alexander, furnished to the Romans, during the two hundred years which followed the defeat of Perseus, and the conquest of Macedonia.

From the treasures mentioned by all the historians who have writ of the conquest of those kingdoms by the Romans, I do not think I am far from truth, when I compare the treasures of the frugal Greeks to the mines of the new world.

What

What effect, as to circulation, had the accumulation of these vast treasures? Not any to accelerate it, surely: and no person, the least conversant in antiquity, will pretend that the circulating specie in those times, bore as great a proportion to their treasures, as what is at present circulating among us, bears to the wealth of the most oeconomizing Prince in Europe. If any one doubt of this particular, let him listen to Appian, who says, that the successors of Alexander, the possessors of those immense riches, lived with the greatest frugality. Those treasures were then, as I have said, a real addition to the value of their kingdoms; but had not the smallest influence upon prices. In those days of small circulation, the prices of every thing must have been vastly low, not from the great abundance of them, but because of the little demand; and as a proof of this, I cite the example of a country, which, within the space of fifty years, possessed in *specie* at one time, considerably beyond the worth of the land, houses, slaves, merchandize, natural produce, moveables, and ready money, at another. The example is mentioned by Mr. Hume, and I am surprized the consequence of it did not strike him. For if the money they possessed was greatly above the worth of all their property, moveable and immoveable, surely it never could be considered as a representation of their industry, which made so small a part of the whole. Athens possessed, before the Peloponnesian war, a treasure of ten thousand talents; and fifty years afterwards, all Athens, in the several articles above specified, did not amount to the value of six thousand. Hume's *Political Discourses upon the Balance of Trade*.

These treasures were spent in the war, and they had been laid up for no other purpose. Therefore I was in the right, when I observed above, Chap. 22. that war in antient times, had the effect that industry has now: it was the only means of making wealth circulate. But peace producing a general stagnation of circulation, people returned to the antient simplicity of their manners, and the prices of subsistence remained on the former footing; because there

was

was no increase of appetite, or rising of demand upon any necessary article. So much for the state of wealth during the days of frugality.

The Romans subdued all those kingdoms of the Greeks, and drew their treasures to Rome. The republic went to destruction, and a succession of the most prodigal Princes ever known in history succeeded one another for about two hundred years. Those monstrous treasures were then thrown into circulation, and I must now give an idea of the effects produced by such a revolution.

I have already observed (Chap. 28.) that in consequence of the great prodigality of those times, the prices of superfluities rose to a monstrous height; while those of necessaries kept excessively low. The fact is indisputable, and any one who inclines to satisfy himself farther, may look into that valuable collection of examples of antient luxury, wealth, and at the same time of simplicity, found in Mr. Wallace's *Dissertation upon the Numbers of Mankind in antient and modern Times*, p. 132. et seq.

But how is it to be accounted for, that the prices of superfluities should stand so high, while necessaries were so low? The reason is plain, from the principles we have laid down. The circulation of money had no resemblance to that of modern times: fortunes were made by corruption, fraud, concussion, rapine, and penury; not by trade and industry. Seneca amassed in four years 2,400,000 pounds sterling. An augur was worth 3 millions sterling. M. Antony owed on the Ides of March, 322,916 pounds sterling, and paid it before the calends of April. We know of no such circulation. Every revolution was violent: the powerful were rapacious and prodigal, the weak were poor and lived in the greatest simplicity: consequently, the objects of the desires of the rich were immensely dear; and the necessaries for the poor were excessively cheap. This is a confirmation of the principles we have laid down in Chap. 28. that the price of subsistence must ever be in proportion to the faculties of the numerous classes of those who buy: that the price of every

every thing must be in proportion to the demand made for it; and that in every case, where the supply can naturally increase in proportion to the demand, there must be a determined proportion between the price of such articles and that of subsistence. Now in the examples given by Mr. Wallace, of such articles as were found at monstrous prices, we only find such as could not be increased according to demand: here is the enumeration of them. Large asses brought from Spain, peacocks, fine doves, mullets, lampreys, peaches, large asparagus, purple, wool, jewels, carpets, *vestes Byssine*, slaves skilled in the finer arts, pictures, statues, books, and rewards to those who taught the sciences. By casting a glance upon the catalogue, we may easily perceive that the extraordinary price must have proceeded from the impossibility of augmenting the supply in proportion to the demand; not from the abundance of the money, which had no effect in raising the price of necessaries. The cheapness again of these, did not proceed from vast plenty; but because the price must have remained in proportion to the faculties of the numerous poor; and because the augmentation of the wealth of the rich never could increase their consumption of any necessary article. Had the Roman empire been governed with order and tranquility, this taste of luxury, by precipitating money into the hands of the numerous classes, would, in time, have wrought the effects of multiplying the number of the industrious, by purging the lands; consequently, of increasing the demand for vendible subsistence; consequently, of raising the price of it. And on the other hand, the adequate proportion between services and rewards given by the public, would have checked the other branch of circulation which produced those monstrous fortunes, to wit, rapine and corruption: and industry receiving a regular encouragement, every article of extraordinary demand for delicate aliments, birds, fishes, fruits, &c. would have been supplied with sufficient abundance; and consequently, would have fallen in its price. But when either despotism or slavery were the

patrimonial inheritance of every one on coming into the world, we are not to expect to see the same principles operate, as in ages where the monarch and the peasant are born equally free to enjoy the provision made for them by their forefathers.

I shall now come nearer home, and examine a very remarkable difference between the oeconomy in practice some hundred years ago, and that of the present time, with regard to the method of levying men and money.

This change is a consequence of trade and industry, and as I have been preparing the way for the introduction of other matters which equally owe their existence to them, it may not be improper, in this last chapter, to point out the natural causes of this change in modern politics. When people consider effects only, without examining the causes which produce them, they commonly blame rashly, or fall into an idle admiration of fortune. It is only by tracing natural causes, that we come at the means of forming a solid judgment of the nature of every abuse, and of every advantage.

The general taste for the extension of industry, is what has brought such loads of money into circulation; not the discovery of America. We read of treasures in ancient times which appear to rival the wealth of modern Europe. Appian, as cited by Mr. Hume, mentions a treasure of the Kings of Egypt, of near two hundred millions sterling; and says, that all the successors of Alexander were nearly as rich, and fully as frugal. Frugality then is compatible with the greatest wealth. Therefore the wealth of America, has not been the cause of European refinement; but the extension of civil liberty has obliged the possessors of treasures, which in all ages have been coveted by man, to open their repositories, in order to procure the service of those who formerly made a branch of the property of the most wealthy. This is the foundation of trade and industry.

Why, therefore, has trade and industry laid the foundation of taxes and standing armies, which appear so contrary to the one and the other?

I answer shortly, that very little change has been made as to things themselves by that revolution; but with respect to the order of things, the difference is great. Trade and industry cannot flourish without method and regularity; taxes and standing armies are only a systematical execution of the old plan, for preserving the power, safety, and independence of the nations of Europe.

Taxes are no more than the liquidation of those services which formerly were performed in kind. Standing armies are become necessary, that the call of the rich luxurious, who are insatiable in their demand for the service of the poor, may not be able to engross also the hands necessary for the defence of the state. Personal services were the taxes of former times. Let no man imagine, that ever any state could subsist without the contribution of its subjects. But a more authentic proof of this opinion is, that in the year 1443, while Charles the VIIIth was engaged in the long war with the Kings of England, who disputed with him the monarchy of France, the services of the vassals of that kingdom (by the edict of Saumur of the 14th of September) were formally converted into the perpetual *Taille*; and this may be considered, as the foundation of the regular military force of the French nation. No body, in those days, imagined such an imposition to be oppressive or unjust: and if those who remain subject to it, appear under oppression at present, it is only because they continue in their ancient situation. Personal services are the heaviest of all impositions.

QUEST. 4. Why, therefore, are taxes so generally cried out against, why do they appear so new an invention, and why do people flatter themselves, that there is a possibility of putting an end to so general an oppression? I answer, because people commonly attend to words, and not to things. In former times, the great bulk of the inhabitants lived upon the lands, and were bound to personal

service. This kind of imposition was familiar, general, and equal; every class of the people was bound to services analogous to their rank in the state. The industrious who lived without any dependence upon the lands, and who did not enjoy the privileges of cities and corporations, were so few, that they were not an object of public attention. Farther, most privileges then known, were in consequence of land-property; consequently, those independent people were in a manner without protection, they were vassals to no body; consequently, had no body to interest themselves for them; consequently, were a prey to every one who had power, and no body was sorry to see a rich fellow, who had got plenty of ready money, and who seemed to do nothing for it, plundered by a lord who appeared in the service of his country. We see in the time of the croisades how odious all those money gatherers were; these were what we now call traders, it was principally in hatred to them, that the borrowing of money at interest was declared antichristian; because the Jews were principally in those days the merchants or the money lenders.

In the beginning of the sixteenth century, when Princes began to take a taste for magnificence, finding no body, almost, within their own country capable to supply them, they used to send to Flanders and Venice, the great trading states in those days, for many kinds of manufactures. This is the fountain of foreign trade in Europe. These two states perceiving the great benefit resulting to them from this new taste of dissipation, gave great encouragement to the industrious. Had they begun to impose high taxes upon them, they would have ruined all. Industry, then, was encouraged at first, and little loaded with any imposition. This is perfectly consistent with our doctrine. Some Princes, perceiving the daily diminution of their wealth, made efforts to restore this ancient simplicity, by forbidding this hurtful trade; others, such as Francis I. of France, and Henry VIII. of England, endeavoured all they could to establish industry in their own states. For this purpose, great privileges

leges were granted to the industrious, who thereby increased daily. But this revolution naturally purged the lands, and by that operation diminished the number of personal service-men; or, as in France, where personal service was at an end, the number of those subject to the *taille*. I shall not trace this progress very minutely, but come directly to the period of extensive taxation. When industry was fairly established, and when nations began to be well clothed with the produce of their own soil, wrought up in a thousand different forms, by their own industrious subjects, Princes soon perceived their treasures to melt away, and saw plainly, that without a method of drawing back the money from this new class of inhabitants, the whole wealth of the state would come to center in their hands; but the means of coming at money was extremely difficult. The proprietors of the riches had no solid property in proportion; and their money was inaccessible. Some betook themselves to violence, and others to fraud: the one and the other produced the worst effects. The violence destroyed industry, and rendered the industrious miserable: for we have observed, that when inhabitants are once purged from off the lands, they have no resource left them but their industry; whereas let a peasant be robbed ever so often of his money, he still has the earth to maintain him. The fraudulent corrupted the great; the ministers of Princes became the terror of every man who had money; they enriched themselves by accepting of compositions, and the state remained constantly in want. At last, the scheme of proportional taxes took place: but for this purpose it was necessary to obtain the consent of the whole state; for no Prince's power extended so far, and they were not come to the time of being able to enlarge their prerogative. Such impositions, therefore, were first introduced in republics, and mixed governments. In monarchies they were established with more difficulty; because the great were equally affected by them with the small. But when long and expensive wars rendered supplies of money absolutely necessary, then were taxes consented

to; and the Prince who had not power enough to *establish* them, easily found means to *keep them up*, when once introduced.

From this progress we may easily discover the reason why taxes are cried out against. The system appears new, because we remember, in a manner, the doubling of the impositions, and we see them daily gaining ground; but we never reflect on the change of circumstances, and seldom attend to the consequences of that new species of circulation, which is carried on between the public and those employed by it. The state now pays for every service, because the people furnish it with money for this purpose.

If the blood therefore be let out, in modern times, at a thousand orifices of the body politic, there are just as many absorbtories (if I may be allowed such an expression) opened to receive it back. From this last circumstance I imply the perpetuity of taxes, while this system of political oeconomy prevails. We have not as yet seen an example of any state abolishing them, though many indeed have had such a scheme in view. But to resume my former comparison, I may suggest, that if all the orifices through which the blood issues, should be bound up, all the absorbtories which are fed with the returning blood, must be starved. But more of this in its proper place.

QUEST. 5. Why are standing armies a consequence of trade and industry?

In the first place, armies in all ages, past, present, and to come, have been, are, and will be calculated for offensive and defensive war; while therefore war subsists among men, armies in one way or other, will be necessary.

The advantage of regular armies has been known in all ages; and yet we find, that for many centuries they appeared in a manner discontinued; that is to say, we read neither of legions, nor of regiments, nor of any denomination of bodies of warlike men, kept up and exercised in time of peace, as was the custom while the Roman empire subsisted: and now, since trade has been established,

blished, we see the ancient Roman military oeconomy again revived. Let us therefore apply our principles, in order to account for this revolution also.

During the Roman empire, there was a very great flux of money into the coffers of the state, which proceeded more from rapine than from taxes. Consequently, it was an easy matter to keep up large bodies of regular forces.

With these they subdued the world, as I may call it, that is, all the polite nations then known; the Carthaginians, Greeks, and Asiatics. Had they remained satisfied, their empire might possibly have subsisted; because people who are rich, luxurious, and polite, are commonly peaceable. But nothing could satisfy their ambition: they conquered Gaul, and stretched the boundary of their empire from the streights of Gibraltar to the mouth of the Rhine. All was peaceable on that side, and in two or three centuries, both Spain and Gaul had adopted the spirit, language, and manners of the Roman people. But when they passed the Rhine, the Danube, and the Euphrates, they found mankind still less cultivated, and very little known. Their enemies fled before them, and left a territory which was not worth possessing. This of all barriers is the strongest. By carrying on war against such people, the match was very unequal; those nations had every thing to gain, and nothing to lose; the Romans had all to lose, and nothing to win. Those wars continued until the Barbarians learned the Roman discipline, and became warriors. It was the most profitable trade for them, as well as the only means of safety. That this was the plan of their oeconomy appears plainly from the form of government every where established by them. Where every free man was a soldier, there was no occasion for a regular militia.

Men are governed by prejudice more than by reason: to this I attribute the sudden change in the government of Europe. In place of one man governing the world, as was the case of the Emperors, the new spirit was, that all soldiers were equal, and a King was but

but *primus inter pares*. The sudden revolution had the effect of ruining every thing: learning, industry, politics, all went to wreck. *One hundred years of barbarity must ruin the effects of a thousand centuries of politeness.* This is the date of the annihilation of standing armies. A powerful Prince, such as Charles the Great, who acted in a high sphere, and who made the world his own, might, during his lifetime, establish the old oeconomy. But the general establishment of the feudal form of government, which, no doubt, was the best for preserving a great empire, filled with barbarity every where, joined with the weakness of that Prince's successors, introduced a new form less barbarous than the former, but equally compatible with a numerous standing militia. Every Baron became a sovereign, and his vassals were bred to arms; but as they were forced to attend the plough for subsistence, as well as the camp; wars were carried on consistently with agriculture. Certain months of the year were appropriated for war; others for peace. This was easily accomplished: war was constantly at the door; a campaign was finished in a week, because every man's nearest neighbour was commonly his worst enemy.

Europe remained in this general state of confusion for some centuries. Princes had, during that period, a most precarious authority, and when any nation chanced to be under the government of one who had talents to unite his subjects, he became so formidable that there was no possibility of resisting him. In those days, it was a hard matter to form an idea of a balance of power; because there was no rule to determine the force of nations. Under the Otto's, Germany threatened Italy with chains; under Edward and Henry, England seemed on the road of adding all France to her monarchy; Ferdinand the catholic, laid the foundation of the Spanish greatness, and his successors bid fair for the universal monarchy of Europe. In our days, the acquisition of a small province, nay of a considerable town, is not to be made by conquest, without a general convention between all the powers of Europe, and those who are con-

versant

versant in foreign affairs, can estimate, in a minute, the force of Princes, by the troops they are able to maintain; nothing is so easy as to lay down, on a sheet of paper, a state of all the armed men in Europe. A Prince can hardly add a foldier to a company, but all the world is informed of it. Excepting the extent of their credit, and the talents of their generals and counsellors, every thing relative to power is become the object of computation. Hence the balance of power, formerly unknown, is now become familiar. So much is sufficient for the matter of fact; let us now examine why *trade* and *industry* have given rise to so regular a system of war.

The reason is, because in a state where those are introduced, every thing must be made regular, or all will go to wreck. The keeping up of large armies, is the remains of that turbulent spirit which animated royalty for so many centuries. All literature is filled with warlike sentiments, from the books of Moses to the news papers of this day. A young person cannot learn to read without imbibing the fire of war. But as nothing is so evident, from the consideration of the total revolution in the spirit of the people of Europe, as that war is inconsistent with the prosperity of a modern state, I sometimes allow my imagination to carry me so far as to believe the time is at hand when war will come to cease. But there is no such thing as predicting in political matters: general peace is a contingent consequence which a thousand accidents may prevent; and one among the rest is, that the whole plan of modern policy may be broken to pieces, before Princes come to discover that it is their interest to be quiet. The ambition of one, arms all the rest, and when once they are at the head of their armies, want of money only assembles a congress, not to make peace, but that the parties may have some years to gather new force.

It is not therefore trade and industry which have given birth to standing armies, they have only rendered war impossible without them. It is the ambition of Princes to extend their dominion, and

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even sometimes to extend their commerce, which gives occasion to war. And we see daily how difficult it becomes to provide troops for this purpose, from no other reason so much as from the progress of trade and industry. Those who have the money cannot have the men, those who have the men cannot have the money. Do we not see how the greatest monarchy in Europe, the Prince who has the most millions of subjects, cannot preserve the rank of power he has prescribed to himself (*his political-necessary for war*) without a body of above thirty thousand strangers, in the time of the most profound peace, and after the greatest reduction judged consistent with the safety of the country? These cost vastly more than national troops, and brave men of all countries are alike; so that the only reason for keeping up so large a body of foreigners, is to facilitate augmentations when occasion requires it; and not to spare the subjects who are willing to serve, but to spare agriculture and industry, after the superfluities of these have fallen in, to complement that body of troops which experience has determined to be proportioned to such superfluities.

From this short exposition let me deduce a principle. That since every state has occasion, according to the present system of Europe, for a certain number of armed men for their defence, the first care of a statesman, is, to discover to what number those of his subjects, who willingly prefer the conditions offered for military service to the occupations of industry, may amount. If he finds these exceed the number wanted for recruiting the army, it is a good reason to diminish the pay; until the encouragement comes upon a level with the supply demanded. If on the contrary, the number of volunteers falls below the standard required, he must examine the state of the balance of work and demand, before he can give any farther encouragement. If this balance stands even, he must take care that the pay given to soldiers be not carried so high, as to engage those of the lowest class of profitable industry to desert it.

What measures, therefore, can be fallen upon? There are two. Either to hire foreign troops, as many states do; and I suppose for good reasons, only because it is done. But I should prefer another method, which is to create a new class of inhabitants, appropriated for supplying the army, upon the principle above laid down; that he who feeds may have as many mouths as he pleases.

I would therefore fix the military pay at a rate below the profits of useful industry, and accept of such as should offer. For the augmentation of this class, I would receive all male children who should be given or exposed by their parents. These should be bred to every sort of labour for which the state has occasion, and their numbers might be carried to twenty *per cent.* above that which might be judged necessary in time of the hottest war. Out of this class only, the standing forces might be recruited: those who remained might be employed in every public service; such as working in arsenals, docks, highways, public buildings, &c. By taking care of the children of this whole class, their numbers would rise to whatever height might be judged necessary. The same spirit would be kept up; they might serve by turns, and all become disciplined. This is a good scheme, in many cases, and is an improvement upon the distribution of the inhabitants: the execution is gradual; therefore no sudden revolution is implied. But it is fit only for a state which can augment its numbers, without seeking for subsistence from without. It would spare the land and manufactures, and be a ready outlet for all supernumeraries in every class.

This subject shall be resumed in the fifth book, when we come to the application of the amount of taxes. At present it has found a place, only because the support of a national force has been ranked among the objects of attention of those statesmen who are at the head of rich and luxurious nations which have lost their foreign trade.

QUEST.

QUEST. 6. What are the principles upon which the relative force of nations is to be estimated?

Without some limitations, no question can be more difficult to resolve than this; it must therefore be examined only in so far as it comes under the influence of certain principles. It is as impossible to estimate the real force of a nation, as it is to estimate that of any considerable quantity of gun-powder, and for the same reason. The nation cannot exert all its force at once, no more than the powder can be all inflamed at once, and the successive efforts of a small power, are never equally effectual with the momentous shock of a great one. In proportion, therefore, as the spirit of individuals is moved to concur with the public measure, a people become powerful; and as I know of no principle which can regulate such affections of the mind, we must throw them quite out of the question, and measure the power of nations by the quantity of men and money at a statesman's command, in consequence of the oeconomy he has established. Let me then suppose two nations, where the number of inhabitants, and weight of gold and silver are absolutely the same, military genius and discipline quite equal. From what has been said, we must determine that nation to be the strongest, which, without disturbing the oeconomy of their state, can raise the greatest proportion of men, and draw the greatest proportion of money into the public coffers.

When the number of inhabitants is given, the first thing to be known is the nature of the produce of the country, whether mostly in corn, wine, or pasture: the more the ground is laboured, and the more crops it yearly produces, the fewer free hands it will maintain in proportion to the whole, this computation must then proceed upon the principles laid down above, Book I. Chap. 8.

When once you come at the number of free hands, you must examine the state of luxury. Luxury is justly said to effeminate a nation, because the great multitude of hands taken up in supplying the instruments of it to the rich, diminishes greatly the num-



ber of such as can be employed in war: If manufacturers and folks accustomed to a sedentary life, are at a certain age taken from trades, to compose armies, they will make bad soldiers; and the strength of a nation lies chiefly in the valour and strength of the soldiery. Luxury therefore effeminates a nation in general; but it does not follow from hence, that the most luxurious are the most effeminate, and most improper for war; on the contrary, they are found to be the bravest and most proper. The effeminacy and baseness of mind, in point of courage, are found in the sedentary multitude. The truth of this might be proved from many examples in ancient history, if the present situation of Europe left the smallest room to doubt of it.

The more therefore that luxury prevails in a country, the fewer good troops can be raised in it, and *vice versa*. But it is not sufficient to have men for war, the men must be enabled to subsist, and in the modern way of making war, their subsistence and other expences require large sums of money. We must then examine what proportion of the general wealth may be applied to this purpose.

If in any country the riches be found in few hands, the state will be poor; because the opulence of the public treasure depends greatly upon a right and proportional distribution of wealth among the inhabitants. Riches are only acquired three ways. First, Gratuitously, as by succession, gift, or the like; secondly, by industry; and lastly, by penury. Those who are poor are seldom enriched gratuitously, never by penury, and always by industry; when a poor man grows rich in any state, he changes in so far the balance of wealth, for what is added to him is taken from another. When a spirit of industry prevails, the balance is always turning in favour of the industrious, and as it is a pretty general rule, that the rich are not the most laborious, so the balance is generally turning against them. This being the case, the more that industry prevails, the quicker will this revolution be brought on. By such revolutions, wealth becomes *equally distributed*; for by being *equally distributed*, I do not mean,

mean, that every individual comes to have an *equal* share, but an equal chance, I may say a certainty, of becoming rich in proportion to his industry. Riches which are acquired by succession, or any other gratuitous means, do not in the least contribute to circulation, the owner, as has been said, only changes his name. Those made by penury or hoarding, instead of adding to, evidently diminish circulation. It is, therefore, by industry alone that wealth is made to circulate, and it is by its circulation only, that money is useful. When large sums are locked up, they produce nothing; they are therefore locked up not to be useful while they remain secreted; but that they may be useful when brought out in order to be alienated. In a state, therefore, where there are a few very rich and many very poor, there must be much money locked up; for without money none can be rich, and if it were not locked up it must fall into the hands of the poor. Why? Because the rich will not give it to the rich, gratuitously, nor will they labour to acquire it; either then the common people must be lazy and unwilling to work, or the rich must be so penurious and addicted to hoarding as to keep it out of the hands of the poor. In both which cases, if there be money in the country, it must be found in coffers.

From these positions it may be concluded, that wealth which produces nothing to its owner, cannot be supposed to produce any thing to the state: consequently, that state in which there is the quickest circulation of money, is, *ceteris paribus*, that in which the greatest proportion of the general wealth may be raised for the public service. This is all that is necessary to observe at present: when we have examined the nature of credit and taxes, and the principles upon which they may be levied in different countries, and under different forms of government, we shall discover more rules for estimating the force of different states.

The principles of industry have been so interwoven with those of trade, through all the chapters of this second book, that it is now proper, before we dismiss the subject, to examine a little into the

nature of the first, considered more abstractedly, and more detachedly from its relation to the equivalent given for it, which is the proper characteristic of trade, and from which proceeds the intimate connection between them.

The object of our enquiry hitherto has been to discover the method of engaging a free people in the advancement of the one and the other, as a means of making their society live in ease, by reciprocally contributing to the relief of each others wants. Let us next examine some farther consequences. We are now to cast our eyes upon another view of this extensive landscape, where the personal advantages, immediately felt from this gentle band of mutual dependence, are not to fix our attention so much as the effects produced by industry upon the face of things, and manners of a people.

The better to transmit this idea, which I find a little dark, let me say, that hitherto we have treated our subject, according to the principles which should direct a statesman, to advance trade and industry, by engaging the rich to give bread to the poor. Now we are to examine the consequences resulting from the execution of this plan; and compare the difference between a country which has been inhabited by a people abundantly provided for without industry and labour, and one occupied by another who have subsisted by these means: and farther, we are to examine industry as producing effects more or less hurtful to the simplicity of manners, and more or less permanent and beneficial, according as it has been directed towards different objects.

I can easily suppose a nation living in the greatest simplicity, even going naked, but abundantly fed, either with the spontaneous fruits of the earth, or by an agriculture proportioned to the wants of every one, and where very little alienation or exchange takes place. From this primitive life, as I may call it, the degrees of industry, like imperceptible shades, may be augmented; and the augmentation, as I apprehend, is to be measured, not so much by the

the degree of occupation which the inhabitants pursue, as by the quantity of permutation among them; because I think permutation implies superfluity of something*.

A people then lives in the utmost simplicity, when the earth is so far in common, as that none can acquire the property of it, but in virtue of his possession as the means of subsistence; and when every one is employed in providing necessaries for himself, and for those who belong to him. The moment any one has occasion for the

* Our first parents, placed in Paradise, were fed from the hand of God, and freed by the constitution of their nature, from every uneasy animal desire. Since the fall, the whole human species have been employed in contriving and executing methods for relieving the wants which are the consequences of such desires.

Hence I conclude, that had the fall never taken place, the pursuits of man would have been totally different from what they are at present. May I be allowed to suppose, that in such a happy state, he might have been endowed with a faculty of transmitting his most complex ideas with the same perspicuity with which we now transmit those relating to geometry, numbers, colours, &c. From this I infer, there would have been no difference of sentiment, no dispute, no competition between man and man. The progress in acquiring useful knowledge, the pleasure of communicating discoveries, would alone have provided a fund of happiness, as inexhaustible as knowledge itself.

Mankind, therefore, set out upon a system of living without labour, without industry, without wants, without dependence, without subordination; consequently, had they remained in that state, the lapse of time would have produced no change upon any thing, but the state of knowledge. Banished from Paradise, man began to plow the ground, consequently to change her surface: he built houses, made bridges, traced roads, and by degrees has come, in different ages, to please and gratify his inclinations, by numberless occupations and pursuits, constantly dictated to him by his wants; that is, by his imperfections, and by the desires which they inspire. When these are satisfied, his physical happiness is carried as far as possible; but as mankind seldom remain in a state of contentment, and that our nature constantly prompts us to add something new to our former enjoyments, so it naturally happens, that societies once established, and living in peace, pass from one degree of refinement to another, that is to say, man daily becomes more laborious.

service

service of another, independent of him, he must have an equivalent to give. This equivalent must be something moveable, some fruit of the earth, pure or modified, superfluous, not necessary, not the earth itself, because this is the foundation of his subsistence; and he can never alienate what is essential to his being, in order to procure a superfluity. From this we may deduce a principle that the alienation of consumable commodities is a consequence of superfluity alone, as this again is the bane of simplicity. Consequently, he who would carry simplicity to the utmost length, ought to proscribe all alienation; consequently, all dependence among men; consequently, all subordination: every one ought to be entirely dependent upon his own labour, and nothing else.

Were man either restored to his primitive state of innocence, or reduced to a state of brutality; were his pursuits either purely spiritual, or did they extend no farther than to the gratification of his animal desires, and acquisition of his physical-necessary; such an oeconomy might be compatible with society. But as we stand in a middle state between the two, and have certain desires which participate of the one and of the other, the gratification of which constitute what we have called our *political-necessary* (which we cannot procure to ourselves, because the very nature of it implies superiority and subordination, as well as a mutual dependence among men) a total obstruction to alienation becomes compatible with government, consequently with human society; and this being the case, all simplicity of manners is only relative. Our fathers looked upon the manners of their ancestors as simple, these again admired the simplicity of the patriarchs; and perhaps the time may come, when the manners of the eighteenth century may be called the noble simplicity of the antients.

As simplicity of manners is therefore relative, let us decide, that as long as superfluity does more good in providing for the poor, than hurt in corrupting the rich; so far it is to be approved of and no farther.

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Here it is urged, that since superfluity is only good, so far as it provides subsistence for the poor, why may not the pursuits of industry be turned towards objects which cannot corrupt the mind? Why, in place of fine clothes, elegant entertainments, magnificent furniture, carving, gildings, and embroidery, with all the splendor to be seen in palaces, gardens, operas, balls, and masquerades, processions, shews, horse-races, and diversions of every kind, why might not, I say, the multitudes which are employed in supplying these transitory gratifications of human weakness (not to call them by a worse name) be employed in making highways, bridges, canals, fountains, fortifications, harbours, public buildings, and a thousand other works, both useful to society, and of good example to succeeding generations? Such employments are eternal monuments of grandeur, they are of lasting utility, and are no more to be compared to the trifling industry of our days, than an Egyptian pyramid is to be compared with the luxury of Cleopatra, or the *via appia* with the suppers of Heliogabalus. This was the taste in the virtuous days of antient simplicity: the greatness of a people appeared in the magnificence of useful works, and as virtue disappeared, a luxury resembling that of modern times took place. The aqueducts, common sewers, temples, highways, and burying-places were the ornaments of consular Rome. The imperial grandeur of that city shone out in amphitheatres and baths; and the turpitude of manners (say the patrons of simplicity) which brought on the decline, ought to terrify those who make the apology of modern luxury and dissipation.

In order to set this question in a clear light, and to do justice both to the antients and moderns; let us once more enter into an examination of circumstances, and seek for effects in the causes which produce them. These are uniform in all ages; and if manners are different, the difference must be accounted for, without overturning the principles of reason and common sense.

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QUEST.

QUEST. 7. In what manner, therefore, may a statesman establish industry, so as not to destroy simplicity; nor occasion a sudden revolution in the manners of his people, the great classes of which are supposed to live secure in ease and happiness; and, at the same time, so as to provide every one with necessaries who may be in want?

The observations we are going to make will point out the answer to this question: they will unfold still farther the political oeconomy of the antients; and explain how manners remained so pure from vicious luxury, notwithstanding the great and sumptuous works carried on, which strike us with so lofty an idea of their useful magnificence and noble simplicity. These observations will also confirm the justness of a distinction made, in the first chapter of this book, between labour and industry; by shewing that *labour* may ever be procured, even by force, at the expence of furnishing man with his physical-necessary, from which no superfluity can proceed: whereas industry cannot be established, but by an adequate equivalent, proportioned, not to the absolutely necessary, but to the reasonable desire of the industrious; which equivalent becomes afterwards the means of diffusing a luxurious disposition among all the classes of a people.

If a statesman finds certain individuals in want, he must either feed them, in which case he may employ them as he thinks fit; or he must give them a piece of land, as the means of feeding themselves. If he gives the land, he can require no equivalent for it, because a person who has nothing can give nothing but his labour; and if he be obliged to labour for his food, he cannot purchase with labour the earth itself, which is the object of it. If it be asked, whether a statesman does better to give the food, or to give the land? I think it will appear very evident, that the first is the better course, because he can then exact an equivalent; and since in either way the person is fed, the produce of his labour is always clear gain. But in order to give the food, he must have it to give; in which case, it must

either be a furplus-produce of public lands, or a contribution from the people. In both which cases, is implied a labour carried on beyond the personal wants of those who labour the ground. If this fund be applied in giving bread to those whom he employs in improving the soil of the country in general, it will have no immediate effect of destroying the simplicity of their manners; it will only extend the fund of their subsistence. If he employs them in making highways, aqueducts, common sewers, bridges, and the like; it will extend the correspondence between the different places of the country, and render living in cities more easy and agreeable: and these changes have an evident tendency towards destroying simplicity. But here let it be remarked, that the simplicity of individuals is not hurt by the industry carried on at the expence of the public. The superfluous food at the statesman's disposal, is given to people in necessity, who are employed in relieving *the wants of the public, not of private persons*. But if, in consequence of the roads made, any inhabitant shall incline to remove from place to place in a chariot, instead of riding on horseback, or walking, he must engage some body to make the machine: this is a farther extension to occupation, on the side of those who labour; but the consequence of the employment is very different, when considered with regard to the simplicity of manners. The reason is plain: the ingenuity here must be paid for; and this superfluity in the hands of the workman is a fund for his becoming luxurious.

Industry destroys simplicity of manners in him who gives an equivalent for an article of superfluity; and the equivalent given frequently gives rise to a subordinate species of luxury in the workman. When industry therefore meets with encouragement from individuals, who give an equivalent in order to satisfy growing desires, it is a proof that they are quitting the simplicity of their manners. In this case, the wants and desires of mankind prove the mother of industry, which was the supposition in the first

book; because, in fact, the industry of Europe is owing to this cause alone.

But the industry of antient times was very different, where the multitude of slaves ready to execute whatever was demanded, either by the state or by their masters, for the equivalent of simple maintenance only, prevented wealth from ever falling into the hands of industrious free men; and he who has no circulating equivalent to give for satisfying a desire of superfluity, must remain in his former simplicity. The labour therefore of those days producing no circulation, could not corrupt the manners of the people; because, remaining constantly poor, they never could increase their consumption of superfluity.

I must, in this place, insert the authority of an antient author, in order both to illustrate and to prove the justness of this representation of the political oeconomy of the antients.

There remains a discourse of Xenophon upon the improvement of the revenue of the state of Athens. Concerning the authenticity of this work, I have not the smallest doubt. It is a *chef d'oeuvre* of its kind, and from it more light is to be had, in relation to the subject we are here upon, than from any thing I have ever seen, antient or modern.

From this antient monument we learn the sentiments of the author with regard to the proper employment of the three principal-classes of the Athenian people, viz. the citizens, the strangers, and the slaves. From the plan he lays down we plainly discover, that, in the state of Athens, (more renowned than any other of antiquity for the arts of luxury and refinement) it never entered into the imagination of any politician to introduce industry even among the lowest classes of the *citizens*; and Xenophon's plan was to reap all the benefits we at present enjoy from it, without producing any change upon the spirit of the Athenian people.

The state at this time was in use to impose taxes upon their confederate cities, in order to maintain their own common people, and

Xenophon's intention in this discourse was, not to lay down a plan to make them maintain themselves by industry, but to improve the revenue of the state in such a manner as out of it to give every citizen a pension of three oboli a day, or three pence three farthings of our money.

I shall not here go through every branch of his plan, nor point out the resources he had fallen upon to form a sufficient fund for that purpose; but he says, that in case of any deficiency in the domestic revenue of the state, people from all quarters, Princes and strangers of note, in all countries, would be proud of contributing towards it, for the honour of being recorded in the public monuments of Athens, and having their names transmitted to posterity as benefactors to the state in the execution of so grand a design.

In our days, such an idea would appear ridiculous; in the days of Xenophon, it was perfectly rational. At that time great quantities of gold and silver were found locked up in the coffers of the rich: this was in a great measure useless to them, in the common course of life, and was the more easily parted with from a sentiment of vanity or ostentation.

In our days, the largest income is commonly found too small for the current expence of the proprietor. From whence it happens, that presents, great expence at funerals and marriages, godfathers gifts, &c. so very familiar among ourselves in former times, are daily going out of fashion. These are extraordinary and unforeseen expences which our ancestors were fond of; because they flattered their vanity, without diminishing the fund of their current expence: but as now we have no full coffers to fly to, we find them excessively burthenfome, and endeavour to retrench them as soon as we can, not from frugality, God knows, but in consequence of a change in our manners:

Besides providing this daily pension of three pence three farthings a day for every citizen of Athens, rich and poor, he proposed to build, at the public charge, many trading vessels; a great many
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inns and houses of entertainment for all strangers in the sea ports, to erect shops, warehouses, exchanges, &c. the rents of which would increase the revenue, and add great beauty and magnificence to the city. In short, Xenophon recommends to the state to perform, by the hands of their slaves and strangers, what a free people in our days are constantly employed in doing in every country of industry. While the Athenian citizens continued to receive their daily pensions, proportioned to the value of their pure physical-necessary, their business being confined to their service in the army in time of war, their attendance in public assemblies, and the theatres in times of peace, clothed like a parcel of capucins, they, as became freemen, were taught to despise industrious labour, and to glory in the austerity and simplicity of their manners. The pomp and magnificence of the Persian Emperors were a subject of ridicule in Greece, and a proof of their barbarity, and of the slavery of their subjects. From this plain representation of Xenophon's plan, I hope, the characteristic difference between antient and modern oeconomy is manifest; and for such readers as take a particular delight in comparing the systems of simplicity and luxury, I recommend the perusal of this most valuable discourse.

Combining, therefore, all these circumstances, and comparing them with the contrast which is found as to every particular, in our times, I think it is but doing justice to the moderns, to allow, that the extensive luxury which daily diffuses itself through every class of a people, is more owing to the abolishing of slavery, the equal distribution of riches, and the circulation of an adequate equivalent for every service, than to any greater corruption of our manners, than what prevailed among the antients.

In order to have industry directed towards the object of public utility, the public, not individuals, must have the equivalent to give. Must not the employment be adapted to the taste of him who purchases it? Now, in antient times, most public works were performed either by slaves, or at the price of the pure physical-necessary

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fary of free men. We find the price of a pyramid, recorded to us by Herodotus, in the quantity of turnips, onions, and garlic, consumed by the builders of it. Those who made the *via appia*, I apprehend, were just as poor when it was finished as the day it was begun; and this must always be the case, when the work requires no peculiar dexterity in the workmen. If, on the other hand, examples can be brought where workmen gained high wages, then the consequences must have been the same as in our days.

So long, therefore, as industry is not directed to such objects as require a particular address, which, by the principles laid down in the twenty first chapter, raise profits above the physical-necessary, the industrious never can become rich; and if they are paid in money, this money must return into the hands of those who feed them: and if no superfluity be found any where, but in the hands of the state, such industry may consume a surplus of subsistence, but never can draw one penny into circulation. This I apprehend to be a just application of our principles, to the state of industry under the Roman-republic, and that species of industry which we call *labour*. We are not therefore to ascribe the taste for employment in those days to the virtue of the times. A man who had riches, and who spent them, spent them no doubt then, as at present, to gratify his desires; and if the simplicity of the times furnished no assistance to his own invention, in diversifying them, the consequence was, that the money was not spent, but locked up. I have heard many a man say, had I so much money I should not know how to spend it. The thing is certainly true; for people do not commonly take it into their head to lay it out for the public.

No body, I believe, will deny that money is better employed in building a house, or in producing something useful and permanent, than in providing articles of mere transitory superfluity. But what principle of politics can influence the taste of the proprietors of wealth? This being the case, a statesman is brought to a dilemma; either to allow industry to run into a channel little beneficial

ficial to the state, little permanent in its nature, or to deprive the poor of the advantage resulting from it. May I not farther suggest, that a statesman, who is at the head of a people, whose taste is directed towards a trifling species of expence, does very well to diminish the fund of their prodigality, by calling in, by means of taxes, a part of the circulating equivalent which they gave for it? When once he is enriched by these contributions, he comes to be in the same situation with antient statesmen, with this difference, that they had their slaves at their command, whom they fed and provided for; and that he has the free, for the sake of an equivalent with which they feed and provide for themselves. He then can set public works on foot, and inspire, by his example, a taste for industry of a more rational kind, which may advance the public good, and procure a lasting benefit to the nation.

I have said above, that the acquisition of money, by the sale of industry to strangers, or in return for consumable commodities, was a way of augmenting the general worth of a nation. Now I say, that whoever can transform the most consumable commodities of a country into the most durable and most beneficial works, makes a high improvement. If therefore meat and drink, which are of all things the most consumable, can be turned into harbours, high roads, canals, and public buildings, is not the improvement inexpressible? This is in the power of every statesman to accomplish, who has subsistence at his disposal; and beyond the power of all those who have it not. There is no occasion for money to improve a country. All the magnificent buildings which ornament Italy, are a much more proper representation of a scanty subsistence, than of the gold and silver found in that country at the time they were executed. Let me now conclude with a few miscellaneous observations on what has been said.

OSER. 1. When I admire the magnificence and grandeur of public works in any country, such as stupendous churches, amphitheatres, roads, dykes, canals; in a word, when I examine Holland, the

the greatest work perhaps ever done by man, I am never struck with the expence: I compare them with the numbers of men who have lived to perform them. When I see another country well inhabited, where no such works appear, the contrast suggests abundance of reflections.

As to the first, I conclude, that while these works were carried on, either slavery, or taxes must have been established; because it seldom happens, that a Prince will, out of his own patrimony, launch out into such expences, purely to serve the public. Public works are carried on by the public; and for this purpose, either the persons or purses of individuals, must be at its command. The first I call slavery; that is service: the second taxes; that is public contributions in money or in necessaries.

OSER. 2. I farther conclude, that nothing is to be gathered from those works, which should engage us to entertain a high opinion of the wealth, or other species of magnificence in the people who executed them. All that can be determined positively concerning their oeconomy as to this particular, is, that at the time they were performed, agriculture must have been exercised as a trade, in order to furnish a surplus sufficient to maintain the workmen; or that subsistence must have come from abroad, either as a return for other species of industry, or gratuitously, that is, by rapine, tribute, &c.

OSER. 3. That the consequence of such works, is, to make meat, drink, and necessaries circulate, from the hands of those who have a superfluity of them, into those who are employed to labour; or to oblige those who formerly worked for themselves only, to work also in part for others. To execute this, there must be a subordination: for who will increase his labour, voluntarily, in order to feed people who do not work for him, but for the public? This combination was neglected throughout the first book; because we there left mankind at liberty to follow the bent of their inclinations. This was necessary to give a right idea of the subject we then in-

tended to treat, and to point out the different effects of slavery and liberty; but now, that we have formed trading nations, and riveted a multitude of reciprocal dependencies, which tie the members together, there is less danger of introducing restraints; because the advantages which people find, from a well ordered society, make them put up the better with the inconveniencies of supporting and improving it. It is an universal principle, that instruction must be given with gentleness. A young horse is to be caressed when the saddle is first put upon his back: any thing that appears harsh, let it be ever so useful or necessary, must be suspended in the beginning, in order to captivate the inclination of the creature which we incline to instruct.

OBSER. 4. When a statesman knows the extent and quality of the territory of his country, so as to be able to estimate what numbers it may feed; he may lay down his plan of political oeconomy, and chalk out a distribution of inhabitants, as if the number were already compleat. It will depend upon his judgment alone, and upon the combination of circumstances, foreign and domestic, to distribute, and to employ the classes, at every period during this execution, in the best manner to advance agriculture, so as to bring all the lands to a thorough cultivation. A ruling principle here, is, to keep the husbandmen closely employed, that their surplus may be carried as high as possible; because this surplus is the main spring of all alienation and industry. The next thing is to make this surplus circulate; no man must eat of it for nothing. What a prodigious difference does a person find, when he considers two countries, equally great, equally fertile, equally cultivated, equally peopled, the one under the oeconomy here represented; the other, where every one is employed in feeding and providing for himself only.

A statesman, therefore, under such circumstances, should reason thus: I have a country which maintains a million of inhabitants; I suppose, and which is capable of maintaining as many more; I find

find every one employed in providing for himself, and considering the simplicity of their manners, a far less number will be sufficient to do all the work: the consequence is, that many are almost idle, while others, who have many children, are starving. Let me call my people together, and shew them the inconvenience of having no roads. He proposes that every one who chooses to work at those shall be fed and taken care of by the community, and his lands distributed to those who incline to take them. The advantage is felt, the people are engaged to work a little harder, so as to overtake the cultivations of the portions of those who have abandoned them. Upon this revolution, labour is increased, the soil continues cultivated as before, and the additional labour of the farmers appears in a fine high road. Is this any more than a method to engage one part of a people to labour, in order to maintain another?

OBSER. 5. Here I ask, whether it be not better to feed a man, in order to make him labour and be useful, than to feed him in order to make him live and digest his victuals? This last was the case of multitudes during the ages of antient slavery, as well as the consequence of ill directed modern charity. One and the other being equally well calculated for producing a simplicity of manners: and Horace has painted it to the life, when he says,

Nos numerus sumus, et fruges consumere nati.

This I have heard humorously translated, though nastily I confess; We add to the number of t—d—mills. A very just representation of many of the human species! to their shame be it spoken, as it equally casts a reflection on religion and on government.

Consistently with these principles, we find no great or public work carried on in countries of great liberty. Nothing of that kind is to be seen among the Tartars, or hunting Indians. These I call free nations, but not our European republics, where I have found just as much subordination and constraint as any where else.

I have, on several occasions, let drop some expressions with regard to charity, which I am sensible might be misinterpreted. It

will therefore be proper to make some apology, which no body can suspect of insincerity; because my reason for introducing it, is with a view to a farther illustration of my subject.

When I see a rich and magnificent monastery of begging friars, adorned with profusion of sculpture, a stupendous pile of building, stately towers, incrustations of marble, beautiful pavements; when I compare the execution and the expence of all these, with the faculties of a person of the largest fortune, I find there is no proportion between what the beggars have executed with the produce of private charities, and what any Lord has done with his overgrown estate. Nay monasteries there are which, had they been executed by Princes, would have been cited by historians, from generation to generation, as eternal monuments of the greatest prodigality and dissipation. Here then is an effect of charity, which I have heard condemned by many, and I think without much reason. What prostitution of riches! say they: how usefully might all this money have been employed, in establishing manufactures, building a navy, and in many other good purposes? Whereas I am so entirely taken up with the effects arising from the execution of the work, that I seldom give myself time to reflect upon its intention. The building of this monastery has fed the industrious poor, has encouraged the liberal arts, has improved the taste of the inhabitants, has opened the door to the curiosity of strangers: and when I examine my purse, I find that in place of having contributed to the building of it from a charitable disposition, my curiosity to see it has obliged me to contribute my proportion of the expence. I spend my money in that country, and so do other strangers, without bringing away any thing for it. No balance of trade is clearer than this. The miraculous tongue of St. Anthony of Padua, has brought more clear money into that city than the industry of a thousand weavers could have done: the charity given is not to the monks, but to the poor whom they employ. If young wits, therefore, make a jest of such

such a devotion; I ask, who ought to be laughed at, those who give, or those who receive money for the show?

In a country where such works are usually carried on, they cease in a great measure to be useful, whenever they are finished; and a new one should be set on foot directly, or what will become of those who are without work? It must not be concluded from this, that the usefulness of public works is not a principal consideration. The more a work is useful after it is done, so much the better; because it may then have the effect of giving bread to those who have not built it. But whether useful or not afterwards, it must be useful while it is going on; and many, who with pleasure will give a thousand pounds to adorn a church, would not give a shilling to build Westminster bridge, or the port of Rochefort; and the poor live equally by the execution of either. Expensive public works, are therefore a means of giving bread to the poor, of advancing industry, without hurting the simplicity of manners; which is an answer to the seventh question.

OBSER. 6. Great works found in one country, and none found in another, is no proof that the first have surpassed the second in labour and industry: the contrast only marks the different division of property, or taste of expence. Every undertaking marks a particular interest. Palaces are a representation of rich individuals; snug boxes, in the neighbourhood of cities, represent small but easy fortunes; huts point out poverty; aqueducts, highways, &c. testify an opulent common good: and if these be found in a country where no vestige of private expence appears, I then must conclude, they have been executed by slaves, or by oppression; otherwise somebody, at least, would have gained by the execution; and his gains would appear in one species of expence or another.

OBSER. 7. In countries where fortunes have been unequally divided, where there have been few rich and many poor, it is common to find lasting monuments of labour; because great fortunes only are capable of producing them. As a proof of this let us compare

compare the castles of antient times (I mean four or five hundred years ago) with the houses built of late: At that time fortunes were much more unequal than at present, and accordingly we find the habitations of the great in most countries not numerous, but of an extraordinary bulk and solidity. Now a building is never to be judged of by the money it cost, but by the labour it required. From the houses in a country I judge of the opulence of the great, and of the proportion of fortunes among the inhabitants. The taste in which these old castles are built, marks the power of those who built them, and, as their numbers are small, we may judge, from the nature of man, who loves imitation, that the only reason for it was, that there were few in a condition to build them. Why do we find in modern times a far less disproportion between the conveniency with which every body is lodged, than formerly; but only because riches are more equally divided, from the operations of industry above-described.

OBSER. 8. From this we may gather, that lasting monuments are no adequate measure of the industry of a country. The expence of a modern prince, in a splendid court, numerous armies, frequent journeys, magnificent banquets, operas, masquerades, tournaments, and shews, may give employment and bread to as many hands, as the taste of him who built the pyramid; and the smoke of the gun-powder at his reviews, of the flambeaus and wax lights at his entertainments, may be of as great use to posterity, as the shadow of the pyramid, which is the only visible effect produced by it; but the one remains for ever, the other leaves no vestige behind it. The very remaining of the work, however useless in itself, becomes useful, in so far as it is ornamental, inspires noble sentiments of emulation to succeeding princes, the effects of which will still be productive of the good consequences of keeping people employed. The expence of the other flatters the senses, and gives delight: there is no question of choice here. All useless expence

expence gratifies vanity only; accident alone makes one species permanent, another transitory.

Those who have money may be engaged to part with it in favour of the poor, but never forced to part with it, to the prejudice of their posterity. Inspire, if you can, a good and useful taste of expence; nothing so right; but never check the dissipation of ready money, with a view to preserve private fortunes. Leave such precautions to the prudence of every individual. Every man, no doubt, has as good a right to perpetuate and provide for his own posterity, as a state has to perpetuate the welfare of the whole community; it is the combination of every private interest which forms the common weal. From this I conclude, that, without the strongest reasons to the contrary, perpetual substitutions of property should be left as free to those who possess lands, as locking up in chests should be permitted to those who have much money.

QUEST. 8. What are the principles which influence the establishment of mercantile companies; and what effects do these produce upon the interests of trade?

There is a close connection between the principles relating to companies, and those we have examined in the twenty third chapter, concerning corporations. The one and the other have excellent consequences, and both are equally liable to abuse. A right examination of principles is the best method to advance the first, and to prevent the latter.

The advantages of companies are chiefly two.

1. That by uniting the *stocks* of several merchants together, an enterprise far beyond the force of any one, becomes practicable to the community.
2. That by uniting the *interests* of several merchants, who direct their *foreign* commerce towards the same object, the competition between them *abroad* is taken away; and whatever is thus gained, is so much clear profit, not only to the company, but to the society of which they are members.

It is in consideration of the last circumstance, that companies for foreign commerce have a claim to extensive privileges. But no encouragement given to such associations should be carried farther than the public good necessarily requires it should be. The public may reward the ingenuity, industry and inventions of particular members, and support a private undertaking as far as is reasonable; but every encouragement given, ought to be at the expence of the whole community, not at that of particular denominations of inhabitants.

The disadvantages proceeding from companies are easily to be guessed at, from the very nature of the advantages we have been setting forth: and the relation between the one and the other will point out the remedies.

1. The weight of money in the hands of companies, and the public encouragement given them, crush the efforts of private adventurers, while their success inspires emulation, and a desire in every individual to carry on a trade equally profitable.

Here a statesman ought nicely to examine the advantages which the company reaps from the incorporation of their stock, and those which proceed from the public encouragement given to the undertaking; that with an impartial hand, he may make an equal distribution of public benefits. And when he finds it impossible to contribute to the advancement of the public good, by communicating the privileges of companies to private adventurers, he ought to facilitate the admittance of every person properly qualified into such associations.

2. The second disadvantage of companies, is, a concomitant of that benefit so sensibly felt by the state, from the union of their interest, while they purchase in foreign markets: the same union which, at the time of buying, secures the company from all competitions, proves equally disadvantageous to those who purchase from them at home. They are masters of their price, and can regulate their profits by the *height* of demand; whereas they ought

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to keep them constantly proportioned to the real value of the merchandize.

The advantages resulting from the union of many private stocks is common to all companies; but those we have mentioned to proceed from the union of their interest, is peculiar to those who carry on an exclusive trade in certain distant parts of the world. We have, in a former chapter, laid down the maxims which influence the conduct of a statesman in regulating the prices of merchandize, by watching over the balance of work and demand, and by preserving the principles of competition in their full activity. But here a case presents itself, where, upon one side of the contract, competition can have no effect, and where its introduction, by destroying the exclusive privilege of the company to trade in certain countries, is forbid for the sake of the public good.

What method, therefore, can be fallen upon to preserve the advantage which the nation reaps from the company's buying in foreign parts without being exposed to competition; and at the same time to prevent the disadvantage to which the individuals of the society are exposed at home, when they endeavour, in competition with one another, to purchase from a company, who, in virtue of the same exclusive privilege, are united in their interest, and become masters to demand what price they think fit.

It may be answered, that it cannot be said of companies as of private dealers, that they profit of every little circumstance of competition, to raise their price. Those have a fixed standard, and all the world buys from them at the same rate; so that retailers, who supply the consumption, have in one respect this notable advantage, that all buying at the same price, no one can undersell another; and the competition between them secures the public from exorbitant prices.

I agree that these advantages are felt, and that they are real; but still they prove no more than that the establishment of companies is not so hurtful to the interest of those who consume their goods,

as it would be could they profit to the utmost of their exclusive privilege in selling by retail. But it does not follow from this, that the profits upon such a trade do not rise (in consequence of their privilege) above the standard proper for making the whole commerce of a nation flourish. The very jealousy and dissatisfaction, conceived by other merchants, equally industrious and equally well deserving of the public, because of the great advantages enjoyed by those incorporated, under the protection of exclusive privileges, is a hurt to trade in general, is contrary to that principle of impartiality which should animate a good statesman, and should be prevented if possible. Let us therefore go to the bottom of this affair; and, by tracing the progress of such mercantile undertakings, as are proper objects for the foundation of companies, and which entitle them to demand and to obtain certain exclusive privileges, let us endeavour to find out a method by which a statesman may establish such societies, so as to have it in his power to lay their inland sales under certain regulations, capable to supply the want of competition; and to prevent the profits of exclusive trade from rising, considerably, above the level of *that* which is carried on without any such assistance from the public.

While the interest of companies is in few hands, the union of the members is more intimate, and their affairs are carried on with more secrecy. This is always the case in the infancy of such undertakings. But the want of experience frequently occasions considerable losses; and while this continues to be the case, no complaints are heard against such associations. Few pretend to rival their undertaking, and it becomes at first more commonly the object of raillery than of jealousy. During this period, the statesman should lay the foundation of his authority; he ought to spare no pains nor encouragement to support the undertaking; he ought to inquire into the capacity of those at the head of it; order their projects to be laid before him; and when he finds them reasonable, and well planned, he ought to take unforeseen losses upon himself:

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he is working for the public, not for the company; and the more care and expence he is at in setting the undertaking on foot, the more he has a right to direct the prosecution of it towards the general good. This kind of assistance given, entitles him to the inspection of their books; and from this, more than any thing, he will come at an exact knowledge of every circumstance relating to their trade. By this method of proceeding, there will be no complaints on the side of the adventurers, they will engage with cheerfulness, being made certain of the public assistance, in every reasonable undertaking; their stock becomes in a manner insured, individuals are encouraged to give them credit, and from creditors they will naturally become associates in the undertaking. So soon as the project comes to such a bearing as to draw jealousy, the bottom may be enlarged by opening the doors to new associates, in place of permitting the original proprietors to augment their stock with borrowed money; and thus the fund of the company may be increased in proportion to the employment found for it, and every one will be satisfied.

When things are conducted in this way, the authority of public inspection is no curb upon trade; the individuals who serve the company are cut off from the possibility of defrauding: no mysteries, no secrets, from which abuses arise, will be encouraged; trade will become honourable and secure, not fraudulent and precarious; because it will grow under the inspection of its protector, who only protects it for the public good.

Why do companies demand exclusive privileges, and why are they ever granted, but as a recompense to those who have been at great expence in acquiring a knowledge which has cost nothing to the state? And why do they exert their utmost efforts to conceal the secrets of their trade, and to be the only sharers in the profits of it, but to make the public refund tenfold the expence of their undertaking.

When companies are once firmly established, the next care of a statesman, is, to prevent the profits of their trade from rising above a certain standard. We speak at present of those only, who, by exclusive privileges, are exposed to no competition at their sales. One very good method to keep down prices, is, to lay companies under a necessity of increasing their stock as their trade can bear it, by the admission of new associates; for by increasing the company's stock, you increase, I suppose, the quantity of goods they dispose of, and consequently diminish the competition of those who demand of them: but as even this will not have the effect of reducing prices to the adequate value of the merchandize (a thing only to be done by competition) the statesman himself may interpose an extraordinary operation. He may support high profits to the company, upon all articles of luxury consumed at home, in favour of keeping down the prices of such goods as are either for exportation or manufacture.

This can only be done when he has companies to deal with: in every other case, the principles of competition between different merchants, trading in the same goods, upon separate interests, makes the thing impossible. But where the interests of the sellers, which are the company, are united, and where there is no competition, they are masters of their price, according to the principles laid down in the seventh chapter. Now, provided the dividend upon the whole stock be a sufficient recompense both for the value of the fund, and the industry of those who are employed to turn it to account, the end is accomplished. Extraordinary profits upon any particular species of trade cast a discouragement upon all others.

We very frequently see that great trading companies become the means of establishing public credit; on which occasions, it is proper to distinguish between the trading stock of the company, which remains in their possession, and the actions, bonds, annuities, contracts, &c. which carry their name, and which have nothing but the name in common. The price of the first is constantly regulated

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by the profits upon the trade; the price of the other, by the current value of money.

Let me next observe the advantage which might result to a nation, from a prudent interposition of the statesman, in the regulation of a tariff of prices for such goods as are put to sale without any competition on the side of the sellers.

The principles we have laid down, direct us to proscribe, as much as possible, all foreign consumption, especially that of work; and to encourage as much as possible the exportation of it. Now, if what the India company of England, for example, sells to strangers, and exports for a return in money, is equal to the money she herself has formerly exported, the balance upon the India trade will stand even. But if the competition of the French and Dutch is found hurtful to the English company in her outward sales, may not the government of that nation lend a hand towards raising the profits of the company, upon tea, china, and japan wares, which are articles of superfluity consumed by the rich, in order to enable the company to afford her silk and cotton stuffs to strangers, at a more reasonable rate? These operations, I say, are practicable, where a company sells without competition, but are never to be undertaken, but when the state of its affairs are perfectly well known; because the prices of exportable goods might, perhaps, be kept up by abuse and mismanagement, and not by the superior advantages which other nations have in carrying on a like commerce. The only remedy against abuse is reformation. But how often do we see a people laid under contribution in order to support that evil!

Companies, we have said, owe their beginning to the difficulties to which an infant commerce is exposed: these difficulties once surmounted, and the company established upon a solid foundation, new objects of profit present themselves daily; so much, that the original institution is frequently eclipsed, by the accessory interests of the society. It is therefore the business of a statesman to take care.

care that the exclusive privileges granted to a society, for a certain purpose, be not extended to other interests, nowise relative to that which set the society on foot, and gave it a name. And when exclusive privileges are given, a statesman should never fail to stipulate for himself, a particular privilege of inspection into all the affairs of the company, in order to be able to take measures which effectually prevent bad consequences to the general interest of the nation, or to that of particular classes.

Let this suffice at present, as to the privileges enjoyed by companies in foreign trade. Let me now examine the nature of such societies in general, in order to discover their influence on the mercantile interests of a nation, and how they tend to bring every branch of trade to perfection, when they are established and carried on under the eye of a wise administration.

Besides the advantages and disadvantages above mentioned, there are others found to follow the establishment of trading companies. The first proceed from *union*, that is, a common interest; the last from *division*, that is, from separate interests.

A common interest unites, and a separate interest disunites the members of every society; and did not the first preponderate among mankind, there would be no society at all. Those of the same nation may have a common interest relative to foreigners, and a separate interest relative to one another; those of the same profession may have a common interest relative to the object of their industry, and a separate interest relative to the carrying it on: the members of the same mercantile company may have the same interest in the dividend, and a separate interest in the administration of the fund which produces it. The children of the same family, nay even a man and his wife, though tied by the bonds of a common interest, may be disjoined by the effects of a separate one. Mankind are like loadstones, they draw by one pole, and repel by another. And a statesman, in order to cement his society, should know how to engage

engage every one, as far as possible, to turn his attracting pole towards the particular center of common good.

From this emblematical representation of human society, I infer, that it is dangerous to the common interest, to permit too close an union between the members of any subaltern society. When the members of these are bound together, as it were by every articulation, they in some measure become independent of the great body; when the union is less intimate, they admit of other connections, which cement them to the general mass*.

Companies ought to be permitted, consistently with these principles. Their mercantile interests alone ought to be united, in so far as union is required to carry on their undertaking with reasonable profits; but beyond this, every subaltern advantage by which the associates might profit, in consequence of their union, ought to be cut off; and the public should take care to support the interest of any private person against them, on all occasions, where they take advantage of their union to hurt the right of individuals. Let me illustrate this by an example. Several weavers, fishermen, or those of any other class of the industrious, unite their stocks, in order to overcome those difficulties to which single workmen are exposed, from a multiplication of expences, which might be saved by their association. This company makes a great demand for the materials necessary for carrying on their business. By this demand they attach to themselves a great many of the industrious not incorporated, who thereby get bread and employment. So far these find an advantage: but in proportion as the undertaking is extended, and the society becomes able to engross the whole, or a considerable part of such a manufacture, they destroy their competitors; and by forming a single interest, in the purchase of the materials requisite, and in the sale of their manufactures, they profit in the first case, by reducing the gains of their subaltern assistants below

* This was writ before the society of Jesuits was suppressed in France.

the proper standard; and in the second, they raise their own profits too far above what is necessary.

The method, therefore, to prevent such abuses, is, for a statesman to interpose; not by restraining the operations of the company, but by opposing the force of principles similar to those by which they profit, in such a manner as to render their unjust dealings ineffectual. If the weavers oppress the spinners, for instance, methods may be fallen upon, if not by incorporating the last, at least by uniting their interests, so as to prevent a hurtful competition among them. He may discourage too extensive companies, by establishing and supporting others, which may serve to preserve competition; and he may punish, severely, every transgression of the laws, tending to establish an arbitrary dependence on the company. In short, while such societies are forming, he ought to be their protector; and when they are formed, he ought to take those whom they might be apt to oppress under his protection.

In establishing companies for manufactures, it is a good expedient to employ, in such undertakings, none but those who have been bred to the different branches of their business. When people of fortune, ignorant and projecting, interest themselves in infant manufactures, with a view to become suddenly rich, they are so bent upon making vast profits, proportioned to their stock, that their hopes are generally disappointed, and the undertaking fails. Pains-taking people, bred to frugality, content themselves with smaller gains; but under the public protection, these will swell into a large sum, and the accumulation of small profits will form a new class of opulent people, who adopt, or rather retain the sentiments of frugality with which they were born.

Thus, for instance, in establishing fisheries, in place of private subscriptions from those who put in their money from public spirit, and partly with a view to draw an interest for it; or from those who are allured by the hopes of being great gainers in the end, (the last I call projectors) the public should be at the great expence requisite;

requisite; and coopers, fail-makers, rope-makers, ship-carpenters, net-makers; in short, every one useful to the undertaking, should be gratuitously taken in for a small share of the profits; and by their being lodged together in a building, or town, proper for carrying it on, every workman becomes an undertaker to the company, for the articles of his own work. No man concerned directly in the enterprize, should reside elsewhere than in the place: any one of the associates may undertake to furnish what cannot be manufactured at home at fixed prices. Thus the whole expence of the public in the support of the undertaking, may circulate through the hands of those who carry it on; and every one becomes a check upon another, for the sake of the dividend upon the general profits. One great advantage in carrying on undertakings in this manner, is, that although those concerned draw no profit at all upon the undertaking itself, they find their account in it, upon the several branches of their own industry. The herring trade was at first set on foot in Holland by a company of merchants, who failed; and their stock of busses, stores, &c. being sold at an under value, were bought by private people, who had been instructed (at the expence of the company's miscarriage) in every part of the trade, and who carried it on with success. Had the company been set up at first in the manner here mentioned, their trade would never have suffered any check.

C H A P. XXXI.

Recapitulation of the Second Book.

HAVING paved the way in the first book, for a particular inquiry into the principles of modern political oeconomy; in the introduction to this, I shew that the ruling principle of the science, in all ages, has been to proceed upon the supposition that every one will act, in what regards the public, from a motive of private interest; and that the only public spirited sentiment any statesman has a right to exact of his subjects, is their strict obedience to the laws. The union of every private interest makes the common good: this it is the duty of a statesman to promote; this consequently ought to be the motive of all his actions; because the goodness of an action depends on the conformity between the motive and the duty of the agent. We can, therefore, no more subject the actions of a statesman to the laws of private morality, than we can judge of the dispensations of providence by what *we* think right and wrong*.

* From the want of attending duly to this distinction, some have been led into the blasphemy of imputing evil to the Supreme Being. There is no such thing as evil in the universe; all is good, all is absolutely perfect. The most flagitious actions tend to universal good: even these, in one respect, may be called the actions of God, as all that is done is done by him; but with respect to the *motive* which God had in doing them, it is pure in the most sublime degree; the action is impious and wicked, with respect only to the agent; and his wickedness does not proceed from the action itself, but from the want of conformity between his duty and his motive in acting. Now if the punishment of such a transgression (which is also considered as the action of the Supreme Being) enters into the system of general good, is it not a monstrous folly to call it unjust? We know the duties of man, we know the duties of governors, but we know not the duties of God, if we may be allowed to make use of so very improper an expression,

CHAP. I. In treating the principles of any science, many things must be blended together, at first, which in themselves are very different. In the first book I considered multiplication and agriculture as the same subject; in the second, trade and industry are represented as mutually depending on one another. To point out this relation, I give a definition of the one and the other, by which it appears, that to constitute trade, there must be a consumer, a manufacturer, and a merchant. To constitute their industry, there must be freedom in the industrious. His motive to work must be in order to procure for himself, by the means of trade, an equivalent, with which he may purchase every necessary, and remain with something over, as the reward of his diligence. Consequently, industry differs from labour, which may be forced, and which draws no other recompence, commonly, than bare subsistence. Here I take occasion to shew the hurtful effects of slavery on the progress of industry; from which I conclude, that its progress was in a great measure prevented by the subordination of classes under the feudal government; and that the dissolution of that system established it. Whether trade be the cause of industry, or industry the cause of trade, is a question of little importance, but the principle upon which both depend is a taste for superfluity in those who have an equivalent to give; this taste is what produces demand, and this again is the main spring of the whole operation.

CHAP. II. We have substituted throughout this book, the term demand, to express the idea we conveyed in the last by that of wants; and since the subject becomes more complex, and that we have many more relations to take in, I must make a recapitulation of all the different acceptations of this term demand.

expression, and it is for this reason only, that we cannot judge of the goodness of his providence. We must therefore take it for granted; and this is one object of what divines call faith, the belief of things not seen, when the disbelief of them would imply an absurdity.

Demand, in the first place, is always *relative to merchandize*; it is the buyer who demands; the seller offers to sale. 2. It is said to be *reciprocal*, when there is a double operation, that is, when the seller in the first, becomes the buyer in the second case; and then, taking the two operations in one view, we call those *demands* who have paid the highest price. 3. Demand is *simple*, or *compound*; *simple*, when there is no competition among the buyers; *compound*, when there is. 4. It is *great* or *small*, according to the *quantity* demanded. And 5. *high* or *low*, according to the *price* offered. The nature of a *gradual* increase of demand, is to encourage industry, by augmenting the supply; that of a *sudden* increase, is to make prices rise. This principle has not every where the same efficacy in producing these varieties: it is checked in its operations between merchants, who seek their profit; and it is accelerated among private people, who seek for subsistence, necessaries, or luxurious gratifications.

CHAP. III. I come next to deduce the origin of trade and industry, which I discover from the principles of the first book, where bartering of necessaries was understood to be trade; and I find that the progress of this is owing to the progress of multiplication and agriculture. When a people arrive at a moral impossibility of increasing in numbers, there is a stop put to the progress of barter. This grows into trade, by the introduction of a new want (*money*) which is the universal object of desire to all men. While the desires of man are regulated by their physical wants, they are circumscribed within certain limits. So soon as they form to themselves others of a political nature, then all bounds are broken down. The difficulty of adapting wants to wants, naturally introduces money, which is an adequate equivalent for every thing. This constitutes *sale*, which is a refinement on barter. Trade is only a step farther; it is a double sale, the merchant buys, not for himself, but for others. A merchant is a machine of a complex nature. Do you want, he supplies you; have you any superfluities, he relieves you of them; do you want some of the universal equivalent money, he gives it you,

by creating in you a credit in proportion to your circumstances. The introduction of so useful a machine, prompts every one to wish for the *power of using it*; and this is the reason why mankind extend their labour beyond the mere supply of their physical wants.

Trade therefore abridges the tedious operations of sale and barter, and brings to light many things highly important for individuals, who live by relieving the wants of others, to know. It marks the standard of *demand*, which is, in a manner, the voice of the statesman, conducting the operations of industry towards the relief of wants; and directing the circulation of subsistence towards the habitations of the necessitous.

CHAP. IV. The consequence of this, is to determine the value of commodities, and to mark the difference between *prime cost* and *selling prices*. The first depends upon the time employed, the expence of the workman, and the value of the materials. The second is the sum of these, added to the profit upon alienation. It is of consequence to distinguish exactly between these two constituent parts of price, the *cost* and the *profit*: the first is invariable after the first determination, but the second is constantly increasing, either from delay in selling off, or by the multiplicity of alienations; and the more exactly every circumstance with regard to the whole analysis of manufactures is examined, the easier it is for a statesman to correct every vice or abuse which tends to carry prices beyond the proper standard.

CHAP. V. Nothing tends to introduce an advantageous foreign trade more than low and determined prices. In the first place, it draws strangers to market. This we call *passive commerce*. Secondly, it gives merchants an opportunity to distribute the productions of their country with greater advantage among other nations, which is what we call *active foreign trade*. In this chapter, I trace the effects of the last species. I shew how merchants profit at first of the ignorance of their correspondents; how they engage them to become luxurious; how the competition between themselves, when profits

profits are high, make them betray one another; and how the most ignorant savages are taught to take advantage of the discovery; how this intercourse tends to unite the most distant nations, as well as to improve them; and how naturally their mutual interest leads them to endeavour to become serviceable to one another.

CHAP. VI. I next endeavour to shew the effects of trade upon those nations who are passive in the operation. Here I take an opportunity of bringing in a connection between the principles of trade, and those of agriculture, and I shew on what occasions passive trade may tend to advance the cultivation of lands, and when it cannot. Upon this, I build a principle, that when passive trade implies an augmentation of the domestic consumption of subsistence, in order to carry it on, then will agriculture be advanced by it, and not otherwise; and as the first is commonly the case, from this I conclude, that trade naturally has the effect of increasing the numbers of mankind in every country where it is established. I next trace the consequences of a growing taste for superfluity, among nations living in simplicity; and I shew how naturally it tends to promote industry among the lower classes, providing they be free; or to make them more laborious, supposing them to be slaves: from which I conclude, that where the advancement of refinement requires the head, that is, the ingenuity and invention of man, those who are free have the advantage; and where it requires hands, that is to say labour, that the advantage is on the side of the slaves: slavery, for example, might have made Holland; but liberty alone could have made the Dutch.

CHAP. VII. Having given a rough idea of trade in general, I come to a more accurate examination of the principles which a statesman must keep in view, in order to carry it to perfection, by rendering it a means of promoting ease and affluence at home, as well as power and superiority abroad. As a private person becomes easy in his circumstances in proportion to his industry, and so rises above the level of his fellows, in like manner, does an industrious nation become

become wealthy, and acquires a superiority over all her less industrious neighbours.

The principle which sets trade on foot we have shewn to be *demand*, what supports it and carries it to its perfection is *competition*. These terms are often confounded, or at least so blended together as to produce ideas incorrect, dark, and often contradictory: for this reason I have judged an analysis of them necessary, comparing them together, and pointing out their relations, differences, and coincidences.

Demand and *competition* are both relative to buying and selling; but *demand* can only be applied to *buying*, and *competition* may be applied to either.

Demand marks an inclination to have, *competition* an emulation to obtain a preference.

Demand can exist without *competition*, but *competition* must constantly imply *demand*.

Demand is called *simple*, when there appears only one interest on the side of the buyers.

Competition is called *simple*, when it takes place on one side of the contract only, or when the emulation is at least much stronger on one side than on the other.

Demand is called *compound*, when more interests than one are found among those who desire to buy.

Competition is called *compound*, when an emulation is found to prevail on both sides of the contract at once.

Simple competition raises prices; *double competition* restrains them to the adequate value of the merchandize.

While *double competition* prevails, the balance of work and demand stands even, under a gentle vibration; *simple competition* destroys and overturns it.

The objects of *competition* frequently determine its force. Merchants buy in order to sell; consequently, their *competition* is in proportion to their views of profit. Hungry people buy to eat, and their

their *competition* is in proportion to their funds. The luxurious buy to gratify their desires, their *competition* is in proportion to these. Strong *competition* on one side, makes it diminish on the other; and when it becomes so strong as effectually to unite the interests on one side of the contract, then it becomes absolutely *simple*; this totally overturns the balance, and must in a short time destroy the divided interest.

CHAP. VIII. I next examine the relative terms of *expence, profit and loss*. The relations they bear, are often not expressed, which involves those who use them in ambiguities proper to be avoided. I therefore call expence *national*, when the national stock is diminished by it, in favour of other states; it is *public*, when the money proceeding from a national contribution is expended by the state within the country; and *private expence* is the laying out of money belonging to private people or private interests: this has no other effect than to promote domestic circulation. I farther distinguish between what we call *spending*, and what is called *advancing of money*; the first marks an intention to consume; the second marks a view to a subsequent alienation.

Profit is either *positive, relative, or compound*.

Positive, when some body gains and no body loses; *relative*, when some body gains exactly what is lost by another; and *compound*, when the gain of one implies a loss to another, but not equal to the full value of the gain. The same distinction may be applied to loss.

CHAP. IX. Having laid down the fundamental principles which influence the operations of trade and industry, I take a view of their political consequences, and of the effects resulting to a state, which has begun to subject her political oeconomy to the interests of commerce; and such a state I call a *trading nation*.

The first consequence is an augmentation of demand for the work of the people; because they begin now to supply strangers. If this augmentation is sudden, it will *raise* demand; if it be gradual,

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it will *increase* it. If prices rise upon one extensive branch of industry, they must rise upon all; because a competition for hands must take place: the farmer looks out for servants, and must dispute them with the loom; and the first must draw back his additional expence upon the sale of his articles of the first necessity. Upon this revolution, wo to those who cannot increase their fund of subsistence in proportion to the augmentation of their expence! Nothing is so agreeable as the gradual rise of profits upon industry, and nothing so melancholy as the stop, which is the necessary consequence of all augmentations. When prices rise high, the market is deserted, and other nations profit of this circumstance to obtain a preference. From hence I conclude, that the *rise* of demand is the forerunner of decay in trade; and the *augmentation* of it, the true foundation of lasting opulence. But as an augmentation of supply may imply an augmentation of inhabitants, the statesman must constantly keep subsistence in an easy proportion to the demand for it: on this the whole depends. Plentiful subsistence is the infallible means of keeping prices low; and sudden and violent revolutions in the value of it, must ruin industry, in spite of a combination of every other favourable circumstance. The reason is plain: that article alone, comprehends two thirds of the whole expence of all the lower classes, and their gains must be in proportion to their expence; but as the gains of those who work for exportation are fixed, in a trading nation, by the effects of foreign competition, if their subsistence is not kept at an equal standard, they must live precariously, or in a perpetual vicissitude between plenty and want. From this may be gathered the infinite importance of distinguishing, in every trading nation, where the prices of subsistence are liable to great and sudden variations, these who supply strangers from those who supply their countrymen. As also the inconceivable advantage which would result from such a police upon grain, as might keep the price of it within determined limits.

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CHAP. X. This doctrine leads me naturally to consider the proportions between *demand* and *supply*, and for the better conveying my ideas, I have considered them as two quantities suspended in the scales of a political balance, which I call that of *work and demand*; preferring the word *work* to that of *supply*, because it is the interests of the workmen which chiefly come under our consideration.

When the *work* is proportioned to the *demand*, the balance vibrates under the influence of double competition; trade and industry flourish: but as the operation of natural causes must destroy this equilibrium, the hand of a statesman becomes constantly necessary to preserve it.

After representing the different ways in which the balance comes to be subverted (by the *positive* or *relative* preponderancy of either scale) I point out the consequences of this neglect in the statesman's administration. If the scale of *work* should preponderate, that is, if there be more work than demand, either the workmen enter into a hurtful competition, which reduces their profit below the proper standard and makes them starve; or a part of the goods lie upon their hands, to the discouragement of industry. If the scale of demand should preponderate, then either prices will rise and profits consolidate, which prepares the way for establishing foreign rivalry, or the demand will immediately cease, which marks a check given to the growth of industry.

Every subversion, therefore, of this balance, implies one of four inconveniences, either the industrious starve one another; or a part of their work provided lies upon hand; or their profits rise and consolidate; or a part of the demand made, is not answered by them. These I call the immediate effects of the subversion of this balance. I next point out the farther consequences which they draw along with them, when the statesman is not on his guard to prevent them.

A statesman must be constantly attentive, and so soon as he perceives a too frequent tendency in any one of the scales to preponderate,

derate, he ought gently to load the opposite scale, but never except in cases of the greatest necessity, take any thing out of the heavy one. Thus when the scale of demand is found to preponderate, he ought to give encouragement to the establishment of new undertakings, for augmenting the supply, and for preserving prices at their former standard: when the scale of work is on the preponderating hand, then every expedient for increasing exportation must be employed, in order to prevent profits from falling below the price of subsistence.

CHAP. XI. I next examine how this equal balance comes at last to be destroyed.

1^{mo}. The constant increase of work implies an augmentation of numbers, and consequently of food; but the quantity of food depends on the extent and fertility of the soil: so soon therefore as the soil refuses to give more food, it must be sought for from abroad, and when the expence of procuring it rises above a certain standard, subsistence becomes dear; this raises the prices, the market is deserted, and the scale of work is made to preponderate, until the industrious enter into a hurtful competition and starve one another: here the application of public money becomes necessary.

2^{do}. When an idle people, abundantly fed, betake themselves to industry, they can afford, for a while, manufactures at the cheapest rate; because they do not *live* by their industry, but *amuse themselves* with it. Hence the cheapness of all sorts of country work, in former times, and of Nuns work in those we live in. But when the lands become purged of superfluous mouths, and when those purged off come to be obliged to live by their industry alone, then prices rise, and the market is deserted.

3^{to}. When a statesman imprudently imposes taxes, in such a way as to oblige strangers to refund that part paid by the industrious who supply them; this also raises prices, and the market is deserted. Thus the operation of natural causes must bring every augmentation to a stop, unless the hand of a statesman be employed to

check their immediate bad effects. When subsistence becomes scarce, and the improvement of lands too expensive, he must make the public contribute towards the improvement of the soil: when the price of subsistence still rises, from farther augmentations, he must keep it down with public money: and when this operation becomes too extensive, he must content himself with effectuating a diminution of price upon that part of subsistence which is consumed by those who supply foreign markets.

CHAP. XII. Domestic vices alone are not sufficient to undo a trading nation; she must have rivals who are able to profit of them.

While her balance of *work* and *demand* is made to vibrate by alternate *augmentations*, she marches on triumphant, and has nothing to fear: when these come to a stop, she must learn how to stand still, by the help of alternate *augmentations* and *diminutions*, until the abuses in other nations shall enable her again to vibrate by *augmentations*. But so soon as a preponderancy of the scale of work is rectified, by retrenching the number of the industrious, and that the vibrations of the balance are carried on by alternate *diminutions*, in favour of supporting high profits upon industry, then all goes to wreck, and foreign nations, in spite of every disadvantage attending new undertakings, establish a successful rivalship: they take the bread out of the mouths of those who formerly served them; and profiting of the advantages formerly enjoyed by the traders, they make their own balance vibrate by augmentations, which sink the trade of the others by slow degrees, until it becomes extinct.

CHAP. XIII. The rivalship between nations, leads me to inquire how far the form of their government may be favourable or unfavourable to the competition between them. Here I am led into a digression concerning the origin of power and subordination among men, so far as it is rational and consistent with natural equity; and I conclude, that all *subordination* between man and man, in whatever relation they stand to one another, ought to be in proportion

portion to their *mutual dependence*. The degrees of which are as various as the shades of a colour. I divide them however into four. 1. That of slaves upon their masters. 2. That of children upon their parents. 3. That of labourers upon the proprietors of lands. 4. That of the free hands, employed in trades and manufactures, upon their customers. And ascending a moment beyond my sphere, I say, that the subordination of subjects to their sovereigns, in all free governments, extends no farther than to a punctual obedience to the laws. I then proceed to an examination of former principles; and from a confrontation of the politics of our ancestors with the modern system, I conclude, that the great political impediment to the progress of trade and industry, proceeds more from an arbitrary, irregular, and undetermined subordination between classes, and between individuals, than from differences in the regular and established form of their government, legislation, and execution or administration of the supreme authority. While laws only govern, it is of the less importance who makes them, or who puts them in execution.

CHAP. XIV. In this chapter I endeavour to amuse my reader with an application of our principles to the political oeconomy of the Lacedemonian commonwealth, where I shew, that trade and industry are not essential to security and happiness. By making an analysis of Lycurgus's plan, I shew that its perfection was entirely owing to the simplicity of the institution.

CHAP. XV. I come next to the application of general principles to particular modifications of trade.

The balance of work and demand promotes the *foreign* and *domestic* interests of a nation, equally. The *first*, by advancing her power and superiority abroad; the *last*, by keeping every one employed and subsisted at home. These interests are influenced by principles entirely different; and this opens a new combination highly proper to be attended to.

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In the first book, we considered the consumers and suppliers as members of the same society, and as having their interests blended together; but the moment that a question about foreign trade arises, they become entirely separated. Every country appears to be put under the direction of a particular statesman, and these must play against one another as if they were playing at chess. He who governs the consumers, must use his utmost endeavours to teach his people how to supply themselves. He who is at the head of the suppliers, must do what *he* can to render the efforts of the other ineffectual, by selling cheap, and by making it the immediate interest of the subjects of his rival to employ the suppliers preferably to his own countrymen. Here then are two plans, opposite and contrary, to be executed; and we endeavour to point out the principles which ought to influence the conduct of the respective undertakers, in every stage of their prosperity or decline. We lay down the methods of improving every favourable circumstance, so as to advance the end proposed, and shew how to season every unavoidable inconvenience with the best palliatives, when a perfect remedy becomes impracticable.

CHAP. XVI. In this chapter I continue the thread of my reasoning, in order to draw the attention of my readers to the difference between the principles of *foreign* and *domestic* commerce; and setting the latter apart for a subsequent examination, I enter upon an inquiry into the difference between those branches of foreign trade which make nations depend on one another *necessarily*, and those where the dependence is only *contingent*. The first may be reckoned upon, but the last being of a precarious nature, the preservation of them ought to be the particular care of the statesman.

The method to be followed for this purpose, is, to keep the price of every article of exportation at a standard, proportioned to the possibility of furnishing it; and never to allow it to rise higher, let the foreign demand afford ever so favourable an opportunity. The danger to be avoided, is not the high profits, but the *consolidation* of them;

them; this consideration, therefore, must direct the statesman's conduct in this particular. On the other hand, he must take care that the great classes of the industrious, who supply foreign demand, and who, from political considerations, are reduced to the *minimum* of profits, be not by an accidental diminution of that foreign demand reduced below this necessary standard: he therefore must supply the want of foreign demand, by procuring a sale, in one way or other, for whatever part of this industry is found to lie upon hand; and if loss be incurred in this operation, it is better that it should fall on the whole community, who may be able to bear it, than on a single class, who must be crushed under the burthen.

CHAP. XVII. When manufacturers are found without employment, the first thing to be done is to inquire minutely into the cause of it. It may proceed from a rise in the price of subsistence, from a diminution of demand from abroad, or from new establishments of manufactures at home; for each of which the proper remedy must be applied. The complaints of manufacturers are not the infallible sign of a decaying trade; they complain most when their exorbitant profits are cut off. The complaints of the real sufferers, those who lose *the necessary*, are feeble, and seldom extend farther than the sphere of their own misery. The true symptoms of a decaying trade, is to be sought for in the mansions of the rich, where foreign consumption makes its first appearance. A statesman will judge of the decay of *that* trade *which supports and enriches the people*, more certainly from the *ease* of the industrious classes, than from their *distress*. Foreign nations will willingly give *bread* to those who serve them, but very seldom *any thing more*; and from hence I conclude, that the more manufacturers are at their ease, the more a statesman ought to be upon his guard to prevent this temporary advantage from bringing on both national poverty and private distress.

When home consumption begins to be supplied from abroad, and when foreigners desert the market, or refuse our merchandize

when we carry it to them, then we have an infallible proof of declining commerce; although the increase of home demand may immediately relieve every industrious person made idle, and even furnish them with better employment than ever, in supplying the luxury of their countrymen.

A statesman ought to be provided with remedies against every disease. When luxury is on the road of rooting out foreign trade, let him lie upon the catch to pick up every workman made idle from the caprice of fashions, in order to give him useful employment: he may set his own example in opposition to that of the more luxurious, and in proportion as he gains ground upon them, he must open every channel to carry off the manufactures of those he has set to work for the re-establishment of foreign trade. If, on the other hand, he himself be of a luxurious disposition, and that he inclines to encourage it, he ought to take care that the example of dissipation he gives, may not have the effect of diminishing the hands employed for supplying both home consumption and foreign demand. This is accomplished by preserving a plentiful subsistence in the country, and by keeping down the prices of every species of manufacture, by gradually augmenting the hands employed, in proportion to the augmentation of demand; thus his luxury will increase his numbers, without hurting his foreign trade: the great art, therefore, is to adapt administration to circumstances, and to regulate it according to invariable principles.

CHAP. XVIII. But as a statesman is not always the architect of that oeconomy by which his people must be governed, he should know how to remove inconveniencies as well as to prevent them; because he is answerable, in a great measure, for the consequences of the faults of those who have gone before him. Thus when his predecessors have allowed the operation of natural causes to raise prices, and to destroy foreign trade, he must descend into the most minute analysis of every circumstance relating to industry, in order to pluck up by the root the real cause of such augmentations.

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Mistaken remedies, applied in a disease not rightly understood, produce frequently the most fatal consequences.

If a statesman, for instance, should apply the remedy against *consolidated profits*, by multiplying the hands employed in a manufacture, at a time when high prices proceed only from the dearth of living, by this simple mistake he will ruin all: those who really gain no more than a physical-necessary, will then enter into a hurtful competition, and starve one another. But if instead of multiplying hands he augments subsistence, prices will fall; and then by keeping hands rightly proportioned to demand, they will naturally and gradually come down to the lowest standard; and exportation will go on prosperously.

I consider *consolidated profits*, and *high prices of subsistence*, as vices in a state, within the compass of a statesman's care to redress. But there is a third cause of high prices, (that is relatively high, when compared with those in other countries) which will equally ruin foreign trade, in spite of all precautions.

This happens when other nations have learned to profit of their superior natural advantages. I have shewn how vices at home enable foreigners to become our rivals; but without this assistance, every nation well governed, will be able to profit of its own natural superiority, in spite of the best management on the other side. The only remedy in such a case, is, for the nation whose trade begins to decline, in consequence of the natural superiority of other nations, to adhere closely to her *frugality*; to leave no stone unturned to inspire a luxurious taste in her rivals; and to wait with patience until the unwary beginners shall, from that cause, fall into the inconveniencies of dear living, and consolidated profits. Besides this expedient, there are others which depend on a judicious application of public money: an irresistible engine in trade, capable of ruining the commerce of any other nation; (not supporting it by similar operations) and of carrying on exportation, in spite of great natural disadvantages. But these principles are reserved

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for the fifth book, when we come to treat of the application of taxes.

Having pointed out the methods of preserving a foreign trade already established, I next examine how those nations which have been contributing inadvertently to the exaltation of others more industrious, by carrying on with them a trade hurtful to themselves, may put a stop to the exhausting of their own treasures; may learn to supply themselves with every thing necessary; and may be taught to profit of their own natural advantages, so as to become the rivals of those who have perhaps reduced them to poverty; and even to recover, not only their former rank, but to lay the foundation of a political oeconomy capable of raising them to the level of the most flourishing states.

I conclude my chapter, by calling for the attention of my reader to the wide difference there is between *theory*, where all the vices to be corrected appear clear and uncompounded; and *practice*, where they are often difficult to be discovered; and so complicated with one another, that it is hardly possible to apply any remedy which will not be productive of very great inconveniencies. Were the remedies for abuse as easily applied as theory seems to suggest, they would quickly be corrected every where.

Let theorists, therefore, beware of trusting to their science; when in matters of administration, they either advise those who are disposed blindly to follow them; or when they undertake to meddle in it themselves. An old practitioner feels difficulties which he cannot reduce to principles, nor render intelligible to every body; and the theorist who boldly undertakes to remedy every evil; and who foresees none on the opposite side, will most probably miscarry; and then give a very rational account for his ill success. A good theorist, therefore, may be excellent in deliberation, but without a long and confirmed practice, he will ever make a blundering statesman in practice.

CHAP. XIX. Having treated of the fundamental principles of trade and industry; having explained the doctrine of *demand* and *competition*; the theory of *prices*, with the causes of their *rise* and *fall*; the difference between *prime cost* and *profits*; the *consolidation* of these; and the effects of such *consolidation* in any branch of manufacture; I set my subject in a new light, and present it to my readers under a more extended view. Having, as I may say, studied the map of every province, we are now to look at that of the whole country. Here the principal rivers and cities are marked; but all brooks, villages; &c. are suppressed. This is no more than a short recapitulation of what has been gone through already. Trade, considered in this view, divides itself into three districts, or into three stages of life, as it were, *infancy*, *manhood*, and *old age*.

During the *infancy* of trade, the statesman should lay the foundation of *industry*. He ought to multiply wants, encourage the supply of them; in short, pursue the principles of the first book, with this addition, that he must exclude all importation of foreign work. While *luxury* tends only to banish idleness, to give bread to those who are in want, and to advance dexterity, it is productive of the best effects.

When a people have fairly taken a laborious turn, when sloth is despised, and dexterity carried to perfection, then the statesman must endeavour to remove the incumbrances which must have proceeded from the execution of the first part of his plan. The scaffolding must be taken away when the fabric is completed. These incumbrances are high prices, at which he has been obliged to wink, while he was inspiring a taste for industry in the advancement of agriculture and of manufactures; but now that he intends to supply foreign markets, he must multiply hands; set them in competition; bring down the price both of subsistence and work; and when the luxury of his people render this difficult, he must attack the manners of the rich, and give a check to the domestic consumption

consumption of superfluity, in order to have the more hands for the supply of strangers.

The last stage of trade is by far the most brilliant; when, upon the extinction of foreign trade, the wealth acquired comes to circulate at home. The variety of new principles which arise upon this revolution, makes the subject of what remains to be examined in the succeeding chapters.

CHAP. XX. Before I enter upon the principles of inland commerce, I prepare the way, by a short dissertation upon the term luxury. I endeavour to analyse the word to the bottom, to discover, and to range in order, every idea which can be conveyed by it. In this way I vindicate the definition I have given of it (which is the consumption of superfluity) and shew that luxury, as I recommend it, is free from the imputation either of being vicious or abusive.

I distinguish, therefore, between *luxury*, *sensuality*, and *excess*, three terms often confounded, but conveying very different ideas. A person may consume great quantities of superfluity from a principle of ostentation, or even with a political view to encourage industry; him I call *luxurious*. *Sensuality* may be indulged in a cottage, as well as in a palace; and excess is purely relative to circumstances. *Luxury*, therefore, as well as *sensuality*, or any other passion, may be carried to *excess*, and so become vicious. Now *excess* in consumption is vicious in proportion as it affects our *moral*, *physical*, *domestic*, or *political* interests; that is to say, our *mind*, our *body*, our *private fortune*, or the *state*. When the consumption we make, does no harm in any of these respects, it may be called moderate and free from vice.

Our *moral* and *physical* interests are hurt by excess, in *eating*, *drinking*, *love*, and *ease*, or indolence; according as these gratifications do respectively affect the *mind*, or the *body*, or both.

Our *domestic* interest frequently obliges us to call that *excess*, which nature hardly finds *sufficient*; and, on other occasions, both mind and

and body go to destruction, by *excesses* which have contributed to amass the greatest fortunes.

The most direct *physical* inconvenience of excessive luxury, is the loss of foreign trade. The more indirect follow as consequences of those already described; because they may render those employed in the service of the state, negligent and unfit, rapacious and corrupt, but these evils are more properly the *direct* effects of the imperfections of the mind, than consequences resulting *naturally* from excess in the consumption of superfluity. They ought, therefore, to be considered as secondary effects, since they may proceed from avarice as well as prodigality. The correcting of political vices resembles the weeding a bed of tender flowers, the roots are all blended together, and the leaves are almost alike. It is proper, therefore, to have both the discernment and dexterity of a good gardner for such an operation.

CHAP. XXI. From *luxury* I pass to the *physical-necessary*, which I define from the consumption implied by it: a man has his *physical-necessary* when *he is fed, clothed, and protected from harm*. But as these enjoyments, we find, do by no means satisfy his desires, I am led to establish another *necessary* which I call *political*. This I measure also by the consumption implied by it, to-wit, that which is suitable to the *rank* of the person.

Rank again is determined by the *common opinion of men*, and this opinion is founded upon circumstances, which relate to the *birth*, *education*, or *habits* of the person. When common opinion has placed any one in a certain rank, he becomes entitled to enjoy certain articles of *physical-superfluity*, which enter into the competition of his *political-necessaries*: thus, such as are raised above the level of the very lowest class of inhabitants, are entitled to have a Sunday's dress; the farmer has a better coat than a labouring servant; the priest of the parish must have a gown; the magistrate of a little town must have ruffles, perhaps silk stockings; a provost a velvet coat,

coat, and a lord mayor a state coach; these and such like articles constitute what I call the *political-necessary*.

A man's rank sometimes obliges him to certain articles of expence, which may possibly affect even his *physical-necessary*. How frequently do we see people cover their shoulders, at the expence of their belly. The competition between the *desires of our mind*, and those which proceed from our *animal oeconomy* is so strong, that it is frequently hard to determine, whether the incapacity to supply our *physical wants*, proceeds from our having too far gratified our other desires, or from real poverty.

The lowest classes of a people, in a country of trade, must be restrained to their *physical-necessary*; but this restraint must be brought about, not by *oppression*, but by the effects of *competition* alone. While this is supported among people of the same class, it has the effect to reduce them all to the *physical-necessary*, and when it reduces them lower it is a vice, and ought to be checked. A *peculiar ingenuity in some workmen of the same class*, will raise them above this level; and the more they can raise themselves above competition, the greater will their gains be. By becoming masters in any art, they share the profits of those whom they employ; and thus rise in rank and fortune, provided their frugality concur with every other natural or acquired advantage. It is therefore a principle, *to encourage competition universally, until it has had the effect to reduce people of industry to the physical-necessary, and to prevent it ever from bringing them lower*: from this results the necessity of applying every expedient for relieving certain classes of the load of their children, if you incline they should breed; and of preventing taxes and other burthens from affecting them unequally.

CHAP. XXII. I now come to treat directly of inland commerce, as taking place upon the extinction of foreign trade; when all attempts to recover it are found to be vain. In such a situation, a wealthy nation is not to consider itself as undone: an able statesman

man must know how to make his people happy in every situation. It is an universal principle of conduct, private and political, to look forward, and to improve the present from the experience of the past. One great inconvenience resulting from a foreign trade *already lost*, is, that there is no farther question of making any new acquisition of wealth, or of replacing one farthing of what at any time may be sent out of the country. But the greatest inconveniencies are felt in the losing such a trade: these are numberless, when an able statesman is not at hand to prevent them.

That I may point them out in order, I make a short recapitulation of our principles: the slightest hint is sufficient to shew their force; and when my reader is sensible of a repetition, which he finds superfluous, let him reflect that this very circumstance is a proof of their exactness. In this science we must use our principles as a carpenter uses his foot-rule; there is nothing new to him in this instrument; but still he must have it in his hand, to be able to know any thing, with accuracy, concerning his work.

In this chapter I throw in a short dissertation upon the difference between ancient and modern luxury. Their natures and effects are briefly insisted on. I point out the resemblance between the luxury of modern times, and that of the few great trading cities of antiquity; such as Tyre and Carthage; and I shew in what respect it differed from that luxury which proved the downfall of the empires of Asia and Rome.

When empires were once formed, they were ruined by luxury, and preserved by means of their wars: because these made their wealth circulate:

When the trading states took a military turn, and became ambitious of conquest, their ruin soon followed: because war destroyed the industry which made their greatness.

The cause of difference I find to proceed from this; that in the *monarchy*, the riches from which the luxury sprung was the effect of rapine; in the *other*, the effect of industry. The first gave no equivalent

equivalent for their wealth; the others did. Where no equivalent is given in the acquisition; all proportion is lost in the dissipation. The luxury of the robbers was monstrous and violent: that of the merchants, systematical and proportional. The luxury of the monarchies brought on neglect in public affairs: in the cities, it was this neglect which destroyed their luxury. The luxury of the monarchies had nothing to recommend it, but the gratification of the passions: the luxury of the others produced no harm, but from this very circumstance. From the contrast I have drawn, I establish the difference between ancient and modern luxury. The first was violent: the last is systematical, and can be supported by industry and liberty only. A farther consequence is, that as rapine is incompatible with industry, so is arbitrary power: consequently, those absolute princes who establish industry in their country, in order to taste of the sweets of luxury and wealth, put insensibly a bridle in the mouths of their successors, who must, from this consideration alone, submit their government to a regular system of laws and political œconomy.

This is a better scheme for limiting the arbitrary power of Princes than all the rebellions that ever were contrived. Confusion establishes arbitrary power, and order destroys it.

CHAP. XXIII. When a nation, which has long dealt and 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 total stop to it, and to remain as she is, rather than to persist habitually in a practice, which, by a change of circumstances, must have effects very opposite to those advantages which it produced formerly. Such a stop may be brought about by the means of duties and prohibitions, which a statesman can lay on importations, so soon as he perceives that they begin to preponderate with respect to the *exportations* of his own country.

I illustrate this principle by an examination of those which influence the establishment of incorporated cities and boroughs. I shew
how

how these may be considered as so many states, which domestic luxury, taxes, and the high price of living, have put out of a capacity to support a competition with strangers (that is with the open country) which here represents the rest of the world. I shew the reasonableness of such exclusive privileges, in favour of those who share the burthens peculiar to the community, in so far only as regards the supply of their own consumption; and I point out, by what methods any discouragements to industry may be prevented, as often as that industry has for its object the supplying the wants of those who are not included in the corporation.

From the long and constant practice of raising *taxes* within incorporated cities, I conclude, that *taxes* are a very natural consequence of luxury, and of the loss of foreign trade; and as Princes have taken the hint from the cities, to extend them universally, it is no wonder to see foreign trade put an end to, in consequence of such injudicious extensions.

CHAP. XXIV. I next proceed to the methods proper to be used, in the delicate operation of so great a revolution as that of degrading a people from their right of being considered as a trading nation.

If a statesman keeps a watchful eye over every article of importation; and examines minutely, the use every article imported is put to; he will easily discern, when it is proper to encourage, when to restrain, and when to prohibit.

In this examination, however, every relation must be taken in: because the importation of a foreign commodity affects many different interests, some within, some without the nation; some directly, others only consequentially. Nothing is so complex as the interests of trade. The importation of a commodity may first advance the interest of those at home, who furnish the commodities exported, of which the importation is the return. The importation may be useful for the advancement of manufactures, providing it consist in matter fit for them; yet if the whole manufac-
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ture produced from it be for home-consumption, the national interest will, on the whole, be hurt by the importation. The importation of wines and brandies is a great saving upon subsistence, in northern countries, where liquors distilled from grain are made to supply the place of them. These and many other relations must be examined, before a statesman can pass sentence upon an article of importation. The inquiry made, and accounts ballanced on both sides, every hurtful article of importation should be cut off; and when this is done, if the consequence should prove a general stop to exportation, then is foreign trade decently interred, without any violent revolution; because the statesman is supposed to have proceeded gradually, and to have been all the while labouring to increase consumption at home, in proportion as the industrious have been forced to lie idle by the other operations.

When foreign trade is at an end, the number of inhabitants must be reduced to the proportion of home-subsistence, in case their former prosperity had carried them beyond it. The nation's wealth must be kept entire, and made to circulate, so as to provide subsistence and employment for every body.

CHAP. XXV. Let a nation be reduced ever so low in point of foreign commerce, she will always find a demand from abroad for the superfluities of her natural productions; which, if rightly conducted, will prove a means of advancing her national wealth.

If the exportation of subsistence should go forward, while many are found in want at home, a restraint laid upon exportation will not redress the inconvenience; because the wretched will still remain so, unless they are assisted and put in a capacity to dispute the subsistence of their own country with foreign nations. The principal cause of this phenomenon is the preponderancy of the scale of work at home. When home-demand does not fill up the void, of which we have spoken, a vicious competition takes place among those who work for a physical-necessary; the price of their labour

falls

falls below the general standard of subsistence *abroad*; their portion is exported, and they are forced to starve.

A statesman, therefore, at the head of a luxurious people, must endeavour to keep his balance even; and if a subversion is necessary, it is far better it should happen by the preponderancy of the scale of demand. Here is my reason for preferring this alternative.

All subversions are bad, and are attended with bad consequences. If the scale of work preponderates, the industrious will starve; their subsistence will be exported; the nation gains by the balance, but appears in a manner to sell her inhabitants. If the scale of demand preponderates, luxury must increase, but the poor are fed at the expence of the rich, and the national stock of wealth stands as it was. Upon the cessation, therefore, of foreign trade, you must either lose your people, or encourage luxury.

The statesman having regulated the concerns of his outward commerce, must apply more closely than ever to his domestic concerns. I reduce the principal objects of his attention to three: 1. To regulate the progress of luxury according to the hands ready to supply the demand for it. 2. To circumscribe the bounds of it; that is, the multiplication of his people, to the proportion of the extent and fertility of the soil. And in the last place, to distribute his people into classes, according as circumstances (of which he is not master) may demand.

Here I point out the reasons why the progress of luxury does less hurt to a great kingdom than to a small state. Why sumptuary laws are good in an imperial town of Germany, and why they would be hurtful in London or Paris. Why the establishment of a standing army, *in a country fully peopled* and rich, should be accompanied with endeavours to diminish luxury, in order to prevent too great a preponderancy of the scale of demand, and the rising of prices, which would cut off the hopes of recovering a foreign trade.

Having briefly gone through the objects of the statesman's concern, I come to examine the natural consequences of this revolution upon the spirit, government, and manners of a people, who from industrious and frugal are become luxurious and polite.

The traders withdraw their stocks as trade decays, and lend it out at home to landed men, who thereby are enabled to become luxurious. This indemnifies the industrious for the loss of foreign demand. When the money, formerly employed in order to gain more, begins to circulate at home, for providing superfluities, and augmenting domestic consumption, the country appears daily to be growing more opulent; tradesmen and manufacturers, who were formerly confined to a physical-necessary, are now easy in their circumstances; they increase their consumption; this accelerates circulation; an air of plenty and ease spreads over the face of the country; and the very consequences of their decline, are construed as invincible proofs of their growing prosperity.

Riches may be considered by a statesman in three different lights; as a mine when they are locked up; as an object of trade when they are employed in order to gain more; or as an object of luxury, and fund for taxation, when they are spent in the gratification of our political wants.

The general cast of mind and disposition of the inhabitants of every country (in so far as regards money) may, I think, be reduced to one or other of these three modifications. It is the business of a statesman to work upon the spirit of his people, so as to model their taste of expence by insensible degrees, and to bring it to be analogous to that principle which is most conducive to national prosperity. Hoarding in private people, can hardly ever be advantageous to a state; when the state hoards, the case is very different, as shall be shewn. While money is employed to gain more, it never can procure to the proprietor, either power or authority; but when, in the last case, it is employed for the gratification of our desires, in the hands of the ambitious, it acquires power; consequently,

frequently, may rival that influence which no person ought to enjoy; but he who is at the head of the state. This is the mother of faction, and the root from which all hurtful parties spring. It is by such means that governments (be they good or bad) are brought into anarchy. Private wealth corrupted, and at last destroyed the excellence of the Roman commonwealth: and private wealth alone established the liberty of Holland upon the ruins of Spanish tyranny. So soon therefore as the inhabitants of a country begin to employ their riches to gratify their inclinations, at the same time should a statesman begin to make himself rich, in order to preserve that superiority which is essential to *him* who sits at the head of every principle of action. And whenever this lies beyond his reach, the power he had will soon disappear; and the government will take a new form.

A statesman acquires wealth by imposing taxes upon his people: rapine is the tax of the despote; capitation, land tax, and others which affect persons, are those of the monarch; excises upon consumption are imposed by limited governments. The first lay all flat, the second affect growing wealth, the last accelerate dissipation. I conclude my chapter with some little historical illustrations concerning the power and influence of great men in a state, under different circumstances.

CHAP. XXVI. I next consider the nature of what I call the *balance of wealth*. The more circulation there is in a country, the more this object becomes important. While the greatest part of a nation's coin was locked up; or while it circulated by rapine and extortion, the effects discovered in modern times, where it circulates by industry, and as an adequate equivalent for services, were hardly perceived.

The specie, or circulating coin of a country, must be considered as a part of the national patrimony. This is constantly changing hands in a country of industry, and he who is proprietor of any part of it, is in so far a proprietor of the public stock.

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With this species of property, every other may be acquired. When it is given as the price of land, such an exchange produces no alteration in the respective situation of the parties. An estate in land is neither better or worse than another in coin of the same value. If I purchase an annuity, or pay off my debts with the coin I have in my pocket, neither I or the person with whom I transact, make any change of situation in point of wealth.

But if I lay out my coin for consumable commodities for my own use, then so soon as any part of what I buy is consumed, I become poorer: for this operation annihilates, in a manner, as to me, the coin I had. This I call a vibration in the balance of wealth; I grow poorer, and he who produced the consumable commodity for my use, is so far richer: the balance, therefore, is turned against me, in his favour.

As many people, therefore, live by producing consumable commodities, one use of coin is to render inconsumable, as it were, that part of them which is superfluous to our own consumption. By this operation the superfluity passes into other hands who consume it, and the coin which the industrious receive in return purchases a supply for all their wants, in proportion as they choose to relieve them.

The vibration of the balance of wealth, therefore, is no more, than the changes which are daily taking place, as to the relative proportion of riches between the individuals of a state: and as this vibration can only be produced when the coin any one possesses comes to disappear, without his retaining the possession of any real equivalent which he can alienate for the same value; it follows, that the balance is constantly turning in favour of those who either sell their effects, their service, or their work; and this balance they retain, in proportion as their gains exceed their own consumption. On the other hand, the balance is constantly turning against the idle consumers; because they are supposed to produce nothing; consequently, the whole of their consumption goes in diminution of their wealth.

Hitherto the question has only been about the balance of moveable wealth, that is coin; but the introduction of this, together with a taste for superfluity, has the effect of melting down *solid property* into what I call *symbolical money*.

When once this refinement upon the use of money takes place, we see houses, lands, jurisdictions, provinces, principalities, crowns, scepters and empires, thrown into circulation by means of the symbolical money called bank notes, transfer in bank stock, accounts, bonds, mortgages, alienations of domain, mortgage of taxes, and cessions made in definitive treaties.

As frugality and industry are in our days capable of amassing the greatest fortunes in solid property, so is dissipation, by the means of symbolical money, as certain an expedient for the annihilation of them. From this I conclude, that dissipation implies frugality, and frugality dissipation. In every country of great circulation, they balance and destroy one another; and since there is no such thing as equality of fortune to be preserved without prescribing alienation, that is circulation, the next best expedient for making people equal, I think, is to enrich them by turns.

I conclude my chapter by inquiring into the effects of national debts upon the vibration of this balance; and I conclude, from the principles laid down, that with respect to the collective interests of the state, that is, between the state itself, the creditors, and the people, there is no vibration of wealth produced by loans to the public. But that according as the money borrowed is spent in the country or abroad, in so far the balance is either made to vibrate between individuals at home, or to turn against the state in favour of foreign nations.

CHAP. XXVII. I next endeavour to shew how necessary a thing it is for a statesman to acquire a thorough knowledge of the nature and effects of circulation. By this he is able to judge, when the coin *circulating* in the country is sufficient for carrying on alienation; and when it is not, he is taught how to augment the quantity

tity of it, either by drawing it from the repositories as oft as he finds the inhabitants disposed to lock it up; or by substituting symbolical or paper money in place of it, when the metals are really wanting.

Here I observe, that the *circulating* or *current* money of any nation is constantly in proportion to the taste of dissipation in the rich, and application to industry in the poor.

When the dissipation of the rich, tends to call off the industrious from supplying the branches of exportation, then the statesman, in place of facilitating the melting down of solid property in favour of domestic circulation, by the easy introduction of symbolical money, should render this operation more difficult, permitting the lands to be loaded by entails, substitutions, trusts, settlements, and other inventions which may hurt the credit of young people, such as retarding the term of coming to full age, and others of a like nature.

On the other hand, while lands remain ill cultivated; while the numerous classes remain idle and poor; and while much money is found locked up, the very opposite administration is expedient: Every method then must be employed to facilitate and establish the credit of those who have solid property; such as the introduction of loans upon interest; the breaking entails upon estates; the facilitating the sale of them, in favour of the liquidation of all claims competent to the industrious, against the proprietors, even declaring the cause of creditors the favourable side in all ambiguous lawsuits; and, last of all, allowing arrestment of the person for moveable debts, which is supporting the interest of creditors as far, I think, as is possible, in any free nation. Every regulation becomes, in short, expedient, which can favour the industrious, accelerate circulation, and establish a credit to every one in proportion to his worth.

The more money becomes necessary for carrying on consumption, the more it is easy to levy taxes; the use of which is to advance the public

public good, by drawing from the rich, a fund sufficient to employ both the *deserving*, and the *poor*; in the service of the state; or to correct the bad consequences of domestic luxury as to foreign trade, by providing a fund for the payment of bounties upon exportation.

In imposing taxes, a statesman should attend to the nature of those branches of circulation where the balance is made to vibrate, in order to distinguish them from those where no vibration is implied. When a man buys an estate, it would be absurd to make him pay a tax of *cent. per cent.* though you may safely make him pay at that rate, when he buys a pint of gin, or a pound of chocolate.

In taxes, again, upon consumption, a particular attention is to be had, not to confound those which are paid by people who consume to gratify their desires, with those which are paid by such as consume in order to produce; that is to say, those which affect the rich, with those which affect the industrious.

Farther, a statesman must see with perspicuity how far the imposition of taxes may influence the prices of exportable goods; and in so far as prices are influenced by them, they must be refunded with interest, and even when that is not sufficient to support the foreign competition, premiums or bounties are to be thrown in, at the expence of new impositions upon domestic consumption.

As all augmentations must at last come to a stop, so must these expedients for the support of foreign trade against the influence of domestic abuse; but when trade comes to a stop, taxes may be increased; because the considerations in favour of exportation are removed. The statesman then must change his plan, and make use of the power and influence he acquires by an opulent exchequer, to root out the abuses which have dried up the spring from which his country used to receive a continual augmentation of wealth.

I conclude my chapter with this reflection: That under a wise administration, every vice in a state carries a proper antidote along with it.

If luxury extinguishes foreign trade it gives birth to taxation; and money in the hands of a good statesman is an irresistible engine for correcting every abuse.

In treating of taxes, I frequently look no farther than my pen, when I raise my head and look about, I find the politics of my closet very different from those of the century in which I live: I agree that the difference is striking; but still reason is reason, and there is no impossibility in the supposition of its becoming practice.

CHAP. XXVIII. Prices imply alienation for money, and frequent and familiar alienations only can fix a standard.

The price of articles of the first necessity regulate, in a great measure, the price of every thing else. Now the frequent and familiar alienation of such articles implies industry, and a numerous class of free hands; because these only are the buyers. No alienation is implied in the consumption of necessaries, by those whose occupation it is to produce them for themselves. Did every one, therefore, supply himself with necessaries, there would be no alienation of them; consequently, no price fixed. From hence it follows, that the price of necessaries depends on the occupations of a people, and not on the quantity of their specie.

The standard price of *subsistence* is in the compound proportion of the number of those who are obliged to buy, and of the demand found for their labour. Subsistence never can rise above the level of the faculties of the numerous classes of a people; because so soon as a price rises above the faculties of the buyer, his demand is withdrawn; and when the demand of a numerous class is withdrawn, subsistence is found in too great plenty for the rich, to bear a high price.

The more equal, therefore, the faculties of the industrious populace of any country are, the less distress will follow upon scarcity.

city, and those only, whose means cannot reach that standard price, run any risk of starving.

The faculties, therefore, of the *physical-necessarians* (as we have taken the liberty to call them) will, in countries of industry, determine the standard value of subsistence; and the value, in money, which they receive for their work, will determine the standard of those faculties; consequently, the price of subsistence must rise and fall according to the number of workmen, and demand for their work: that is to say, the price of subsistence must be in the compound proportion above mentioned.

Here I am led into an examination of the opinion of Messrs. De Montefquieu and Hume, who think that the price of every thing depends upon the *quantity of specie* in the country, which they consider as the representation of *every thing vendible*; as if these two quantities, the *commodities*, and the *specie*, were divided into aliquot parts, exactly proportioned to one another. I do my endeavour to investigate the meaning of these proportions, in order to shew in what respect they lead to error, in place of throwing light upon an intricate question: and then I propose another doctrine, which is, that nothing can determine the value of a vendible commodity, any where, *but the complicated operations of demand and competition*, which however frequently influenced by wealth, yet never can be regulated by it.

CHAP. XXIX. In this chapter I follow the succession of Mr. Hume's ideas; in his political discourses; and as he is led from his principles to believe, that there is no such thing as a wrong balance of trade against a nation, but on the contrary thinks that the nature of money resembles that of a fluid, which tends every where to a level: In pursuing the consequences of our former reasoning, I shew, that nothing is so easy, or more common than a right or a wrong balance of trade; and I observe, that what we mean by a balance, is not the bringing the fluid to a level, but either the accumulating or raising it in some countries, by the means

means of national industry and frugality, which is a right balance; or the depressing it in others, by national luxury and dissipation, which is a wrong one. Thus, the general doctrine of the *level* can only take place, on the supposition that all nations are equally frugal and industrious; or rather, that they have an equal mixture of these and their opposite qualities, together with a reciprocal trade entirely laid open. When the ideas of different people are fairly exposed, every question comes to be resolved without dispute: vices in reasoning seldom take place but when terms are not rightly understood.

CHAP. XXX. As the intention of this inquiry is not to treat of population, agriculture, trade, industry, &c. as particular subjects, but as objects influencing the political œconomy of modern states, my end is answered, so soon as I find the general principles relating to each sufficiently deduced and ranged under general heads. The use, therefore, of a chapter of miscellaneous questions and observations, is to serve as an exercise on what is gone before; to introduce, without a direct connection, questions analogous to the subject of the book, or to give a further extension to such as I have treated, in the course of the chapters, with too much brevity.

In the first and second questions, I endeavour to shew, that the quantity of coin in any country, is no sufficient rule for judging of the state of her foreign trade; because money may be acquired and expended by operations nowise mercantile. A nation may borrow from foreigners more than the amount of the balance against her: she may pay away, in subsidies, and foreign wars, sums greatly beyond the value of a right balance on her trade. She may call in her specie, and trade with it abroad, while paper is made to circulate in its place at home: or she may lock it up in banks, where it never may appear. In short, the riches of a trading nation may resemble those of a trading man; who may be immensely rich, with very little specie in his possession.

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On the other hand, the riches of a prodigal nation may resemble those of a prodigal man; who may be full of money, borrowed from all hands, upon the credit of a large fund of solid property.

The third question concerns the effects of riches in those countries where trade and industry are little known. Under such circumstances, coin must be locked up, or virtue will go to wreck. Why? Because, if coin circulate where there is no industry, it must circulate for no adequate equivalent in work or service; that is, for the gratification of the passions, or in monstrous prodigality. Experience demonstrated the truth of this principle. While the Greek Monarchs of Asia and Egypt remained in possession of their vast treasures, virtue and simplicity stood their ground; when those riches were thrown into circulation, under the first Roman Emperors, we see the horrible consequences which ensued. What could produce such monsters, except a taste of dissipation, without rational objects to discharge their wealth upon? All the money in the universe, thrown into the hands of an extravagant modern Prince, would not affect his morals; the taste of luxury would soon discharge him of it; and the consequence would be, to enrich those who gratified his desires, and that nearly in proportion to their service. But in antient times, the violence of government stopped the progress of industry: the consequence of which was, that the few productions of it were sold for the most exorbitant prices, and the wealth accumulated by private people commonly occasioned their destruction; because rapine was the only expedient Princes had fallen upon to draw back money into their coffers.

Comparing the antient with our modern œconomy, I find both are curious and entertaining. A contrast often makes us reflect upon circumstances which otherwise might escape our observation.

In the fourth and fifth questions, I apply the principles we have laid down, in order to discover why the establishment of trade and industry

industry has naturally given rise to an established system of taxation, and regular standing armies.

This leads me to compare circumstances relative to the œconomy of Europe some centuries ago, when taxes were almost unknown, with the present times, when they are becoming daily more familiar; and I shew that they are, in a great part, paid in lieu of the personal service to which the subjects were formerly bound, and by the means of which states were supported; and if they are extended beyond this proportion, it is in consequence of a new circulation opened between the state and those who serve it: so that the effect of taxes, spent within a country well governed, is to draw money gratuitously from those who have a superfluity of it, in order to bestow it upon those who are willing and capable to advance the service of the state; that is, in other words, to oblige private people to lay out their money for the service of their country.

From the same principles, and from a very succinct historical deduction of the facts relating to the state of the militia of Europe, from the time of the Romans, I endeavour to shew, that standing armies in our days are become necessary, while Princes have the rage of making war; because, without keeping up such bodies of men in time of peace, the call of the luxurious would provide employment for them, which they would not choose to quit, when the will of their sovereign might command their attendance.

These questions lead me to inquire into the method of estimating the relative power of different states in making war.

Here I reduce power to the two principles of men and money; the men at the command of a state, are those who have a poor and precarious living, or at least a worse condition than that which the state can offer for their military service; consequently, the more a people are usefully employed, the less they are calculated for filling armies. From hence it is that luxury is said to render a nation

effeminate: a true proposition, when rightly understood, relatively to the industrious, not to the luxurious classes of the people.

The annual revenue of a state is in proportion to the circulation; because it is at the time of circulation only that national contributions can be levied with the fewest inconveniencies. Money which does not circulate is of no use to the proprietors, and consequently can be of no utility to the state.

Credit is in proportion to the capacity of paying the interest of money borrowed.

Having abundantly insisted on the advantages of industry in providing for the poor, I now come to consider its permanent effects, after the first end has been accomplished. If a thousand pounds are bestowed upon making a fire-work, a number of people are thereby employed, and gain a temporary livelihood. If the same sum is bestowed for making a canal for watering the fields of a province, a like number of people may reap the same benefit, and hitherto accounts stand even: but the fire-work played off, what remains; but the smoke and stink of the powder? Whereas the consequence of the canal is a perpetual fertility to a formerly barren soil. Here I enter again into an examination and confrontation of ancient and modern œconomy. I shew that the magnificence of the ancients had not the same tendency to destroy simplicity, as the luxury of modern times has; because they owed their magnificence to the slavery of the inferior classes of people, who got no return for their labour farther than bare subsistence. Whereas modern magnificence depends upon industry; which draws after it such a retribution in money, as soon enables those who at first contributed to the luxury of others, to call for the like services from an inferior class, who are entering on the course which the more wealthy abandon.

I conclude this chapter with an inquiry into the principles which ought to regulate the establishment of trading companies. Those principles

principles relate to the *advantages* and *disadvantages* which severally attend them. The principal advantage in common to all, proceeds from the union of private stocks; consequently, the statesman ought to protect companies so far only as this union promotes the end for which they were instituted: but whenever he finds that the strength of united stocks is made use of to oppress the unincorporated industrious, he ought to take these under his protection, by providing an outlet for *their* industry, by which he will frustrate any attempt of turning that into a monopoly, which was intended only to extend trade and industry.

The second advantage is peculiar to such companies as trade to foreign parts under exclusive privileges. By these a state reaps the benefit of keeping prices low in foreign markets; because the company is freed from the competition of their own countrymen. But the inconvenience resulting in consequence of this, is, that as the company *buys*, so they also *sell* without competition. The method, therefore, of preventing the bad consequence of this, is, for the state constantly to be at the great expence of every such settlement in favour of foreign trade; and to grant the exclusive privilege in favour of commerce in general, and not in the common way, as an indemnification to particular people for the expence of making the settlement, or from other political considerations. When an exclusive privilege is granted upon such principles, the state may retain a power of inspection into all their affairs, and may open the doors of the company to new subscribers, in proportion to the demand for the trade, in place of allowing the company to swell their stock with borrowed money. By such means frauds are prevented; a foundation is laid for several mercantile operations, which advance the prosperity of the state, without hurting the company; and jealousy is taken away, by preventing the too close connection between the members of it, when few in number, from degenerating into an oppressive and scandalous monopoly.

END OF THE SECOND BOOK.

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

B O O K I I I .
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A P P L I E D T O T H E C O I N O F G R E A T B R I T A I N .

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