

BOOK IV.

INFLUENCE OF THE PROGRESS OF SOCIETY
ON PRODUCTION AND DISTRIBUTION.

VOL. II.

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BOOK IV.

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CHAPTER I.

GENERAL CHARACTERISTICS OF A PROGRESSIVE STATE OF WEALTH.

§ 1. THE three preceding Parts include as detailed a view as the limits of this Treatise permit, of what, by a happy generalization of a mathematical phrase, has been called the Statics of the subject. We have surveyed the field of economical facts, and have examined how they stand related to one another as causes and effects; what circumstances determine the amount of production, of employment for labour, of capital and population; what laws regulate rent, profits, and wages; under what conditions and in what proportions commodities are interchanged between individuals and between countries. We have thus obtained a collective view of the economical phenomena of society, considered as existing simultaneously. We have ascertained, to a certain extent, the principles of their interdependence; and when the state of some of the elements is known, we should now be able to infer, in a general way, the contemporaneous

state of most of the others. All this, however, has only put us in possession of the economical laws of a stationary and unchanging society. We have still to consider the economical condition of mankind as liable to change, and indeed (in the more advanced portions of the race, and in all regions to which their influence reaches) as at all times undergoing progressive changes. We have to consider what these changes are, what are their laws, and what their ultimate tendencies; thereby adding a theory of motion to our theory of equilibrium—the Dynamics of political economy to the Statics.

In this inquiry, it is natural to commence by tracing the operation of known and acknowledged agencies. Whatever may be the other changes which the economy of society is destined to undergo, there is one actually in progress, concerning which there can be no dispute. In the leading countries of the world, and in all others as they come within the influence of those leading countries, there is at least one progressive movement which continues with little interruption from year to year and from generation to generation; a progress in wealth; an advancement in what is called material prosperity. All the nations which we are accustomed to call civilized, increase gradually in production and in population: and there is no reason to doubt, that not only these nations will for some time continue so to increase, but that most of the other nations of the world, including some not yet founded, will successively enter upon the same career. It will, therefore, be our first object to examine the nature and consequences of this progressive change; the elements which constitute it, and the effects it produces on the various economical facts of which we have been tracing the laws, and especially on wages, profits, rents, values, and prices.

§ 2. Of the features which characterize this progressive economical movement of civilized nations, that which first

excites attention, through its intimate connexion with the phenomena of Production, is the perpetual, and so far as human foresight can extend, the unlimited, growth of man's power over nature. Our knowledge of the properties and laws of physical objects shows no sign of approaching its ultimate boundaries: it is advancing more rapidly, and in a greater number of directions at once, than in any previous age or generation, and affording such frequent glimpses of unexplored fields beyond, as to justify the belief that our acquaintance with nature is still almost in its infancy. This increasing physical knowledge is now, too, more rapidly than at any former period, converted, by practical ingenuity, into physical power. The most marvellous of modern inventions, one which realizes the imaginary feats of the magician, not metaphorically but literally—the electro-magnetic telegraph—sprung into existence but a few years after the establishment of the scientific theory which it realizes and exemplifies. Lastly, the manual part of these great scientific operations is now never wanting to the intellectual: there is no difficulty in finding or forming, in a sufficient number of the working hands of the community, the requisite skill, combined with the requisite intelligence, for executing the most delicate processes of the application of science to practical uses. From this union of conditions, it is impossible not to look forward to a vast multiplication and long succession of contrivances for economizing labour and increasing its produce; and to an ever wider diffusion of the use and benefit of those contrivances.

Another change, which has always hitherto characterized, and will assuredly continue to characterize, the progress of civilized society, is a continual increase of the security of person and property. The people of every country in Europe, the most backward as well as the most advanced, are, in each generation, better protected against the violence and rapacity of one another, both by a more efficient judicature and police for the suppression of private crime, and by

the decay and destruction of those mischievous privileges which enabled certain classes of the community to prey with impunity upon the rest. They are also, in every generation, better protected, either by institutions or by manners and opinion, against the arbitrary exercise of the power of government. Even in semibarbarous Russia, acts of spoliation directed against individuals, who have not made themselves politically obnoxious, are not now so frequent as much to affect any person's feelings of security. Taxation, in all European countries, grows less arbitrary and oppressive, both in itself and in the manner of levying it. Wars, and the destruction they cause, are now confined, in almost every country, to those distant and outlying possessions at which it comes into contact with savages. Even the vicissitudes of fortune which arise from inevitable natural calamities, are more and more softened to those on whom they fall, by the continual extension of the salutary practice of insurance.

Of this increased security, one of the most unailing effects is a great increase both of production and of accumulation. Industry and frugality cannot exist, where there is not a preponderant probability that those who labour and spare will be permitted to enjoy. And the nearer this probability approaches to a certainty, the more do industry and frugality become pervading qualities in a people. Experience has shown that a large proportion of the results of labour and abstinence may be taken away by fixed taxation, without impairing, and sometimes even with the effect of stimulating, the qualities from which a great production and an abundant capital take their rise. But those qualities are not proof against a high degree of uncertainty. You may carry off a part; but there must be assurance that you will not interfere, nor suffer any one to interfere, with the remainder.

One of the changes which most infallibly attend the progress of modern society, is an improvement in the business capacities of the general mass of mankind. I do not mean that the practical sagacity of an individual human being is

greater than formerly. I am inclined to believe that economical progress has hitherto had even a contrary effect. A person of good natural endowments, in a rude state of society, can do a greater number of things well, has a greater power of adapting means to ends, is more capable of extricating himself and others from an unforeseen embarrassment, than ninety-nine in a hundred of those who have known only the civilized form of life. How far these points of inferiority of faculties are compensated, and by what means they might be compensated still more completely, to the civilized man as an individual being, is a question belonging to a different inquiry from the present. But to civilized human beings collectively considered, the compensation is ample. What is lost in the separate bodily and mental efficiency of each, is far more than made up by their greater capacity of united action. In exact proportion as they put off the qualities of the savage, they become amenable to discipline; capable of adhering to plans concerted beforehand, and about which they may not have been consulted; of subordinating their individual caprice to a preconceived determination, and performing severally the parts allotted to them in a combined undertaking. Works of all sorts, impracticable to the savage or the half-civilized, are daily accomplished by civilized nations, not by any greatness of faculties in the actual agents, but through the simple fact, that each is able to rely with certainty on the others for the portion of the work which they respectively undertake. The peculiar characteristic, in short, of civilized beings, is the capacity of co-operation; and this, like other faculties, tends to improve by practice, and becomes capable of assuming a constantly wider sphere of action.

Accordingly there is no more certain incident of the progressive change taking place in society, than the continual growth of the principle and practice of co-operation. Associations of individuals voluntarily combining their small contributions, now perform works, both of an industrial and of many

other characters, which no one person or small number of persons are rich enough to accomplish, or for the performance of which the few persons capable of accomplishing them were formerly enabled to exact the most inordinate remuneration. As wealth increases and business capacity improves, we may look forward to a great extension of establishments, both for industrial and other purposes, formed by the collective contributions of large numbers; establishments like those known by the technical name of joint-stock companies, or the associations less formally constituted, which are so numerous in England, to raise funds for public or philanthropic objects.

The progress which is to be expected in the physical sciences and arts, combined with the greater security of property, and greater freedom in disposing of it, which are obvious features in the civilization of modern nations, and with the more extensive and more skilful employment of the joint-stock principle, afford space and scope for an indefinite increase of capital and production, and for the increase of population which is its ordinary accompaniment. That the growth of population will overpass the increase of production, there is not much reason to apprehend; and that it should even keep pace with it, is inconsistent with the supposition of any real improvement in the poorest classes of the people. It is however quite possible that there might be a great progress in industrial improvement, and in the signs of what is commonly called national prosperity; a great increase of aggregate wealth, and even, in some respects, a better distribution of it; that not only the rich might grow richer, but many of the poor might grow rich, that the intermediate classes might become more numerous and powerful, and the means of enjoyable existence be more and more largely diffused, while yet the great class at the base of the whole might increase in numbers only, and not in comfort nor in cultivation. We must, therefore, in considering the effects of the progress of industry, admit as a supposition, however

greatly we deprecate as a fact, an increase of population as long-continued, as indefinite, and possibly even as rapid, as the increase of production and accumulation.

With these preliminary observations on the causes of change at work in a society which is in a state of economical progress, I proceed to a more detailed examination of the changes themselves.

CHAPTER II.

INFLUENCE OF THE PROGRESS OF INDUSTRY AND POPULATION, ON VALUES AND PRICES.

§ 1. THE changes which the progress of industry causes or presupposes in the circumstances of production, are necessarily attended with changes in the values of commodities.

The permanent values of all things which are neither under a natural nor under an artificial monopoly, depend, as we have seen, on their cost of production. But the increasing power which mankind are constantly acquiring over nature, increases more and more the efficiency of human exertion, or, in other words, diminishes cost of production. All inventions by which a greater quantity of any commodity can be produced with the same labour, or the same quantity with less labour, or which abridge the process, so that the capital employed needs not be advanced for so long a time, lessen the cost of production of the commodity. As, however, value is relative; if inventions and improvements in production were made in all commodities, and all in the same degree, there would be no alteration in values. Things would continue to exchange for each other at the same rates as before; and mankind would obtain a greater quantity of all things in return for their labour and abstinence, without having that greater abundance measured and declared (as it is when it affects only one thing) by the diminished exchange value of the commodity.

As for prices, in these circumstances they would be affected or not, according as the improvements in production did or did not extend to the precious metals. If the materials of money were an exception to the general diminution of cost of production, the values of all other things would

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fall in relation to money, that is, there would be a fall of general prices throughout the world. But if money, like other things, and in the same degree as other things, were obtained in greater abundance and cheapness, prices would be no more affected than values would; and there would be no visible sign, in the state of the markets, of any of the changes which had taken place; except that there would be (if people continued to labour as much as before) a greater quantity of all sorts of commodities, circulated at the same prices by a greater quantity of money.

Improvements in production are not the only circumstance accompanying the progress of industry, which tends to diminish the cost of producing, or at least of obtaining, commodities. Another circumstance is the increase of intercourse between different parts of the world. As commerce extends, and the ignorant attempts to restrain it by tariffs become obsolete, commodities tend more and more to be produced in the places in which their production can be carried on at the least expense of labour and capital to mankind. As civilization spreads, and security of person and property becomes established, in parts of the world which have not hitherto had that advantage, the productive capabilities of those places are called into fuller activity, for the benefit both of their own inhabitants and of foreigners. The ignorance and misgovernment in which many of the regions most favoured by nature are still grovelling, afford work probably for many generations before those countries can be raised even to the present level of the most civilized parts of Europe. Much will also depend on the increasing migration of labour and capital to unoccupied parts of the earth, of which the soil, climate, and situation are found, by the ample means of exploration now possessed, to promise not only a large return to industry, but great facilities of producing commodities suited to the markets of old countries. Much as the collective industry of the earth is likely to be increased in efficiency by the extension of science and of the industrial

arts, a still more active source of increased cheapness of production will be found, probably, for some time to come, in the gradually unfolding consequences of Free Trade, and in the increasing scale on which Emigration and Colonization will be carried on.

From the causes now enumerated, unless counteracted by others, the progress of things enables a country to obtain at less and less of real cost, not only its own productions but those of foreign countries. Indeed, whatever diminishes the cost of its own productions, when of an exportable character, enables it, as we have already seen, to obtain its imports at less real cost.

§ 2. But is it the fact, that these tendencies are not counteracted? Has the progress of wealth and industry no effect in regard to cost of production, but to diminish it? Are no causes of an opposite character brought into operation by the same progress, sufficient in some cases not only to neutralize but to overcome the former, and convert the descending movement of cost of production into an ascending movement? We are already aware that there are such causes, and that, in the case of the most important classes of commodities, food and materials, there is a tendency diametrically opposite to that of which we have been speaking. The cost of production of these commodities tends to increase.

This is not a property inherent in the commodities themselves. If population were stationary, and the produce of the earth never needed to be augmented in quantity, there would be no cause for greater cost of production. Mankind would, on the contrary, have the full benefit of all improvements in agriculture, or in the arts subsidiary to it, and there would be no difference, in this respect, between the products of agriculture and those of manufactures. The former, indeed, so far as present foresight can extend, does not seem to be susceptible of improved processes to so great a degree

as some branches of manufacture; but inventions may be in reserve for the future, which may invert this relation. The only products of industry which, if population did not increase, would be liable to a real increase of cost of production, are those which, depending on a material which is not renewed, are either wholly or partially exhaustible: such as coal, and most if not all metals; for even iron, the most abundant as well as most useful of metallic products, which forms an ingredient of most minerals and of almost all rocks, is susceptible of exhaustion so far as regards its richest and most tractable ores.

When, however, population increases, as it has never yet failed to do when the increase of industry and of the means of subsistence makes room for it, the demand for most of the productions of the earth, and particularly for food, increases in a corresponding proportion. And then comes into effect that fundamental law of production from the soil, on which we have so frequently had occasion to expatiate; the law, that increased labour, in any given state of agricultural skill, is attended with a less than proportional increase of produce. The cost of production of the fruits of the earth increases, *ceteris paribus*, with every increase of the demand.

No tendency of a like kind exists with respect to manufactured articles. The tendency is in the contrary direction. The larger the scale on which manufacturing operations are carried on, the more cheaply they can in general be performed. Mr. Senior has gone the length of enunciating as an inherent law of manufacturing industry, that in it increased production takes place at a smaller cost, while in agricultural industry increased production takes place at a greater cost. I cannot think, however, that even in manufactures, increased cheapness follows increased production by anything amounting to a law. It is a probable and usual, but not a necessary, consequence.

As manufactures, however, depend for their materials either upon agriculture, or mining, or the spontaneous pro-

duce of the earth, manufacturing industry is subject, in respect of one of its essentials, to the same law as agriculture. But the crude material generally forms so small a portion of the total cost, that any tendency which may exist to a progressive increase in that single item, is much over-balanced by the diminution continually taking place in all the other elements; to which diminution it is impossible at present to assign any limit.

The tendency, then, being to a perpetual increase of the productive power of labour in manufactures, while in agriculture and mining there is a conflict between two tendencies, the one towards an increase of productive power, the other towards a diminution of it, the cost of production being lessened by every improvement in the process, and augmented by every addition to population; it follows that the exchange values of manufactured articles, compared with the products of agriculture and of mines, have, as population and industry advance, a certain and decided tendency to fall. Money being a product of mines, it may also be laid down as a rule, that manufactured articles tend, as society advances, to fall in money price. The industrial history of modern nations, especially during the last hundred years, fully bears out this assertion.

§ 3. Whether agricultural produce increases in absolute, as well as comparative cost of production, depends on the conflict of the two antagonist agencies, increase of population, and improvement in agricultural skill. In some, perhaps in most, states of society (looking at the whole surface of the earth) both agricultural skill and population are either stationary, or increase very slowly, and the cost of production of food, therefore, is nearly stationary. In a society which is advancing in wealth, population generally increases faster than agricultural skill, and food consequently tends to become more costly: but there are times when a strong impulse sets in towards agricultural improvement. Such an impulse has

shewn itself in Great Britain during the last fifteen or twenty years. In England and Scotland agricultural skill has of late increased considerably faster than population, insomuch that food and other agricultural produce, notwithstanding the increase of people, can be grown at less cost than they were thirty years ago: and the abolition of the Corn Laws has given an additional stimulus to the spirit of improvement. In some other countries, and particularly in France, the improvement of agriculture gains ground still more decidedly upon population, because, though agriculture, except in a few provinces, advances slowly, population advances still more slowly, and even with increasing slowness; its growth being kept down, not by poverty, which is diminishing, but by prudence.

Which of the two conflicting agencies is gaining upon the other at any particular time, might be conjectured with tolerable accuracy from the money price of agricultural produce (supposing bullion not to vary materially in value), provided a sufficient number of years could be taken, to form an average independent of the fluctuations of seasons. This however, is hardly practicable, since Mr. Tooke has shewn that even so long a period as half a century may include a much greater proportion of abundant and a smaller of deficient seasons, than is properly due to it. A mere average, therefore, might lead to conclusions only the more misleading, for their deceptive semblance of accuracy. There would be less danger of error in taking the average of only a small number of years, and correcting it by a conjectural allowance for the character of the seasons, than in trusting to a longer average without any such correction. It is hardly necessary to add, that in founding conclusions on quoted prices, allowance must also be made as far as possible for any changes in the general exchange value of the precious metals.

§ 4. Thus far, of the effect of the progress of society on the permanent or average values and prices of commodities.

It remains to be considered, in what manner the same progress affects their fluctuations. Concerning the answer to this question there can be no doubt. It tends in a very high degree to diminish them.

In poor and backward societies, as in the East, and in Europe during the middle ages, extraordinary differences in the price of the same commodity might exist in places not very distant from each other, because the want of roads and canals, the imperfection of marine navigation, and the insecurity of communications generally, prevented things from being transported from the places where they were cheap to those where they were dear. The things most liable to fluctuations in value, those directly influenced by the seasons, and especially food, were seldom carried to any great distances. Each locality depended, as a general rule, on its own produce and that of its immediate neighbourhood. In most years, accordingly, there was, in some part or other of any large country, a real dearth. Almost every season must be unpropitious to some among the many soils and climates to be found in an extensive tract of country; but as the same season is also in general more than ordinarily favourable to others, it is only occasionally that the aggregate produce of the whole country is deficient, and even then in a less degree than that of many separate portions; while a deficiency, at all considerable, extending to the whole world, is a thing almost unknown. In modern times, therefore, there is only dearth where there formerly would have been famine, and sufficiency everywhere when anciently there would have been scarcity in some places and superfluity in others.

The same change has taken place with respect to all other articles of commerce. The safety and cheapness of communications, which enable a deficiency in one place to be supplied from the surplus of another, at a moderate or even a small advance on the ordinary price, render the fluctuations of prices much less extreme than formerly. This effect is much promoted by the existence of large capitals,

belonging to what are called speculative merchants, whose business it is to buy goods in order to resell them at a profit. These dealers naturally buy things when they are cheapest, and storing them up to be brought again into the market when the price has become unusually high; the tendency of their operations is to equalize price, or at least to moderate its inequalities. The prices of things are neither so much depressed at one time, nor so much raised at another, as they would be if speculative dealers did not exist.

Speculators, therefore, have a highly useful office in the economy of society; and (contrary to common opinion) the most useful portion of the class are those who speculate in commodities affected by the vicissitudes of seasons. If there were no corn dealers, not only would the price of corn be liable to variations much more extreme than at present, but in a deficient season the necessary supplies might not be forthcoming at all. Unless there were speculators in corn, or unless, in default of dealers, the farmers became speculators, the price in a season of abundance would fall without any limit or check, except the wasteful consumption that would invariably follow. That any part of the surplus of one year remains to supply the deficiency of another, is owing either to farmers who withhold corn from the market, or to dealers who buy it when at the cheapest and lay it up in store.

§ 5. Among persons who have not much considered the subject, there is a notion that the gains of speculators are often made by causing an artificial scarcity; that they create a high price by their own purchases, and then profit by it. This may easily be shown to be fallacious. If a corn-dealer makes purchases on speculation, and produces a rise, when there is neither at the time nor afterwards any cause for a rise of price except his own proceedings; he no doubt appears to grow richer as long as his purchases continue, because he is a holder of an article which is quoted at a higher and higher price: but this apparent gain only seems within his reach so

long as he does not attempt to realize it. If he has bought, for instance, a million of quarters, and by withholding them from the market, has raised the price ten shillings a quarter; just so much as the price has been raised by withdrawing a million quarters, will it be lowered by bringing them back, and the best that he can hope is that he will lose nothing except interest and his expenses. If by a gradual and cautious sale he is able to realize, on some portion of his stores, a part of the increased price, so also he will undoubtedly have had to pay that price on some portion of his purchases. He runs considerable risk of incurring a still greater loss; for the temporary high price is very likely to have tempted others, who had no share in causing it, and who might otherwise not have found their way to this market at all, to bring their corn there, and intercept a part of the advantage. So that instead of profiting by a scarcity caused by himself, he is by no means unlikely, after buying in an average market, to be forced to sell in a superabundant one.

As an individual speculator cannot gain by a rise of price solely of his own creating, so neither can a number of speculators gain collectively by a rise, which their operations have artificially produced. Some among a number of speculators may gain, by superior judgment in selecting the time for realising, but they make this gain at the expense, not of the consumer, but of the other speculators who are less judicious. They, in fact, convert to their own benefit the high price produced by the speculations of the others, leaving to these the loss resulting from the recoil. It is not to be denied, therefore, that speculators may enrich themselves by other people's loss. But it is by the losses of other speculators. As much must have been lost by one set of dealers as is gained by another set.

When a speculation in a commodity proves profitable to the speculators as a body, it is because in the interval between their buying and reselling, the price rises from some cause independent of them, their only connexion with it consisting

in having foreseen it. In this case, their purchases make the price begin to rise sooner than it otherwise would do, thus spreading the privation of the consumers over a longer period, but mitigating it at the time of its greatest height: evidently to the general advantage. In this, however, it is assumed that they have not overrated the rise which they looked forward to. For it often happens that speculative purchases are made in the expectation of some increase of demand, or deficiency of supply, which after all does not occur, or not to the extent which the speculator expected. In that case the speculation, instead of moderating fluctuations, has caused a fluctuation of price which otherwise would not have happened, or aggravated one which would. But in that case the speculation is a losing one, to the speculators collectively, however much some individuals may gain by it. All that part of the rise of price by which it exceeds what there are independent grounds for, cannot give to the speculators as a body any benefit, since the price is as much depressed by their sales as it was raised by their purchases; and while they gain nothing by it, they lose, not only their trouble and expenses, but almost always much more, through the effects incident to the artificial rise of price, in checking consumption, and bringing forward supplies from unforeseen quarters. The operations, therefore, of speculative dealers, are useful to the public whenever profitable to themselves; and though they are sometimes injurious to the public, by heightening the fluctuations which their more usual office is to alleviate, yet whenever this happens the speculators are the greatest losers. The interest, in short, of the speculators as a body, coincides with the interest of the public; and as they can only fail to serve the public interest in proportion as they miss their own, the best way to promote the one is to leave them to pursue the other in perfect freedom.

I do not deny that speculators may aggravate a *local* scarcity. In collecting corn from the villages to supply the towns, they make the dearth penetrate into nooks and cor-

ners which might otherwise have escaped from bearing their share of it. To buy and resell in the same place, tends to alleviate scarcity: to buy in one place and resell in another, may increase it in the former of the two places, but relieves it in the latter, where the price is higher, and which therefore, by the very supposition, is likely to be suffering more. And these sufferings always fall hardest on the poorest consumers, since the rich, by outbidding, can obtain their accustomed ration undiminished if they choose. To no persons, therefore, are the operations of corn-dealers on the whole so beneficial as to the poor. Accidentally and exceptionally, the poor may suffer from them: it might sometimes be more advantageous to the rural poor to have corn cheap in winter, when they are entirely dependent on it, even if the consequence were a dearth in spring, when they can perhaps obtain partial substitutes. But there are no substitutes, procurable at that season, which serve in any great degree to replace bread-corn as the chief article of food: if there were, its price would fall in the spring, instead of continuing, as it always does, to rise till the approach of harvest.

There is an opposition of immediate interest, at the moment of sale, between the dealer in corn and the consumer, as there always is between the seller and the buyer: and a time of dearth being that in which the speculator makes his largest profits, he is an object of dislike and jealousy at that time, to those who are suffering while he is gaining. It is an error, however, to suppose that the corn-dealer's business affords him any extraordinary profit: he makes his gains not constantly, but at particular times, and they must therefore occasionally be great, but the chances of profit in a business in which there is so much competition, cannot on the whole be greater than in other employments. A year of scarcity, in which great gains are made by corn-dealers, rarely comes to an end without a recoil which places many of them in the list of bankrupts. There have been few more promising seasons for corn-dealers than the year

1847, and seldom was there a greater break-up among the speculators than in the autumn of that year. The chances of failure, in this most precarious trade, are a set-off against great occasional profits. If the corn-dealer were to sell his stores, during a dearth, at a lower price than that which the competition of the consumers assigns to him, he would make a sacrifice, to charity or philanthropy, of the fair profits of his employment, which may be quite as reasonably required from any other person of equal means. His business being a useful one, it is the interest of the public that the ordinary motives should exist for carrying it on, and that neither law nor opinion should prevent an operation beneficial to the public from being attended with as much private advantage as is compatible with full and free competition.

It appears, then, that the fluctuations of values and prices arising from variations of supply, or from alterations in real (as distinguished from speculative) demand, may be expected to become more moderate as society advances. With regard to those which arise from miscalculation, and especially from the alternations of undue expansion and excessive contraction of credit, which occupy so conspicuous a place among commercial phenomena, the same thing cannot be affirmed with equal confidence. Such vicissitudes, beginning with irrational speculation and ending with a commercial crisis, have not hitherto become either less frequent or less violent with the growth of capital and extension of industry. Rather they may be said to have become more so: in consequence, as is often said, of increased competition; but, as I prefer to say, of a low rate of profits and interest, which makes capitalists dissatisfied with the ordinary course of safe mercantile gains. The connexion of this low rate of profit with the advance of population and accumulation, is one of the points to be illustrated in the ensuing chapters.

CHAPTER III.

INFLUENCE OF THE PROGRESS OF INDUSTRY AND POPULATION, ON RENTS, PROFITS, AND WAGES.

§ 1. CONTINUING the inquiry into the nature of the economical changes taking place in a society which is in a state of industrial progress, we shall next consider what is the effect of that progress on the distribution of the produce among the various classes which share in it. We may confine our attention to the system of distribution which is the most complex, and which virtually includes all others—that in which the produce of manufactures is shared between two classes, labourers and capitalists, and the produce of agriculture among three, labourers, capitalists, and landlords.

The characteristic features of what is commonly meant by industrial progress, resolve themselves mainly into three, increase of capital, increase of population, and improvements in production; understanding the last expression in its widest sense, to include the process of procuring commodities from a distance, as well as that of producing them. The other changes which take place are chiefly consequences of these; as, for example, the tendency to a progressive increase of the cost of production of food; which arises from an increased demand, occasioned either by increased population, or by an increase of capital and wages, enabling the poorer classes to increase their consumption. It will be convenient to set out by considering each of the three causes, as operating separately; after which we can suppose them combined in any manner we think fit.

Let us first suppose that population increases, capital and the arts of production remaining stationary. One of the effects of this change of circumstances is sufficiently obvious:

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wages will fall; the labouring class will be reduced to an inferior condition. The state of the capitalist, on the contrary, will be improved. With the same capital, he can purchase more labour, and obtain more produce. His rate of profit is increased. The dependence of the rate of profits on the cost of labour is here verified; for the labourer obtaining a diminished quantity of commodities, and no alteration being supposed in the circumstances of their production, the diminished quantity represents a diminished cost. The labourer obtains not only a smaller real reward, but the product of a smaller quantity of labour. The first circumstance is the important one to himself, the last to his employer.

Nothing has occurred, thus far, to affect in any way the value of any commodity; and no reason, therefore, has yet shown itself, why rent should be either raised or lowered. But if we look forward another stage in the series of effects, we may see our way to such a consequence. The labourers have increased in numbers: their condition is reduced in the same proportion; the increased numbers divide among them only the produce of the same amount of labour as before. But they may economize in their other comforts, and not in their food: each may consume as much food, and of as costly a quality, as previously; or they may submit to a reduction, but not in proportion to the increase of numbers. On this supposition, notwithstanding the diminution of real wages, the increased population will require an increased quantity of food. But since industrial skill and knowledge are supposed to be stationary, more food can only be obtained by resorting to worse land, or to methods of cultivation which are less productive in proportion to the outlay. Capital for this extension of agriculture will not be wanting; for although, by hypothesis, no addition takes place to the capital in existence, a sufficient amount can be spared from the industry which previously supplied the other and less pressing wants which the labourers have been obliged to curtail. The additional supply of food, therefore, will be

produced, but produced at a greater cost; and the exchange value of agricultural produce must rise. It may be objected, that profits having risen, the extra cost of producing food can be defrayed from profits, without any increase of price. It could, undoubtedly, but it will not. Why? Because if it did, the agriculturist would be placed in an inferior position to other capitalists. The increase of profits, being the effect of diminished wages, is common to all employers of labour. The increased expenses, arising from the necessity of a more costly cultivation, affect the agriculturist alone. For this peculiar burthen he must be peculiarly compensated, whether the general rate of profit be high or low. He will not submit indefinitely to a deduction from his profits, to which other capitalists are not subject. He will not extend his cultivation by laying out fresh capital, unless for a return sufficient to yield him as high a profit as could be obtained by the same capital in other investments. The value, therefore, of his commodity will rise, and rise in proportion to the increased cost. The farmer will thus be indemnified for the burthen which is peculiar to himself, and will also enjoy the augmented rate of profit which is common to all capitalists.

It follows, from principles with which we are already familiar, that in these circumstances rent will rise. Any land can afford to pay, and under free competition will pay, a rent equal to the excess of its produce above the return to an equal capital on the worst land, or under the least favourable conditions. Whenever, therefore, agriculture is driven to descend to worse land, or more onerous processes, rent rises. Its rise will be twofold, for, in the first place, rent in kind, or corn rent, will rise; and in the second, since the value of agricultural produce has also risen, rent, estimated in manufactured or foreign commodities (which is represented *ceteris paribus* by money rent), will rise still more.

The steps of the process (if, after what has been formerly said, it is necessary to retrace them) are as follows. Corn

rises in price, to repay with the ordinary profit the capital required for producing additional corn on worse land or by more costly processes. So far as regards this additional corn, the increased price is but an equivalent for the additional expense; but the rise, extending to all corn, affords on all, except the last produced, an extra profit. If the farmer was accustomed to produce 100 quarters of wheat at 40s., and 120 quarters are now required, of which the last twenty cannot be produced under 45s., he obtains the extra five shillings on the entire 120 quarters, and not on the last twenty alone. He has thus an extra 25*l.* beyond the ordinary profits, and this, in a state of free competition, he will not be able to retain. He cannot however be compelled to give it up to the consumer, since a less price than 45s. would be inconsistent with the production of the last twenty quarters. The price, then, will remain at 45s., and the 25*l.* will be transferred by competition not to the consumer but to the landlord. A rise of rent is therefore inevitably consequent on an increased demand for agricultural produce, when unaccompanied by increased facilities for its production. A truth which, after this final illustration, I may be permitted henceforth to take for granted.

The new element now introduced—an increased demand for food—besides occasioning an increase of rent, still further disturbs the distribution of the produce between capitalists and labourers. The increase of population will have diminished the reward of labour; and if its cost was diminished as greatly as its real remuneration, profits will be increased by the full amount. If however the increase of population leads to an increased production of food, which cannot be supplied but at an enhanced cost of production, the cost of labour will not be so much diminished as the real reward of it, and profits, therefore, will not be so much raised. It is even possible that they might not be raised at all. The labourers may previously have been so well provided for, that the whole of what they now lose may be struck off from their other indulgences, and they may not, either by necessity or choice,

undergo any reduction in the quantity or quality of their food. To produce the food for the increased number may be attended with such an increase of expense, that wages, though reduced in quantity, may represent as great a cost, may be the product of as much labour, as before, and the capitalist may not be at all benefited. On this supposition the loss to the labourer is partly absorbed in the additional labour required for producing the last instalment of agricultural produce; and the remainder is gained by the landlord, the only sharer who always benefits by an increase of population.

§ 2. Let us now reverse our hypothesis, and, instead of supposing capital stationary and population advancing, let us suppose capital advancing and population stationary; the facilities of production, both natural and acquired, being, as before, unaltered. The real wages of labour, instead of falling, will now rise; and since the cost of production of the things consumed by the labourer is not diminished, this rise of wages implies an equivalent increase of the cost of labour, and diminution of profits. To state the same deduction in other terms; the labourers not being more numerous, and the productive power of their labour being only the same as before, there is no increase of the produce; the increase of wages, therefore, must be at the charge of the capitalists. It is not impossible that the cost of labour might be increased in even a greater ratio than its real remuneration. The improved condition of the labourers may increase the demand for food. The labourers may have been so ill off before, as not to have food enough; and may now consume more: or they may choose to expend their increased means partly or wholly in a more costly quality of food, requiring more labour and more land; wheat, for example, instead of oats or potatoes. This extension of agriculture implies, as usual, a greater cost of production and a higher price, so that, besides the increase of the cost of labour arising from the in-

crease of its reward, there will be a further increase (and an additional fall of profits) from the increased costliness of the commodities of which that reward consists. The same causes will produce a rise of rent. What the capitalists lose, above what the labourers gain, is partly transferred to the landlord, and partly swallowed up in the cost of growing food on worse land or by a less productive process.

§ 3. Having disposed of the two simple cases, an increasing population and stationary capital, and an increasing capital and stationary population, we are prepared to take into consideration the mixed case, in which the two elements of expansion are combined, both population and capital increasing. If either element increases faster than the other, the case is so far assimilated with one or other of the two preceding: we shall suppose them, therefore, to increase with equal rapidity; the test of equality being, that each labourer obtains the same commodities as before, and the same quantity of those commodities. Let us examine what will be the effect, on rent and profits, of this double progress.

Population having increased, without any falling off in the labourers' condition, there is of course a demand for more food. The arts of production being supposed stationary, this food must be produced at an increased cost. To compensate for this greater cost of the additional food, the price of agricultural produce must rise. The rise extending over the whole amount of food produced, though the increased expenses only apply to a part, there is a greatly increased extra profit, which, by competition, is transferred to the landlord. Rent will rise, both in quantity of produce and in cost; while wages, being supposed to be the same in quantity, will be greater in cost. The labourer obtaining the same amount of necessaries, money wages have risen; and as the rise is common to all branches of production, the capitalist cannot indemnify himself by changing his employment, and the loss must be borne by profits.

It appears, then, that the tendency of an increase of capital and population is to add to rent at the expense of profits: though rent does not gain all that profits lose, a part being absorbed in increased expenses of production, that is, in hiring or feeding a greater number of labourers to obtain a given amount of agricultural produce. By profits, must of course be understood the *rate* of profit; for a lower rate of profit on a larger capital may yield a larger gross profit, considered absolutely, though a smaller in proportion to the entire produce.

This tendency of profits to fall, is from time to time counteracted by improvements in production: whether arising from increase of knowledge, or from an increased use of the knowledge already possessed. This is the third of the three elements, the effects of which on the distribution of the produce we undertook to investigate; and the investigation will be facilitated by supposing, as in the case of the other two elements, that it operates, in the first instance, alone.

§ 4. Let us then suppose capital and population stationary, and a sudden improvement made in the arts of production; by the invention of more efficient machines, or less costly processes, or by obtaining access to cheaper commodities through foreign trade.

The improvement may either be in some of the necessities or indulgences which enter into the habitual consumption of the labouring class; or it may be applicable only to luxuries consumed exclusively by richer people. Very few, however, of the great industrial improvements are altogether of this last description. Agricultural improvements, except such as specially relate to some of the rarer and more peculiar products, act directly upon the principal objects of the labourer's expenditure. The steam-engine, and every other invention which affords a manageable power, are applicable to all things, and of course to those consumed by the la-

bourer. Even the power-loom and the spinning-jenny, though applied to the most delicate fabrics, are available no less for the coarse cottons and woollens worn by the labouring class. All improvements in locomotion cheapen the transport of necessaries as well as of luxuries. Seldom is a new branch of trade opened, without, either directly or in some indirect way, causing some of the articles which the mass of the people consume to be either produced or imported at smaller cost. It may safely be affirmed, therefore, that improvements in production generally tend to cheapen the commodities on which the wages of the labouring class are expended.

In so far as the commodities affected by an improvement are those which the labourers generally do not consume, the improvement has no effect in altering the distribution of the produce. Those particular commodities, indeed, are cheapened; being produced at less cost, they fall in value and in price, and all who consume them, whether landlords, capitalists, or skilled and privileged labourers, obtain increased means of enjoyment. The rate of profits, however, is not raised. There is a larger gross profit, reckoned in quantity of commodities. But the capital also, if estimated in those commodities, has risen in value. The profit is the same percentage on the capital that it was before. The capitalists are not benefitted as capitalists, but as consumers. The landlords, and the privileged class of labourers, if they are consumers of the same commodities, share the same benefit.

The case is different with improvements which diminish the cost of production of the necessities of life, or of commodities which enter habitually into the consumption of the great mass of labourers. The play of the different forces being here rather complex, it is necessary to analyze it with some minuteness.

As formerly observed*, there are two kinds of agricultural

* *Supra*, vol. i. p. 218.

improvements. Some consist in a mere saving of labour, and enable a given quantity of food to be produced at less cost, but not on a smaller surface of land than before. Others enable a given extent of land to yield, not only the same produce with less labour, but a greater produce; so that if no greater produce is required, a part of the land already under culture may be dispensed with. As the part rejected will be the least productive portion, the market will thenceforth be regulated by a better description of land than what was previously the worst under cultivation.

To place the effect of the improvement in a clear light, we must suppose it to take place suddenly, so as to leave no time, during its introduction, for any increase of capital or of population. Its first effect will be a fall of the value and price of agricultural produce. This is a necessary consequence of either kind of improvement, but especially of the last.

An improvement of the first kind, not increasing the produce, does not dispense with any portion of the land: the margin of cultivation (as Dr. Chalmers terms it,) remains where it was; agriculture does not recede, either in extent of cultivated land, or in elaborateness of methods; and the price continues to be regulated by the same land, and by the same capital, as before. But since that land or capital, and all other land or capital which produces food, now yields its produce at smaller cost, the price of food will fall proportionally. If one-tenth of the expense of production has been saved, the price of produce will fall one-tenth.

But suppose the improvement to be of the second kind; enabling the land to produce, not only the same corn with one-tenth less labour, but a tenth more corn with the same labour. Here the effect is still more decided. Cultivation can now be contracted, and the market supplied from a smaller quantity of land. Even if this smaller surface of land were of the same average quality as the larger surface, the price would fall one-tenth, because the same produce

would be obtained with a tenth less labour. But since the portion of land abandoned will be the least fertile portion, the price of produce will thenceforth be regulated by a better quality of land than before. In addition, therefore, to the original diminution of one-tenth in the cost of production, there will be a further diminution, corresponding with the recession of the "margin" of agriculture to land of greater fertility. There will thus be a twofold fall of price.

Let us now examine the effect of the improvements, thus suddenly made, on the division of the produce; and in the first place, on rent. By the former of the two kinds of improvement, rent would be diminished. By the second, it would be diminished still more.

Suppose that the demand for food requires the cultivation of three qualities of land, yielding, on an equal surface, and at an equal expense, 100, 80, and 60 bushels of wheat. The price of wheat will, on the average, be just sufficient to enable the third quality to be cultivated with the ordinary profit. The first quality therefore will yield forty and the second twenty bushels of extra profit, constituting the rent of the landlord. And first, let an improvement be made, which, without enabling more corn to be grown, enables the same corn to be grown with one-fourth less labour. The price of wheat will fall one-fourth, and 80 bushels will be sold for the price for which 60 were sold before. But the produce of the land which produces 60 bushels is still required, and the expenses being as much reduced as the price, that land can still be cultivated with the ordinary profit. The first and second qualities will therefore continue to yield a surplus of 40 and 20 bushels, and corn rent will remain the same as before. But corn having fallen in price one-fourth, the same corn rent is equivalent to a fourth less of money and of all other commodities. So far, therefore, as the landlord expends his income in manufactured or foreign products, he is one-fourth worse off than before. His income as landlord is reduced to three-quarters of its amount: it is only as a consumer of corn that he is as well off.

If the improvement is of the other kind, rent will fall in a still greater ratio. Suppose that the amount of produce which the market requires, can be grown not only with a fourth less labour, but on a fourth less of land. If all the land already in cultivation continued to be cultivated, it would yield a produce much larger than necessary. Land, equivalent to a fourth of the produce, must now be abandoned; and as the third quality yielded exactly one-fourth, (being 60 out of 240,) that quality will go out of cultivation. The 240 bushels can now be grown on land of the first and second qualities only; being, on the first, 100 bushels plus one-third, or $133\frac{1}{3}$ bushels; on the second, 80 bushels plus one-third, or $106\frac{2}{3}$ bushels; together 240. The second quality of land, instead of the third, is now the lowest, and regulates the price. Instead of 60, it is sufficient if $106\frac{2}{3}$ bushels repay the capital with the ordinary profit. The price of wheat will consequently fall, not in the ratio of 60 to 80, as in the other case, but in the ratio of 60 to $106\frac{2}{3}$. Even this gives an insufficient idea of the degree in which rent will be affected. The whole produce of the second quality of land will now be required to repay the expenses of production. That land, being the worst in cultivation, will pay no rent. And the first quality will only yield the difference between $133\frac{1}{3}$ bushels and $106\frac{2}{3}$, being $26\frac{2}{3}$ bushels instead of 40. The landlords collectively will have lost $33\frac{1}{3}$ out of 60 bushels in corn rent alone, while the value and price of what is left will have been diminished in the ratio of 60 to $106\frac{2}{3}$.

It thus appears, that the interest of the landlord is decidedly hostile to the sudden and general introduction of agricultural improvements. This assertion has been called a paradox, and made a ground for accusing its first promulgator, Ricardo, of great intellectual perverseness, to say nothing worse. I cannot discern in what the paradox consists; and the obliquity of vision seems to me to be on the side of his assailants. The opinion is only made to appear

absurd by stating it unfairly. If the assertion were that a landlord is injured by the improvement of his estate, it would certainly be indefensible; but what is asserted is, that he is injured by the improvement of the estates of other people, although his own is included. Nobody doubts that he would gain greatly by the improvement if he could keep it to himself, and unite the benefits, of an increased produce from his own land, and a price as high as before. But if the increase of produce took place simultaneously on all lands, the price would not be as high as before; and there is nothing unreasonable in supposing that the landlords would be, not benefited, but injured. It is admitted that whatever permanently reduces the price of produce diminishes rent; and it is quite in accordance with common notions to suppose that if, by the increased productiveness of land, less land were required for cultivation, its value, like that of any other article for which the demand had diminished, would fall.

I am quite willing to admit that rents have not really been lowered by the progress of agricultural improvement; but why? Because improvement has never in reality been sudden, but always slow; at no time much outstripping, and often falling far short of, the growth of capital and population, which tends as much to raise rent, as the other to lower it, and which is enabled, as we shall presently see, to raise it much higher by means of the additional margin afforded by improvements in agriculture. First, however, we must examine in what manner the sudden cheapening of agricultural produce would affect profits and wages.

In the beginning, money wages would probably remain the same as before, and the labourers would have the full benefit of the cheapness. They would be enabled to increase their consumption either of food or of other articles, and would receive the same cost, and a greater quantity. So long as this was the case, profits would be unaffected. But the permanent remuneration of the labourers essentially depends on what we have called their habitual standard; the extent

of the requirements which, as a class, they insist on satisfying before they choose to have children. If their tastes and requirements receive a durable impress from the sudden improvement in their condition, the benefit to the class will be permanent. But the same cause which enables them to purchase greater comforts and indulgences with the same wages, would enable them to purchase the same amount of comforts and indulgences with lower wages; and a greater population may now exist, without reducing the labourers below the condition to which they are accustomed. Hitherto this and no other has been the use which the labourers have commonly made of any increase of their means of living; they have treated it simply as convertible into food for a greater number of children. It is probable, therefore, that population would be stimulated, and that after the lapse of a generation the real wages of labour would be no higher than before the improvement: the reduction being partly brought about by a fall of money wages, and partly through the price of food, the cost of which, from the demand occasioned by the increase of population, would be again increased. To the extent to which money wages fell, profits would rise; the capitalist obtaining a greater quantity of equally efficient labour by the same outlay of capital. We thus see that a diminution of the cost of living, whether arising from agricultural improvements or from the importation of foreign produce, if the habits and requirements of the labourers are not raised, lowers money wages and rent, and raises the general rate of profit.

What is true of improvements which cheapen the production of food, is true also of the substitution of a cheaper for a more costly variety of it. The same land yields to the same labour a much greater quantity of human nutriment in the form of maize or potatoes, than in the form of wheat. If the labourers were to give up bread, and feed only on those cheaper products, taking as their compensation not a greater quantity of other consumable commodities, but earlier mar-

riages and larger families, the cost of labour would be much diminished, and if labour continued equally efficient, profits would rise; while rent would be much lowered, since food for the whole population could be raised on half or a third part of the land now sown with corn. At the same time, it being evident that land too barren to be cultivated for wheat might be made in case of necessity to yield potatoes sufficient to support the little labour necessary for producing them, cultivation might ultimately descend lower, and rent eventually rise higher, on a potato or maize system, than on a corn system; because the land would be capable of feeding a much larger population before reaching the limit of its powers.

If the improvement, which we suppose to take place, is not in the production of food, but of some manufactured article consumed by the labouring class, the effect on wages and profits will be the same; but the effect on rent, very different. Instead of being lowered, it will, if the ultimate effect of the improvement is an increase of population, be raised. The reasons are too evident to require statement.

§ 5. We have considered, on the one hand, the manner in which the distribution of the produce into rent, profits, and wages, is affected by the ordinary increase of population and capital, and on the other, how it is affected by improvements in production, and more especially in agriculture. We have found that the former cause lowers profits, and raises rent and the cost of labour: while the tendency of agricultural improvements is to diminish rent; and all improvements which cheapen any article of the labourer's consumption, tend to diminish the cost of labour and to raise profits. The tendency of each cause in its separate state being thus ascertained, it is easy to determine the tendency of the actual course of things, in which the two movements are going on simultaneously, capital and population increasing with tolerable steadiness, while improvements in agriculture are made.

from time to time, and the knowledge and practice of improved methods diffuses itself gradually through the community.

The habits and requirements of the labouring classes being given, (which determine their real wages), rent, profits, and money wages at any given time, are the result of the composition of these rival forces. If during any period agricultural improvement advances faster than population, rent and money wages during that period will tend downward, and profits upward. If population advances more rapidly than agricultural improvement, either the labourers will submit to a reduction in the quantity or quality of their food, or if not, rent and money wages will progressively rise, and profits will fall.

Agricultural skill and knowledge are of slow growth, and still slower diffusion. Inventions and discoveries, too, occur only occasionally, while the increase of population and capital are continuous agencies. It therefore seldom happens that improvement, even during a short time, has so much the start of population and capital as actually to lower rent, or raise the rate of profits. There are many countries in which the growth of population and capital are not rapid, but in these agricultural improvement is less active still. Population everywhere treads close on the heels of agricultural improvement, and effaces its effects as fast as they are produced.

The reason why agricultural improvement seldom lowers rent, is that it seldom cheapens food, but only prevents it from growing dearer; and seldom, if ever, throws land out of cultivation, but only enables worse and worse land to be taken in. What is sometimes called the natural state of a country which is but half cultivated, namely, that the land is highly productive, and food obtained in great abundance by little labour, is only true of unoccupied countries colonized by a civilized people. In the United States the worst land in cultivation is of a high quality; and even if no further im-

provements were made in agriculture or locomotion, cultivation would have many steps yet to descend, before the increase of population and capital would be brought to a stand: but in Europe five hundred years ago, though so thinly peopled in comparison to the present population, it is probable that the worst land under the plough was, from the rude state of agriculture, quite as unproductive as the worst land now cultivated; and that cultivation had approached as near to the ultimate limit of profitable tillage, in those times as in the present. What the agricultural improvements since made have really done is, by increasing the capacity of production of land in general, to enable tillage to extend downwards to a much worse natural quality of land than the worst which at that time would have admitted of profitable cultivation; thus rendering a much greater increase of capital and population possible, and removing always a little and a little further off the barrier which restrains them; population meanwhile always pressing so hard against the barrier, that there is never any visible margin left for it to seize, every inch of ground made vacant for it by improvement being at once filled up by its advancing columns. Agricultural improvement may thus be considered to be not so much a counterforce conflicting with increase of population, as a partial relaxation of the bonds which confine that increase.

The effects produced on the division of the produce by an increase of production, under the joint influence, of increase of population and capital, and improvements of agriculture, are very different from those deduced from the hypothetical cases previously discussed. In particular, the effect on rent is most materially different. We remarked that—while a great agricultural improvement made suddenly and universally would in the first instance inevitably lower rent—such improvements enable rent, in the progress of society, to rise gradually to a much higher limit than it could otherwise attain, since they enable a much lower quality of land to be ultimately cultivated. But in the case we are now supposing, which nearly

corresponds to the usual course of things, this ultimate effect becomes the immediate effect. Suppose cultivation to have reached, or almost reached, the utmost limit permitted by the state of the industrial arts, and rent, therefore, to have attained nearly the highest point to which it can be carried by the progress of population and capital, with the existing amount of skill and knowledge. If a great agricultural improvement were suddenly introduced, it might throw back rent for a considerable space, leaving it to regain its lost ground by the progress of population and capital, and afterwards to go on further. But, taking place, as such improvement always does, very gradually, it causes no retrograde movement of either rent or cultivation; it merely enables the one to go on rising and the other extending, long after they must otherwise have stopped. It would do this even without the necessity of resorting to a worse quality of land; simply by enabling the lands already in cultivation to yield a greater produce, with no increase of the proportional cost. If by improvements of agriculture all the lands in cultivation could be made, even with double labour and capital, to yield a double produce, (supposing that in the meantime population increased so as to require this double quantity) all rents would be doubled.

To illustrate the point, let us revert to the numerical example in a former page. Three qualities of land yield respectively 100, 80, and 60 bushels to the same outlay on the same extent of surface. If No. 1 could be made to yield 200, No. 2, 160, and No. 3, 120 bushels, at only double the expense, and therefore without any increase of the cost of production, and if the population, having doubled, required all this increased quantity, the rent of No. 1 would be 80 bushels instead of 40, and of No. 2, 40 instead of 20, while the price and value per bushel would be the same as before; so that corn rent and money rent would both be doubled. I need not point out the difference between this result, and what we have shown would take place if there were an improvement in production without the accompaniment of an increased demand for food.

Agricultural improvement, then, is always ultimately, and in the manner in which it generally takes place, also immediately, beneficial to the landlord. We may add, that when it takes place in that manner, it is beneficial to no one else. When the demand for produce fully keeps pace with the increased capacity of production, food is not cheapened; the labourers are not, even temporarily, benefited; the cost of labour is not diminished, nor profits raised. There is a greater aggregate production, a greater produce divided among the labourers, and a larger gross profit; but the wages being shared among a larger population, and the profit spread over a larger capital, no labourer is better off, nor does any capitalist derive from the same amount of capital a larger income.

The result of this long investigation may be summed up as follows. The economical progress of a society constituted of landlords, capitalists, and labourers, tends to the progressive enrichment of the landlord class; while the cost of the labourer's subsistence tends on the whole to increase, and profits to fall. Agricultural improvements are a counteracting force to these last effects; but the first, though a case is conceivable in which it would be temporarily checked, is ultimately in a high degree promoted by those improvements; and the increase of population tends to transfer all the benefits derived from agricultural improvement to the landlords alone. What other consequences, in addition to these, or in modification of them, arise from the industrial progress of a society thus constituted, I shall endeavour to shew in the succeeding chapter.

CHAPTER IV.

OF THE TENDENCY OF PROFITS TO A MINIMUM.

§ 1. THE tendency of profits to fall as society advances, which has been brought to notice in the preceding chapter, was early recognized by writers on industry and commerce; but the laws which govern profits not being then understood, the phenomenon was ascribed to a wrong cause. Adam Smith considered profits to be determined by what he called the competition of capital; and concluded, that when capital increased, this competition must likewise increase, and profits must fall. It is not quite certain what sort of competition Adam Smith had here in view. His words in the chapter on Profits of Stock* are, "When the stocks of many rich merchants are turned into the same trade, their mutual competition naturally tends to lower its profit; and when there is a like increase of stock in all the different trades carried on in the same society, the same competition must produce the same effect in them all." This passage would lead us to infer that, in Adam Smith's opinion, the manner in which the competition of capital lowers profits is by lowering prices; that being the mode in which an increased investment of capital in any particular trade, usually lowers the profits of that trade. But if this was his meaning, he overlooked the circumstance, that the fall of price, which if confined to one commodity really does lower the profits of the producer, ceases to have that effect as soon as it extends to all commodities; because, when all things have fallen, nothing has really fallen, except nominally; and even computed in money, the expenses of every producer have diminished

* *Wealth of Nations*, book i. ch. 9.

as much as his returns. Unless indeed labour be the one commodity which has not fallen in money price, when all other things have: if so, what has really taken place is a rise of wages; and it is that, and not the fall of prices, which has lowered the profits of capital. There is another thing which escaped the notice of Adam Smith; that the supposed universal fall of prices, through increased competition of capitals, is a thing which cannot take place. Prices are not determined by the competition of the sellers only, but also by that of the buyers; by demand as well as supply. The demand which affects money prices consists of all the money in the hands of the community, destined to be laid out in commodities; and as long as the proportion of this to the commodities is not diminished, there is no fall of general prices. Now, howsoever capital may increase, and give rise to an increased production of commodities, a full share of the capital will be drawn to the business of producing or importing money, and the quantity of money will be augmented in an equal ratio with the quantity of commodities. For if this were not the case, and if money, therefore, were, as the theory supposes, perpetually acquiring increased purchasing power, those who produced or imported it would obtain constantly-increasing profits; and this could not happen without attracting capital to that occupation from all other employments. If a general fall of prices, and increased value of money, were really to occur, it could only be as the consequence of increased cost of production, from the gradual exhaustion of the mines.

It is not tenable, therefore, in theory, that the increase of capital produces, or tends to produce, a general decline of money prices. Neither is it true, that any such general decline of prices, as capital increased, has manifested itself in fact. The only things observed to fall in price with the progress of society, are those in which there have been improvements in production greater than have taken place in the production of the precious metals; as for example, all spun and woven fabrics. Other things again, instead of

falling, have risen in price, because their cost of production, compared with that of gold and silver, has increased. Among these are all kinds of food, comparison being made with a much earlier period of history. The doctrine, therefore, that competition of capital lowers profits by lowering prices, is incorrect in fact, as well as unsound in principle.

But it is not certain that Adam Smith really held that doctrine; for his language on the subject is wavering and unsteady, denoting the absence of a definite and well-digested opinion. Occasionally he seems to think that the mode in which the competition of capital lowers profits, is by raising wages. And when speaking of the rate of profit in new colonies, he seems on the very verge of grasping the complete theory of the subject. "As the colony increases, the profits of stock gradually diminish. When the most fertile and best situated lands have been all occupied, less profit can be made by the cultivation of what is inferior both in soil and situation." Had Adam Smith meditated longer on the subject, and systematized his view of it by harmonizing with each other the various glimpses which he caught of it from different points, he would have perceived that this last is the true cause of the fall of profits usually consequent upon increase of capital.

§ 2. Mr. Wakefield, in his "England and America" and his Commentary on Adam Smith, takes a much clearer view of the subject, and arrives, through a substantially correct series of deductions, at practical conclusions which appear to me just and important; but he is not equally happy in incorporating his valuable speculations with the results of previous thought, and reconciling them with other truths. Some of the theories of Dr. Chalmers, in his chapter "On the Increase and Limit of Capital," and the two chapters which follow it, coincide in their tendency and spirit with those of Mr. Wakefield; but Dr. Chalmers' ideas, though delivered, as is his wont, with a most attractive semblance of

clearness, are really on this subject much more confused than even those of Adam Smith, and more decidedly infected with the often refuted notion that the competition of capital lowers general prices; the subject of Money apparently not being included among the parts of Political Economy which this acute and vigorous writer had carefully studied.

Mr. Wakefield's explanation of the fall of profits is briefly this. Production is limited not solely by the quantity of capital and of labour, but also by the extent of the "field of employment." The field of employment for capital is twofold; the land of the country, and the capacity of foreign markets to take its manufactured commodities. On a limited extent of land, only a limited quantity of capital can find employment at a profit. As the quantity of capital approaches this limit, profit falls; when the limit is attained, profit is annihilated; and can only be restored through an extension of the field of employment, either by the acquisition of fertile land, or by opening new markets in foreign countries, from which food and materials can be purchased with the products of domestic capital. These propositions are in my opinion substantially true; and, even to the phraseology in which they are expressed, considered as adapted to popular and practical rather than scientific uses, I have nothing to object. The error which seems to me imputable to Mr. Wakefield, is that of supposing his doctrines to be in contradiction to the principles of the best school of preceding political economists, instead of being, as they really are, corollaries from those principles; though corollaries which, perhaps, would not always have been admitted by those political economists themselves.

The most scientific treatment of the subject which I have met with, is in an essay on the effects of Machinery, by Mr William Ellis*; which was doubtless unknown to Mr. Wakefield, but which had preceded him, though by a different

* Published in the *Westminster Review* for January 1826.

path, in several of his leading conclusions. This essay excited little notice, partly from being published anonymously in a periodical, and partly because it was much in advance of the state of political economy at the time. In Mr. Ellis's view of the subject, the questions and difficulties raised by Mr. Wakefield's speculations and by those of Dr. Chalmers, find a solution consistent with the principles of political economy laid down in the present treatise.

§ 3. There is at every time and place some particular rate of profit, which is the lowest that will induce the people of that country and time to accumulate savings, and to employ those savings productively. This minimum rate of profit varies according to circumstances. It depends on two elements. One is, the strength of the effective desire of accumulation; the comparative estimate made by the people of that place and era, of future interests when weighed against present. This element chiefly affects the inclination to save. The other element, which affects not so much the willingness to save as the disposition to employ savings productively, is the degree of security of capital engaged in industrial operations. A state of general insecurity, no doubt affects also the disposition to save. A hoard may be a source of additional danger to its reputed possessor. But as it may also be a powerful means of averting dangers, the effects in this respect may perhaps be looked upon as balanced. But in employing any funds which a person may possess as capital on his own account, or in lending it to others to be so employed, there is always some additional risk, over and above that incurred by keeping it idle in his own custody. This extra risk is great, in proportion as the general state of society is insecure: it may be equivalent to twenty, thirty, or fifty per cent, or to no more than one or two; something, however, it must always be: and for this, the expectation of profit must be sufficient to compensate.

There would be adequate motives for a certain amount of

saving, even if capital yielded no profit. There would be an inducement to lay by in good times a provision for bad; to reserve something for sickness and infirmity, or as a means of leisure and independence in the latter part of life, or a help to children in the outset of it. Savings, however, which have only these ends in view, have not much tendency to increase the amount of capital permanently in existence. These motives only prompt each person to save at one period of life what he purposes to consume at another, or what will be consumed by his children before they can completely provide for themselves. The savings by which an addition is made to the national capital, usually emanate from the desire of persons to improve what is termed their condition in life, or to make a provision for children or others, independent of their exertions. Now, to the strength of these inclinations it makes a very material difference, how much of the desired object can be effected by a given amount and duration of self-denial; which again depends on the rate of profit. And there is in every country some rate of profit, below which persons in general will not find sufficient motive to save for the mere purpose of growing richer, or of leaving others better off than themselves. Any accumulation, therefore, by which the general capital is increased, requires as its necessary condition a certain rate of profit: a rate which an average person will deem to be an equivalent for abstinence, with the addition of a sufficient insurance against risk. There are always some persons in whom the effective desire of accumulation is above the average, and to whom less than this rate of profit is a sufficient inducement to save; but these merely step into the place of others whose taste for expense and indulgence is beyond the average, and who, instead of saving, perhaps even dissipate what they have received.

I have already observed that this minimum rate of profit, less than which is not consistent with the further increase of capital, is lower in some states of society than in others; and I may add, that the kind of social progress characteristic

of our present civilization, tends to diminish it. In the first place, one of the acknowledged effects of that progress is an increase of general security. Destruction by wars, and spoliation by private or public violence, are less and less to be apprehended; and the improvements which may be looked for in education and in the administration of justice, or, in their default, increased regard for opinion, afford a growing protection against fraud and reckless mismanagement. The risks attending the investment of savings in productive employment, require therefore a smaller rate of profit to compensate for them than was required a century ago, and will hereafter require less than at present. In the second place, it is also one of the consequences of civilization that mankind become less the slaves of the moment, and more habituated to carry their desires and purposes forward into a distant future. This increase of providence is a natural result of the increased assurance with which futurity can be looked forward to; and is, besides, favoured by most of the influences which an industrial life exercises over the passions and inclinations of human nature. In proportion as life has fewer vicissitudes, as habits become more fixed, and great prizes are less and less to be hoped for by any other means than long perseverance, mankind become more willing to sacrifice present indulgence for future objects. This increased capacity of forethought and self-control may assuredly find other things to exercise itself upon than increase of riches, and some considerations connected with this topic will shortly be touched upon. The present kind of social progress, however, decidedly tends, though not perhaps to increase the desire of accumulation, yet to weaken the obstacles to it, and to diminish the amount of profit which people absolutely require as an inducement to save and accumulate. For these two reasons, diminution of risk and increase of providence, a profit or interest of three or four per cent is as sufficient a motive to the increase of capital in England at the present day, as thirty or forty per cent in the Burmese Empire, or

in England at the time of King John. In Holland during the last century a return of two per cent, on government security, was consistent with an undiminished, if not with an increasing capital. But though the minimum rate of profit is thus liable to vary, and though to specify exactly what it is would at any given time be impossible, such a minimum always exists; and whether it be high or low, when once it is reached, no further increase of capital can for the present take place. The country has then attained what is known to political economists under the name of the Stationary state.

§ 4. We now, therefore, arrive at the fundamental proposition which this chapter is intended to inculcate. When a country has long possessed a large production, and a large net income to make savings from, and when, therefore, the means have long existed of making a great annual addition to capital; (the country not having, like America, a large reserve of fertile land still unused;) it is one of the characteristics of such a country, that the rate of profit is habitually within, as it were, a hand's breadth of the minimum, and the country therefore on the very verge of the stationary state. By this I do not mean that this state is likely, in any of the great countries of Europe, to be soon actually reached, or that capital does not still yield a profit considerably greater than what is barely sufficient to induce the people of those countries to save and accumulate. My meaning is, that it would require but a short time to reduce profits to the minimum, if capital continued to increase at its present rate, and no circumstances having a tendency to raise the rate of profit occurred in the meantime. The expansion of capital would soon reach its ultimate boundary, if the boundary itself did not continually open and leave more space.

In England, the ordinary rate of interest on government securities, in which the risk is next to nothing, may be estimated at a little more than three per cent: in all other invest-

ments, therefore, the interest or profit calculated upon (exclusively of what is properly a remuneration for talent or exertion) must be as much more than this amount, as is equivalent to the degree of risk to which the capital is thought to be exposed. Let us suppose that in England even so small a net profit as one per cent, exclusive of insurance against risk, would constitute a sufficient inducement to save, but that less than this would not be a sufficient inducement. I now say, that the mere continuance of the present annual increase of capital, if no circumstance occurred to counteract its effect, would suffice in a small number of years to reduce the rate of net profit to one per cent.

To fulfil the conditions of the hypothesis, we must suppose an entire cessation of the exportation of capital for foreign investment. No more capital sent abroad for railways, or loans; no more emigrants, taking capital with them, to the colonies, or to other countries; no fresh advances made, or credits given, by bankers or merchants to their foreign correspondents. We must also assume that there are no fresh loans for unproductive expenditure by the government, or on mortgage, or otherwise; and none of the waste of capital which now takes place by the failure of undertakings which people are tempted to engage in by the hope of a better income than can be obtained in safe paths at the present habitual low rate of profit. We must suppose the entire savings of the community to be annually invested in really productive employment within the country itself; and no new channels opened by industrial inventions, or by a more extensive substitution of the best known processes for inferior ones.

Few persons would hesitate to say, that there would be great difficulty in finding remunerative employment every year for so much new capital, and most would conclude that there would be what used to be termed a general glut; that commodities would be produced, and remain unsold, or be sold only at a loss. But the full examination which we have

already given to this question*, has shown that this is not the mode in which the inconvenience would be experienced. The difficulty would not consist in any want of a market. If the new capital were duly shared among many varieties of employment, it would raise up a demand for its own produce, and there would be no cause why any part of that produce should remain longer on hand than formerly. What would really be, not merely difficult, but impossible, would be to employ this capital without submitting to a rapid reduction of the rate of profit.

As capital increased, population either would also increase, or it would not. If it did not, wages would rise, and a greater capital would be distributed in wages among the same number of labourers. There being no more labour than before, and no improvements to render the labour more efficient, there would not be any increase of the produce; and as the capital, however largely increased, would only obtain the same gross return, the whole savings of each year would be exactly so much subtracted from the profits of the next and of every following year. It is hardly necessary to say that in such circumstances profits would very soon fall to the point at which further increase of capital would cease. An augmentation of capital, much more rapid than that of population, must soon reach its extreme limit, unless accompanied by increased efficiency of labour (through inventions and discoveries, or improved mental and physical education), or unless some of the idle people, or of the unproductive labourers, became productive.

If population did increase with the increase of capital, and in proportion to it, the fall of profits would still be inevitable. Increased population implies increased demand for agricultural produce. In the absence of industrial improvements, this demand can only be supplied at an increased cost of production, either by cultivating worse land, or by a

* Book iii. ch. 14.

more elaborate and costly cultivation of the land already under tillage. The cost of the labourer's subsistence is therefore increased; and unless the labourer submits to a deterioration of his condition, profits must fall. In an old country like England, if, in addition to supposing all improvement in domestic agriculture suspended, we suppose that there is no increased production in foreign countries for the English market, the fall of profits would be very rapid. If both these avenues to an increased supply of food were closed, and population continued to increase, as it is said to do, at the rate of a thousand a day, all waste land which admits of cultivation in the existing state of knowledge would soon be cultivated, and the cost of production and price of food would be so increased, that, if the labourer received the increased money wages necessary to compensate for his increased expenses, profits would very soon reach the minimum. The fall of profits would be retarded if money wages did not rise, or rose in a less degree; but the margin which can be gained by a deterioration of the labourer's condition is a very narrow one: in general he *cannot* bear much reduction: when he can, he has also a higher standard of necessary requirements, and *will* not. On the whole, therefore, we may assume that in such a country as England, if the present annual amount of savings were to continue, without any of the counteracting circumstances which now keep in check the natural influence of those savings in reducing profit, the rate of profit would speedily attain the minimum, and all further accumulation of capital would for the present cease.

§ 5. What, then, are these counteracting circumstances, which, in the existing state of things, maintain a tolerably equal struggle against the downward tendency of profits, and prevent the great annual savings which take place in this country from depressing the rate of profit much nearer to that lowest point to which it is always tending, and which,

left to itself, it would so promptly attain? The resisting agencies are of several kinds.

First among them, we may notice one which is so simple and so conspicuous, that some political economists, especially M. de Sismondi and Dr. Chalmers, have attended to it almost to the exclusion of all others. This is, the waste of capital in periods of over-trading and rash speculation, and in the commercial revulsions by which such times are always followed. It is true that a great part of what is lost at such periods is not destroyed, but merely transferred, like a gambler's losses, to more successful speculators. But even of these mere transfers, a large portion is always to foreigners, by the hasty purchase of unusual quantities of foreign goods at advanced prices. And much also is absolutely wasted. Mines are opened, railways or bridges made, and many other works of uncertain profit commenced, and in these enterprises much capital is sunk which yields either no return, or none adequate to the outlay. Factories are built and machinery erected beyond what the market requires or can keep in employment. Even if they are kept in employment, the capital is no less sunk; it has been converted from circulating into fixed capital, and has ceased to have any influence on wages or profits. Besides this, there is a great unproductive consumption of capital, during the stagnation which follows a period of general over-trading. Establishments are shut up, or kept working without any profit, hands are discharged, and numbers of persons in all ranks, being deprived of their income, and thrown for support on their savings, find themselves, after the crisis has passed away, in a condition of more or less impoverishment. Such are the effects of a commercial revulsion: and that such revulsions are almost periodical, is a consequence of the very tendency of profits which we are considering. By the time a few years have passed over without a crisis, so much additional capital has been accumulated, that it is no longer possible to invest it at the accustomed profit: all public securities rise to a high

price, the rate of interest on the best mercantile security falls very low, and the complaint is general among persons in business that no money is to be made. Does not this demonstrate how speedily profit would be at the minimum, and the stationary condition of capital would be attained, if these accumulations went on without any counteracting principle? But the diminished scale of all safe gains, inclines persons to give a ready ear to any projects which hold out, though at the risk of loss, the hope of a higher rate of profit; and speculations ensue, which, with the subsequent revulsions, destroy, or transfer to foreigners, a considerable amount of capital, produce a temporary rise of interest and profit, make room for fresh accumulations, and the same round is recommenced.

This, doubtless, is one considerable cause which arrests profits in their descent to the minimum, by sweeping away from time to time a part of the accumulated mass by which they are forced down. But this is not, as might be inferred from the language of some writers, the principal cause. If it were, the capital of the country would not increase; but in England it does increase greatly and rapidly. This is shown by the increasing productiveness of almost all taxes, by the continual growth of all the signs of national wealth, and by the rapid increase of population, while the condition of the labourers certainly is not on the whole declining. These things prove that each commercial revulsion, however disastrous, is very far from destroying all the capital which has been added to the accumulations of the country since the last revulsion preceding it, and that, invariably, room is either found or made for the profitable employment of a perpetually increasing capital, consistently with not forcing down profits to a lower rate.

§ 6. This brings us to the second of the counter-agencies, namely, improvements in production. I am not sure whether these have been formally included by Mr.

Wakefield among the modes of extending what he terms the field of employment. But they evidently have that effect, that is, they enable a greater amount of capital to be accumulated and employed without depressing the rate of profit: provided always that they do not raise, to a proportional extent, the habits and requirements of the labourer. If the labouring class gain the full advantage of the increased cheapness, in other words, if money wages do not fall, profits are not raised, nor their fall retarded. But if the class people up to the improvement in their condition, and so relapse to their previous state, profits will rise. All inventions which cheapen any of the things consumed by the labourer, unless his requirements are raised in an equivalent degree, in time lower money wages; and by doing so, enable a greater capital to be accumulated and employed, before profits fall back to what they were previously.

Improvements which only affect things consumed exclusively by the richer classes, do not operate precisely in the same manner. The cheapening of lace or velvet has no effect in diminishing the cost of labour; and no mode can be pointed out in which it can raise the rate of profit, so as to make room for a larger capital before the minimum is attained. It, however, produces an effect which is virtually equivalent; it lowers, or tends to lower, the minimum itself. In the first place, the cheapness of articles of consumption promotes the inclination to save, by affording to all consumers a surplus which they may lay by, consistently with their accustomed manner of living; and unless they were before suffering actual hardships, it will require little self-denial to save some part at least of this surplus. In the next place, whatever enables people to live equally well upon a smaller income, inclines them to lay by capital for a lower rate of profit. If people can live on an independence of 500*l.* a year in the same manner as they formerly could on one of 1000*l.*, some persons will be induced to save in hopes of the one, who would have been deterred by the more

remote prospect of the other. All improvements, therefore, in the production of almost any commodity, tend in some degree to widen the interval which has to be passed before arriving at the stationary state: but this effect belongs in a much greater degree to the improvements which affect the articles consumed by the labourer, since these conduce to it in two ways; they induce people to accumulate for a lower profit, and they also raise the rate of profit itself.

§ 7. Equivalent in effect to improvements in production, is the acquisition of any new power of obtaining cheap commodities from foreign countries. If necessaries are cheapened, whether they are so by improvements at home or importation from abroad, is exactly the same thing to wages and profits. Unless the labourer obtains, and by an improvement of his habitual standard, keeps, the whole benefit, the cost of labour is lowered, and the rate of profit raised. As long as food can continue to be imported for an increasing population without any diminution of cheapness, so long the declension of profits through the increase of population and capital is arrested, and accumulation may go on without making the rate of profit draw nearer to the minimum. And on this ground it is believed by some, that the repeal of the corn laws has opened to this country a long era of rapid increase of capital with an undiminished rate of profit.

Before inquiring whether this expectation is reasonable, one remark must be made, which is much at variance with commonly received notions. Foreign trade does not necessarily increase the field of employment for capital. It is not the mere opening of a market for British productions, that tends to raise the rate of profits. If nothing were obtained in exchange for those productions but the luxuries of the rich, the expenses of no capitalist would be diminished; profits would not be at all raised, nor room made for the accumulation of more capital without submitting to a reduction of profits: and if the attainment of the stationary state

were at all retarded, it would only be because the diminished cost at which a certain degree of luxury could be enjoyed, might induce people, in that prospect, to continue saving for a lower profit than they formerly were willing to do. When foreign trade makes room for more capital at the same profit, it is by enabling the necessaries of life, or the habitual articles of the labourer's consumption, to be obtained at smaller cost. It may do this in two ways; either by the importation of those commodities themselves, or of the means and appliances for producing them. Cheap iron has, in a certain measure, the same effect on profits and the cost of labour as cheap corn, because cheap iron makes cheap tools for agriculture and cheap machinery for clothing. But a foreign trade which neither directly, nor by any indirect consequence, increases the cheapness of anything consumed by the labourers, does not, any more than an invention or discovery in the like case, tend to raise profits or retard their fall; it merely substitutes the production of goods for foreign markets, in the room of the home production of luxuries, leaving the employment for capital neither greater nor less than before. It is true, that there is scarcely any export trade which, in a country that already imports necessaries or materials, comes within these conditions; for every increase of exports enables the country to obtain all its imports on cheaper terms than before.

A country which admits food of all kinds, and all necessaries and the materials of necessaries, to be freely imported from all parts of the world (which is now very nearly, and will soon be entirely, our own case) no longer depends on the fertility of her own soil to keep up her rate of profits, but on the soil of the whole world. It remains to consider how far this resource can be counted upon for making head during a very long period against the tendency of profits to decline as capital increases.

It must, of course, be supposed that with the increase of capital, population also increases; for if did not, the conse-

quent rise of wages would bring down profits, in spite of any cheapness of corn. Suppose then that the population of Great Britain goes on increasing at its present rate, and demands every year a supply of imported food considerably beyond that of the year preceding. This annual increase in the food demanded from the exporting countries, can only be obtained either by great improvements in their agriculture, or by the application of a great additional capital to the growth of food. The former is likely to be a very slow process, from the rudeness and ignorance of the agricultural classes in the food-exporting countries of Europe, while the British colonies and the United States are already in possession of most of the improvements yet made, so far as suitable to their circumstances. There remains as a resource, the extension of cultivation. And on this it is to be remarked, that the capital by which any such extension can take place, is mostly still to be created. In Poland, Southern Russia, Hungary, Spain, the increase of capital is extremely slow. In America it is rapid, but not more rapid than the population. The principal fund at present available for supplying this country with a yearly increasing importation of food, is that portion of the annual savings of America which has hitherto been applied to increasing the manufacturing establishments of the United States, and which may now possibly be diverted from that purpose to growing food for our market. This limited source of supply, unless great improvements take place in agriculture, cannot be expected to keep pace with the growing demand of so rapidly increasing a population as that of Great Britain; and if our population and capital continue to increase with their present rapidity, the only mode in which food can continue to be supplied cheaply to the one, is by sending the other abroad to produce it.

§ 8. This brings us to the last of the counter-forces which check the downward tendency of profits in a country whose capital increases faster than that of its neighbours,

and whose profits are therefore nearer to the minimum. This is, the perpetual overflow of capital into colonies or foreign countries to seek higher profits than can be obtained at home. I believe this to have been for many years one of the principal causes by which the decline of profits in England has been arrested. It has a twofold operation. In the first place, it does what a fire, or an inundation, or a commercial crisis would have done: it carries off a part of the increase of capital, from which the reduction of profits proceeds. Secondly, the capital so carried off is not lost, but is chiefly employed either in founding colonies, which become large exporters of cheap agricultural produce, or in extending and perhaps improving the agriculture of older communities. It is to the emigration of English capital, that we have chiefly to look for keeping up a supply of cheap food and cheap materials of clothing, proportional to the increase of our population: thus enabling an increasing capital to find employment in the country, without reduction of profit, in producing manufactured articles with which to pay for this supply of raw produce. Thus, the exportation of capital is an agent of great efficacy in extending the field of employment for that which remains: and it may be said truly that, up to a certain point, the more capital we send away, the more we shall possess and be able to retain at home.

In countries which are further advanced in industry and population, and have therefore a lower rate of profit, than others, there is always, long before the actual minimum is reached, a practical minimum, viz. when profits have fallen so much below what they are elsewhere, that, were they to fall lower, all further accumulations would go abroad. In the present state of the industry of the world, when it is necessary, in any rich and improving country, to take the minimum of profits at all into consideration for practical purposes, it is only this practical minimum that needs be considered. As long as there are old countries where capital increases very rapidly, and new countries where profit is still high,

profits in the old countries will not sink to the rate which would put a stop to accumulation; the fall is stopped at the point which sends capital abroad. It is only, however, by improvements in production, and even in the production of things consumed by labourers, that the capital of a country like England is prevented from speedily reaching that degree of lowness of profit, which would cause all further savings to be sent to find employment in the colonies or in foreign countries.

CHAPTER V.

CONSEQUENCES OF THE TENDENCY OF PROFITS TO
A MINIMUM.

§ 1. THE theory of the effect of accumulation on profits, laid down in the preceding chapter, materially alters many of the practical conclusions which might otherwise be supposed to follow from the general principles of Political Economy, and which were, indeed, long admitted as true by the highest authorities on the subject.

It must greatly abate, or rather, altogether destroy, in countries where profits are low, the immense importance which used to be attached by political economists to the effects which an event or a measure of government might have, in adding to, or subtracting from, the capital of the country. We have now seen that the lowness of profits is a proof that the spirit of accumulation is so active, and that the increase of capital has proceeded at so rapid a rate, as to outstrip the two counter-agencies, improvements in production, and increased supply of cheap necessaries from abroad: and that unless a considerable portion of the annual increase of capital were either periodically destroyed, or exported for foreign investment, the country would speedily attain the point at which further accumulation would cease, or at least spontaneously slacken, so as no longer to overpass the march of invention in the arts which produce the necessaries of life. In such a state of things as this, a sudden addition to the capital of the country, unaccompanied by any increase of productive power, would be but of transitory duration; since by depressing profits and interest, it would either diminish by a corresponding amount the savings which would be made from income in the year or two following, or it would cause an equivalent

amount to be sent abroad, or to be wasted in rash speculations. Neither, on the other hand, would a sudden abstraction of capital, unless of inordinate amount, have any real effect in impoverishing the country. After a few months or years, there would exist in the country just as much capital as if none had been taken away. The abstraction, by raising profits and interest, would give a fresh stimulus to the accumulative principle, which would speedily fill up the vacuum. Probably, indeed, the only effect that would ensue, would be that for some time afterwards less capital would be exported, and less thrown away in hazardous speculation.

In the first place, then, this view of things greatly weakens, in a wealthy and industrious country, the force of the economical argument against the expenditure of public money for really valuable, even though industrially unproductive, purposes. If for any great object of justice or philanthropic policy, such as the industrial regeneration of Ireland, or a comprehensive measure of colonization or of public education, it were proposed to raise a large sum by way of loan, politicians need not demur to the abstraction of so much capital, as tending to dry up the permanent sources of the country's wealth, and diminish the fund which supplies the subsistence of the labouring population. The utmost expense which could be requisite for any of these purposes, would not in all probability deprive one labourer of employment, or diminish the next year's production by one ell of cloth or one bushel of grain. In poor countries, the capital of the country requires the legislator's sedulous care; he is bound to be most cautious of encroaching upon it, and should favour to the utmost its accumulation at home, and its introduction from abroad. But in rich, populous, and highly cultivated countries, it is not capital which is the deficient element, but fertile land; and what the legislator should desire and promote, is not a greater aggregate saving, but a greater return to savings, either by improved cultivation, or by access to the produce of more fertile lands in

other parts of the globe. In such countries, the government may take any moderate portion of the capital of the country and convert it into revenue, without affecting the national wealth: the whole being either drawn from that portion of the annual savings which would otherwise be sent abroad, or being subtracted from the unproductive expenditure of individuals for the next year or two, since every million spent makes room for another million to be saved before reaching the overflowing point. When the object in view is worth the sacrifice of such an amount of the expenditure that furnishes the daily enjoyments of the people, the only well grounded economical objection against taking the necessary funds directly from capital, consists of the inconveniences attending the process of raising a revenue by taxation, to pay the interest of a debt.

The same considerations enable us to throw aside as unworthy of regard, one of the common arguments against emigration as a means of relief for the labouring class. Emigration, it is said, can do no good to the labourers, if, in order to defray the cost, as much must be taken away from the capital of the country as from its population. That anything like this proportion could require to be abstracted from capital for the purpose even of the most extensive colonization, few, I should think, would now assert: but even on that untenable supposition, it is an error to suppose that no benefit would be conferred on the labouring class. If one-tenth of the labouring people of England were transferred to the colonies, and along with them one-tenth of the circulating capital of the country, either wages, or profits, or both, would be greatly benefited, by the diminished pressure of capital and population upon the fertility of the land. There would be a reduced demand for food: the inferior arable lands would be thrown out of cultivation, and would become pasture; the superior would be cultivated less highly, but with a greater proportional return; food would be lowered in price, and though money wages would not rise, every

labourer would be considerably improved in circumstances; an improvement which, if no increased stimulus to population and fall of wages ensued, would be permanent; while if there did, profits would rise, and accumulation start forward so as to repair the loss of capital. The landlords alone would sustain some loss of income; and even they, only if colonization went to the length of actually diminishing capital and population, but not if it merely carried off the annual increase.

§ 2. From the same principles we are now able to arrive at a final conclusion respecting the effects which machinery, and generally the sinking of capital for a productive purpose, produce upon the immediate and ultimate interests of the labouring class. The characteristic property of this class of industrial improvements is the conversion of circulating capital into fixed: and it was shown in the First Book*, that in a country where capital accumulates slowly, the introduction of machinery, permanent improvements of land, and the like, may be, for the time, extremely injurious; since the capital so employed may be directly taken from the wages fund, the subsistence of the people and the employment for labour curtailed, and the gross annual produce of the country actually diminished. But in a country of great annual savings and low profits, no such effects need be apprehended. Since even the emigration of capital, or its unproductive expenditure, or its absolute waste, do not in such a country, if confined within any moderate bounds, at all diminish the aggregate amount of the wages fund—still less can the mere conversion of a like sum into fixed capital, which continues to be productive, have that effect. It merely draws off at one orifice what was already flowing out at another; or if not, the greater vacant space left in the reservoir does but cause a greater quantity to flow in. Accordingly, in spite of the mischievous

* Supra, vol. i. p. 113.

derangements of the money-market which have been occasioned by the great sums in process of being sunk in railways, I cannot agree with those who apprehend any mischief, from this source, to the productive resources of the country. My dissent does not rest on the absurd ground (which to any one acquainted with the elements of the subject needs no confutation) that railway expenditure is a mere transfer of capital from hand to hand, by which nothing is lost or destroyed. This is true of what is spent in the purchase of the land; a portion too of what is paid to parliamentary agents, counsel, engineers, and surveyors, is saved by those who receive it, and becomes capital again: but what is laid out in the *bond fide* construction of the railway itself, is lost and gone; when once expended, it is incapable of ever being paid in wages or applied to the maintenance of labourers again; as a matter of account, the result is that so much food and clothing and tools have been consumed, and the country has got a railway instead. But what I would urge is, that the sums so applied are mostly a mere appropriation of the annual overflowing which would otherwise have gone abroad, or been thrown away unprofitably, leaving neither a railway nor any other tangible result. The railway gambling of 1844 and 1845 probably saved the country from a depression of profits and interest, and a rise of all public and private securities, which would have engendered still wilder speculations, and when the effects came afterwards to be complicated by the scarcity of food, would have ended in a still more formidable crisis than has recently been experienced. In the poorer countries of Europe, the rage for railway construction might have had worse consequences than in England, were it not that in those countries such enterprises are in a great measure carried on by foreign capital. The railway operations of the various nations of the world may be looked upon as a sort of competition for the overflowing capital of the countries where profit is low and capital abundant, as England and Holland. The English railway speculations are

a struggle to keep our annual increase of capital at home; those of foreign countries are an effort to obtain it.

It already appears from these considerations, that the conversion of circulating capital into fixed, whether by railways, or factories, or ships, or machinery, or canals, or mines, or works of drainage and irrigation, is not likely, in any rich country, to diminish the gross produce or the amount of employment for labour. How much then is the case strengthened, when we consider that these transformations of capital are of the nature of improvements in production, which, instead of ultimately diminishing circulating capital, are the necessary conditions of its increase, since they alone enable a country to possess a constantly augmenting capital, without reducing profits to the rate which would cause accumulation to stop. There is hardly any increase of fixed capital which does not enable the country to contain eventually a larger circulating capital, than it otherwise could possess and employ within its own limits: for there is hardly any creation of fixed capital which, when it proves successful, does not cheapen the articles on which wages are habitually expended. All capital sunk in the permanent improvement of land lessens the cost of food and materials; almost all improvements in machinery cheapen the labourer's clothing or lodging, or the tools with which these are made; improvements in locomotion, such as railways, cheapen to the consumer all things which are brought from a distance. All these improvements make the labourers better off with the same money wages, better off if they do not increase their rate of multiplication. But if they do, and wages consequently fall, at least profits rise, and, while accumulation receives an immediate stimulus, room is made for a greater amount of capital before a sufficient motive arises for sending it abroad. Even the improvements which do not cheapen the things consumed by the labourer, and which, therefore, do not raise profits nor retain capital in the country, nevertheless, as we have seen, by lowering the minimum of profit

for which people will ultimately consent to save, leave an ampler margin than previously for eventual accumulation, before arriving at the stationary state.

We may conclude, then, that improvements in production, and emigration of capital to the more fertile soils and unworked mines of the uninhabited or thinly peopled parts of the globe, do not, as it appears to a superficial view, diminish the gross produce and the demand for labour at home, but, on the contrary, are what we have chiefly to depend on for increasing both, and are even the necessary conditions of any great or prolonged augmentation of either. Nor is it any exaggeration to say, that within certain, and not very narrow, limits, the more capital a country like England expends in these two ways, the more she will have left.

CHAPTER VI.

OF THE STATIONARY STATE.

§ 1. THE preceding chapters comprise the general theory of the economical progress of society, in the sense in which those terms are commonly understood; the progress of capital, of population, and of the productive arts. But in contemplating any progressive movement, not in its nature unlimited, the mind is not satisfied with merely tracing the laws of the movement; it cannot but ask the further question, to what goal? Towards what ultimate point is society tending by its industrial progress? When the progress ceases, in what condition are we to expect that it will leave mankind?

It must always have been seen, more or less distinctly, by political economists, that the increase of wealth is not boundless; that at the end of what they term the progressive state lies the stationary state, that all progress in wealth is but a postponement of this, and that each step in advance is an approach to it. We have now been led to recognize that this ultimate goal is at all times near enough to be fully in view; that we are always on the verge of it, and that if we have not reached it long ago, it is because the goal itself flies before us. The richest and most prosperous countries would very soon attain the stationary state, if no further improvements were made in the productive arts, and if there were a suspension of the overflow of capital from those countries into the uncultivated or ill-cultivated regions of the earth.

This impossibility of ultimately avoiding the stationary state—this irresistible necessity that the stream of human industry should finally spread itself out into an apparently stagnant sea—must have been, to the political economists of

the last two generations, an unpleasing and discouraging prospect; for the tone and tendency of their speculations goes completely to identify all that is economically desirable with the progressive state, and with that alone. With Mr. McCulloch, for example, prosperity does not mean a large production and a good distribution of wealth, but a rapid increase of it; his test of prosperity is high profits; and as the tendency of that very increase of wealth, which he calls prosperity, is towards low profits, economical progress, according to him, must tend to the extinction of prosperity. Adam Smith always assumes that the condition of the mass of the people, though it may not be positively distressed, must be pinched and stinted in a stationary condition of wealth, and can only be satisfactory in a progressive state. The doctrine that, to however distant a time incessant struggling may put off our doom, the progress of society must “end in shallows and in miseries,” far from being, as many people still believe, a wicked invention of Mr. Malthus, was either expressly or tacitly affirmed by his most distinguished predecessors, and can only be successfully combated on his principles. Before attention had been directed to the principle of population as the active force in determining the remuneration of labour, the increase of mankind was virtually treated as a constant quantity; it was, at all events, assumed that in the natural and normal state of human affairs population must constantly increase, from which it followed that a constant increase of the means of support was essential to the physical comfort of the mass of mankind. The publication of Mr. Malthus' Essay is the era from which better views of this subject must be dated; and notwithstanding the acknowledged errors of his first edition, few writers have done more than himself, in the subsequent editions, to promote these juster and more hopeful anticipations.

Even in a progressive state of capital, in old countries, a conscientious or prudential restraint on population is indispensable, to prevent the increase of numbers from out-

stripping the increase of capital, and the condition of the classes who are at the bottom of society from being deteriorated. Where there is not, in the people, or in some very large proportion of them, a resolute resistance to this deterioration—a determination to preserve an established standard of comfort—the condition of the poorest class sinks, even in a progressive state, to the lowest point which they will consent to endure. The same determination would be equally effectual to keep up their condition in the stationary state, and would be quite as likely to exist. Indeed, even now, the countries in which the greatest prudence is manifested in the regulating of population, are often those in which capital increases least rapidly. Where there is an indefinite prospect of employment for increased numbers, there is apt to appear less necessity for prudential restraint. If it were evident that a new hand could not obtain employment but by displacing, or succeeding to, one already employed, the combined influences of prudence and public opinion might generally be relied on for restricting the coming generation within the numbers necessary for replacing the present.

§ 2. I cannot, therefore, regard the stationary state of capital and wealth with the unaffected aversion so generally manifested towards it by political economists of the old school. I am inclined to believe that it would be, on the whole, a very considerable improvement on our present condition. I confess I am not charmed with the ideal of life held out by those who think that the normal state of human beings is that of struggling to get on; that the trampling, crushing, elbowing, and treading on each other's heels, which form the existing type of social life, are the most desirable lot of human kind, or anything but the disagreeable symptoms of one of the phases of industrial progress. The northern and middle states of America are a specimen of this stage of civilization in very favourable circumstances; having, apparently, got rid of all social injustices and inequalities,

that affect persons of Caucasian race and of the male sex, while the proportion of population to capital and land is such as to ensure abundance to every able-bodied member of the community who does not forfeit it by misconduct. They have the six points of Chartism, and they have no poverty: and all that these advantages do for them is that the life of the whole of one sex is devoted to dollar-hunting, and of the other to breeding dollar-hunters. This is not a kind of social perfection which philanthropists to come will feel any very eager desire to assist in realizing. Most fitting, indeed, is it, that while riches are power, and to grow as rich as possible the universal object of ambition, the path to its attainment should be open to all, without favour or partiality. But the best state for human nature is that in which, while no one is poor, no one desires to be richer, nor has any reason to fear being thrust back, by the efforts of others to push themselves forward.

That the energies of mankind should be kept in employment by the struggle for riches, as they were formerly by the struggle of war, until the better minds succeed in educating the others into better things, is undoubtedly more desirable than that they should rust and stagnate. While minds are coarse they require coarse stimuli, and let them have them. In the mean time, those who do not accept the present very early stage of human improvement as its ultimate type, may be excused for being comparatively indifferent to the kind of economical progress which usually excites the congratulations of politicians; the mere increase of production and accumulation. For the safety of national independence it is essential that a country should not fall much behind its neighbours in these things. But in themselves they are of little importance, so long as either the increase of population or anything else prevents the mass of the people from reaping any part of the benefit of them. I know not why it should be matter of congratulation that persons who are already richer than any one needs to be, should have doubled their means of consuming

things which give little or no pleasure except as representative of wealth; or that numbers of individuals should pass over, every year, from the middle classes into a richer class, or from the class of the occupied rich to that of the unoccupied. It is only in the backward countries of the world that increased production is still an important object: in those most advanced, what is economically needed is a better distribution, of which an indispensable means is a stricter restraint on population. Levelling institutions, either of a just or of an unjust kind, cannot alone accomplish it; they may lower the heights of society, but they cannot raise the depths.

On the other hand, we may suppose this better distribution of property attained, by the joint effect of the prudence and frugality of individuals, and of a system of legislation favouring equality of fortunes, so far as is consistent with the just claim of the individual to the fruits, whether great or small, of his or her own industry. We may suppose, for instance, (according to the suggestion thrown out in a former chapter*), a limitation of the sum which any one person may acquire by gift or inheritance, to the amount sufficient to constitute a moderate independence. Under this twofold influence, society would exhibit these leading features: a well paid and affluent body of labourers; no enormous fortunes, except what were earned and accumulated during a single lifetime; but a much larger body of persons than at present, not only exempt from the coarser toils, but with sufficient leisure, both physical and mental, from mechanical details, to cultivate freely the graces of life, and afford examples of them to the classes less favourably circumstanced for their growth. This state of things, which seems, economically considered, to be the most desirable condition of society, is not only perfectly compatible with the stationary state, but, it would seem, more naturally allied with that state than with any other.

* *Supra*, vol. i. pp. 266-8.

There is room in the world, no doubt, and even in old countries, for an immense increase of population, supposing the arts of life to go on improving, and capital to increase. But, although it may be innocuous, I confess I see very little reason for desiring it. The density of population necessary to enable mankind to obtain, in the greatest degree, all the advantages both of co-operation and of social intercourse, has, in all the more populous countries, been attained. A population may be too crowded, though all be amply supplied with food and raiment. It is not good for man to be kept perforce at all times in the presence of his species. A world from which solitude is extirpated, is a very poor ideal. Solitude, in the sense of being often alone, is essential to any depth of meditation or of character; and solitude in the presence of natural beauty and grandeur, is the cradle of thoughts and aspirations which are not only good for the individual, but which society could ill do without. Nor is there much satisfaction in contemplating the world with nothing left to the spontaneous activity of nature; with every rood of land brought into cultivation which is capable of growing food for human beings; every flowery waste or natural pasture ploughed up, all quadrupeds or birds which are not domesticated for man's use exterminated as his rivals for food, every hedgerow or superfluous tree rooted out, and scarcely a place left where a wild shrub or flower could grow without being eradicated as a weed in the name of improved agriculture. If the earth must lose that great portion of its pleasantness which it owes to things that the unlimited increase of wealth and population would extirpate from it, for the mere purpose of enabling it to support a larger, but not a better or a happier population, I sincerely hope, for the sake of posterity, that they will be content to be stationary, long before necessity compels them to it.

It is scarcely necessary to remark that a stationary condition of capital and population implies no stationary state of human improvement. There would be as much scope as

ever for all kinds of mental culture, and moral and social progress; as much room for improving the Art of Living, and much more likelihood of its being improved, when minds ceased to be engrossed by the art of getting on. Even the industrial arts might be as earnestly and as successfully cultivated, with this sole difference, that instead of serving no purpose but the increase of wealth, industrial improvements would produce their legitimate effect, that of abridging labour. Hitherto it is questionable if all the mechanical inventions yet made have lightened the day's toil of any human being. They have enabled a greater population to live the same life of drudgery and imprisonment, and an increased number of manufacturers and others to make large fortunes. They have increased the comforts of the middle classes. But they have not yet begun to effect those great changes in human destiny, which it is in their nature and in their futurity to accomplish. Only when, in addition to just institutions, the increase of mankind shall be under the deliberate guidance of a judicious foresight, can the conquests made from the powers of nature by the intellect and energy of scientific discoverers, become the common property of the species, and the means of improving and elevating the universal lot.

CHAPTER VII.

ON THE PROBABLE FUTURITY OF THE LABOURING CLASSES.

§ 1. THE observations in the preceding chapter had for their principal object to deprecate a false ideal of human society. Their applicability to the practical purposes of present times, consists in moderating the inordinate importance attached to the mere increase of production, and fixing attention upon improved distribution, and a large remuneration of labour, as the true desiderata. Whether the aggregate produce increases absolutely or not, is a thing in which, after a certain amount has been obtained, neither the legislator nor the philanthropist need feel any strong interest: but, that it should increase relatively to the number of those who share in it, is of the utmost possible importance; and this, (whether the wealth of mankind be stationary, or increasing at the most rapid rate ever known in an old country,) must depend on the opinions and habits of the most numerous class, the class of manual labourers.

The economic condition of that class, and along with it of all society, depends therefore essentially on its moral and intellectual, and that again on its social, condition. In the details of political economy, general views of society and politics are out of place; but in the more comprehensive inquiries it is impossible to exclude them; since the various leading departments of human life do not develope themselves separately, but each depends on all, or is profoundly modified by them. To obtain any light on the great economic question of the future, which gives the chief interest to the phenomena of the present—the physical condition of the labouring classes—we must consider it, not sepa-

rately, but in conjunction with all other points of their condition.

Considered in its moral and social aspect, the state of the labouring people has latterly been a subject of much more speculation and discussion than formerly; and the opinion, that it is not now what it ought to be, has become very general. The suggestions which have been promulgated, and the controversies which have been excited, on detached points rather than on the foundations of the subject, have put in evidence the existence of two conflicting theories, respecting the social position desirable for manual labourers. The one may be called the theory of dependence and protection, the other that of self-dependence.

According to the former theory, the lot of the poor, in all things which affect them collectively, should be regulated *for* them, not *by* them. They should not be required or encouraged to think for themselves, or give to their own reflection or forecast an influential voice in the determination of their destiny. It is the duty of the higher classes to think for them, and to take the responsibility of their lot, as the commander and officers of an army take that of the soldiers composing it. This function the higher classes should prepare themselves to perform conscientiously, and their whole demeanour should impress the poor with a reliance on it, in order that, while yielding passive and active obedience to the rules prescribed for them, they may resign themselves in all other respects to a trustful *insouciance*, and repose under the shadow of their protectors. The relation between rich and poor should be only partially authoritative; it should be amiable, moral, and sentimental: affectionate tutelage on the one side, respectful and grateful deference on the other. The rich should be *in loco parentis* to the poor, guiding and restraining them like children. Of spontaneous action on their part there should be no need. They should be called on for nothing but to do their day's work, and to be moral and religious. Their morality and religion should be provided

for them by their superiors, who should see them properly taught it, and should do all that is necessary to ensure their being, in return for labour and attachment, properly fed, clothed, housed, spiritually edified, and innocently amused.

This is the ideal of the future, in the minds of those whose dissatisfaction with the Present assumes the form of affection and regret towards the Past. Like other ideals, it exercises an unconscious influence on the opinions and sentiments of numbers who never consciously guide themselves by any ideal. It has also this in common with other ideals, that it has never been historically realized. It makes its appeal to our imaginative sympathies in the character of a restoration of the good times of our forefathers. But no times can be pointed out in which the higher classes of this or any other country performed a part even distantly resembling the one assigned to them in this theory. It is an idealization, grounded on the conduct and character of here and there an individual. All privileged and powerful classes, as such, have used their power in the interest of their own selfishness, and have indulged their self-importance in despising, and not in lovingly caring for, those who were, in their estimation, degraded by inferiority. That what has always been must always be, or that human improvement does not tend more and more to correct the intensely selfish feelings engendered by power, I should be sorry to affirm. This, however, seems to me undeniable, that long before the superior classes could be sufficiently improved to govern in the tutelary manner supposed, the inferior classes would be too much improved to be so governed.

I am quite sensible of all that is seductive in the picture of society which this theory presents. Though the facts of it have no prototype in the past, the feelings have. In them lies all that there is of reality in the conception. As the idea is essentially repulsive of a society only held together by bought services, and by the relations and feelings arising out of pecuniary interests, so there is something naturally attrac-

tive in a form of society abounding in strong personal attachments and disinterested self-devotion. Of such feelings it must be admitted that the relation of protector and protected has hitherto been the richest source. The strongest attachments of human beings in general are towards the things or the persons that stand between them and some dreaded evil. Hence, in an age of lawless violence and insecurity, and general hardness and roughness of manners, in which life is beset with dangers and sufferings at every step, to those who have neither a commanding position of their own, nor a claim on the protection of some one who has—a generous giving of protection, and a grateful receiving of it, are the strongest ties which connect human beings; the feelings arising from that relation are their warmest feelings; all the enthusiasm and tenderness of the most sensitive natures gather round it; loyalty on the one part and chivalry on the other are principles exalted into passions. I do not desire to depreciate these virtues. That the most beautiful developements of feeling and character often grow out of the most painful, and in many other respects the most hardening and corrupting, circumstances of our condition, is now, and probably will long be, one of the chief stumbling-blocks both in the theory and in the practice of morals and education. The error in the present case lies in not perceiving, that these virtues and sentiments, like the clanship and the hospitality of the wandering Arab, belong emphatically to a rude and imperfect state of the social union, and that the feelings between protector and protected can no longer have this beautiful and endearing character where there are no longer any serious dangers from which to protect. What is there in the present state of society to make it natural that human beings, of ordinary strength and courage, should glow with the warmest gratitude and devotion in return for protection? The laws protect them: where laws do not reach, manners and opinion shield them. To be under the power of some one, instead of being as formerly the sole condition of safety,

is now, speaking generally, the only situation which exposes to grievous wrong; and wrong against which laws and opinion are neither able, nor very seriously attempt, to afford effectual protection. We have entered into a state of civilization in which the bond that attaches human beings to one another, must be disinterested admiration and sympathy for personal qualities, or gratitude for unselfish services, and not the emotions of protectors towards dependents, or of dependents towards protectors. The arrangements of society are now such that no man or woman who either possesses or is able to earn a livelihood, requires any other protection than that of the law. This being the case, it argues great ignorance of human nature to continue taking for granted that relations founded on protection must always subsist, and not to see that the assumption of the part of protector, and of the power which belongs to it, without any of the necessities which justify it, must engender feelings opposite to loyalty.

Of the working classes of Western Europe at least it may be pronounced certain, that the patriarchal or paternal system of government is one to which they will not again be subject. That question has been several times decided. It was decided when they were taught to read, and allowed access to newspapers and political tracts. It was decided when dissenting preachers were suffered to go among them, and appeal to their faculties and feelings in opposition to the creeds professed and countenanced by their superiors. It was decided when they were brought together in numbers, to work socially under the same roof. It was decided when railways enabled them to shift from place to place, and change their patrons and employers as easily as their coats. The working classes have taken their interests into their own hands, and are perpetually shewing that they think the interests of their employers not identical with their own but opposite to them. Some among the higher classes flatter themselves that these tendencies may be counteracted by moral and religious education; but they have let the time go by for giving an education which

can serve their purpose. The principles of the Reformation have reached as low down in society as reading and writing, and the poor will no longer accept morals and religion of other people's prescribing. I speak more particularly of our own country, especially the town population, and the districts of the most scientific agriculture and highest wages, Scotland and the north of England. Among the more inert and less modernized agricultural population of the southern counties, it might be possible for the gentry to retain for some time longer something of the ancient deference and submission of the poor, by bribing them with high wages and constant employment; by ensuring them support, and never requiring them to do anything which they do not like. But these are two conditions which never have been combined, and never can be, for long together. A guarantee of subsistence can only be practically kept up, when work is enforced, and superfluous multiplication restrained, by at least a moral compulsion. It is then, that the would-be revivers of old times which they do not understand, would feel practically in how hopeless a task they were engaged. The whole fabric of patriarchal or seigniorial influence, attempted to be raised on the foundation of caressing the poor, would be shattered against the necessity of enforcing a stringent Poor-law.

§ 2. It is on a far other basis that the well-being and well-doing of the labouring people must henceforth rest. The poor have come out of leading-strings, and cannot any longer be governed or treated like children. To their own qualities must now be commended the care of their destiny. Modern nations will have to learn the lesson, that the well-being of a people must exist by means of the justice and self-government, the *δικαιοσύνη* and *σωφροσύνη*, of the individual citizens. The theory of dependence attempts to dispense with the necessity of these qualities in the dependent classes. But now, when even in position they are becoming less and less dependent, and their minds less and less acqui-

escent in the degree of dependence which remains, the virtues of independence are those which they stand in need of. These virtues it is still in the power of governments and of the higher classes greatly to promote; and they can hardly do anything which does not, by its own effects or those of its example, either assist or impede that object. But whatever advice, exhortation, or guidance is held out to the labouring classes, must henceforth be tendered to them as equals, and accepted with their eyes open. The prospect of the future depends on the degree in which they can be made rational beings.

There is no reason to believe that prospect other than hopeful. The progress indeed must always be slow. But there is a spontaneous education going on in the minds of the multitude, which may be greatly accelerated and improved by artificial aids. The instruction obtained from newspapers and political tracts is not the best sort of instruction, but it is vastly superior to none at all. The institutions for lectures and discussion, the collective deliberations on questions of common interest, the trades unions, the political agitation, all serve to awaken public spirit, to diffuse variety of ideas among the mass, and to excite real thought and reflection in a few of the more intelligent, who become the leaders and instructors of the rest. Although the too early attainment of political franchises by the least educated class might retard, instead of promoting, their improvement, there can be little doubt that it is greatly stimulated by the attempt to acquire those franchises. It is of little importance that some of them may, at a certain stage of their progress, adopt mistaken opinions. Communists are already numerous, and are likely to increase in number; but nothing tends more to the mental development of the working classes than that all the questions which Communism raises should be largely and freely discussed by them; nothing could be more instructive than that some should actually form communities, and try practically what it is to

live without the institution of property. In the meantime, the working classes are now part of the public; in all discussions on matters of general interest they, or a portion of them, are now partakers; all who use the press as an instrument may, if it so chances, have them for an audience; the avenues of instruction through which the middle classes acquire most of the ideas which they have, are accessible to, at least, the operatives in the towns. With these resources, it cannot be doubted that they will increase in intelligence, even by their own unaided efforts; while there is every reason to hope that great improvements both in the quality and quantity of school education, will be speedily effected by the exertions of government and of individuals, and that the progress of the mass of the people in mental cultivation, and in the virtues which are dependent on it, will take place more rapidly, and with fewer intermittences and aberrations, than if left to itself.

From this increase of intelligence, several effects may be confidently anticipated. First: that they will become even less willing than at present to be led and governed, and directed into the way they should go, by the mere authority and *prestige* of superiors. If they have not now, still less will they have hereafter, any deferential awe, or religious principle of obedience, holding them in mental subjection to a class above them. The theory of dependence and protection will be more and more intolerable to them, and they will require that their conduct and condition shall be essentially self-governed. It is, at the same time, quite possible that they may demand, in many cases, the intervention of the legislature in their affairs, and the regulation by law of various things which concern them, often under very mistaken ideas of their interest. Still, it is their own will, their own ideas and suggestions, to which they will demand that effect should be given, and not rules laid down for them by other people. It is quite consistent with this, that they should feel real respect for superiority of intellect and know-

ledge, and defer much to the opinions, on any subject, of those whom they think well acquainted with it. Such deference is deeply grounded in human nature; but they will judge for themselves of the persons who are and are not entitled to it.

§ 3. It appears to me impossible but that the increase of intelligence, of education, and of the love of independence among the working classes, must be attended with a corresponding growth of the good sense which manifests itself in provident habits of conduct, and that population, therefore, will bear a gradually diminishing ratio to capital and employment. This most desirable result would be much accelerated by another change, which lies in the direct line of the best tendencies of the time, the opening of industrial occupations freely to both sexes. The same reasons which make it no longer necessary that the poor should depend on the rich, make it equally unnecessary that women should depend on men, and the least which justice requires is that law and custom should not enforce dependence (when the correlative protection has become superfluous) by ordaining that a woman, who does not happen to have a provision by inheritance, shall have scarcely any means open to her of gaining a livelihood, except as a wife and mother. Let women who prefer that occupation, adopt it; but that there should be no option, no other *carrière* possible for the great majority of women, except in the humbler departments of life, is one of those social injustices which call loudest for remedy. Among the salutary consequences of correcting it, one of the most probable would be, a great diminution of the evil of over-population. It is by devoting one-half of the human species to that exclusive function, by making it fill the entire life of one sex, and interweave itself with almost all the objects of the other, that the instinct in question is nursed into the disproportionate preponderance which it has hitherto exercised in human life.

§ 4. The political consequences of the increasing power and importance of the operative classes, and of the growing ascendancy of numbers, which even under the present institutions is rapidly giving to the will of the majority at least a negative voice in the acts of government, are too wide a subject to be discussed in this place. But, confining ourselves to economical considerations, and notwithstanding the effect which improved intelligence in the working classes, together with just laws, may have in altering the distribution of the produce to their advantage, I cannot think it probable that they will be permanently contented with the condition of labouring for wages as their ultimate state. To work at the bidding and for the profit of another, without any interest in the work—the price of their labour being adjusted by hostile competition, one side demanding as much and the other paying as little as possible—is not, even when wages are high, a satisfactory state to human beings of educated intelligence, who have ceased to think themselves naturally inferior to those whom they serve. They may be willing to pass through the class of servants in their way to that of employers; but not to remain in it all their lives. To begin as hired labourers, then after a few years to work on their own account, and finally employ others, is the normal condition of labourers in a new country, rapidly increasing in wealth and population, like America or Australia. But something else is required when wealth increases slowly, or has reached the stationary state, when positions, instead of being more mobile, would tend to be much more permanent than at present, and the condition of any portion of mankind could only be desirable, if made desirable from the first.

The opinion expressed in a former part of this treatise respecting small landed properties and peasant proprietors, may have made the reader anticipate that a wide diffusion of property in land is the resource on which I rely for exempting at least the agricultural labourers from exclusive dependence on labour for hire. Such, however, is not my opinion. I

indeed deem that form of agricultural economy to be most groundlessly decried, and to be greatly preferable, in its aggregate effects on human happiness, to hired labour in any form in which it exists at present, because the prudential check to population acts more directly, and is shown by experience to be more efficacious; and because, in point of security, of independence, of exercise for the moral faculties and for the intellect, the state of a peasant proprietor is far nearer to what the state of the labourers should be, than the condition of an agriculturist in this or any other country of hired labour. Where the former system already exists, and works on the whole satisfactorily, I should regret, in the present state of human intelligence, to see it abolished in order to make way for the other, under a pedantic notion of agricultural improvement as a thing necessarily the same in every diversity of circumstances. In a backward state of industrial improvement, as in Ireland, I should urge its introduction, in preference to an exclusive system of hired labour; as a more powerful instrument for raising a population from semi-savage listlessness and recklessness, to habits of persevering industry and prudent calculation.

But a people who have once adopted the large system of production, either in manufactures or in agriculture, are not likely to recede from it; nor, when population is kept in due proportion to the means of support, is there any sufficient reason why they should. Labour is unquestionably more productive on the system of large industrial enterprises; the produce, if not greater absolutely, is greater in proportion to the labour employed: the same number of persons can be supported equally well with less toil and greater leisure; which will be wholly an advantage, as soon as civilization and improvement have so far advanced that what is a benefit to the whole shall be a benefit to each individual composing it. The problem is, to obtain the efficiency and economy of production on a large scale, without dividing the producers into two parties with hostile interests, employers and employed,

the many who do the work being mere servants under the command of the one who supplies the funds, and having no interest of their own in the enterprise, except to fulfil their contract and earn their wages.

§ 5. A solution of this problem is afforded by the extension and development of which the co-operative or joint-stock principle is susceptible. That principle supplies means by which every one who contributes to the work, whether by labour or by pecuniary resources, may have a partner's interest in it proportionally to the value of his contribution. It is already a common practice to remunerate those in whom peculiar trust is reposed by means of a percentage on the profits; and cases exist in which the principle is, with the most excellent success, carried down to the class of mere manual labourers.

In the American ships trading to China, it has long been the custom for every sailor to have an interest in the profits of the voyage; and to this has been ascribed the general good conduct of those seamen, and the extreme rarity of any collision between them and the government or people of the country. An instance in England itself, not so well known as it deserves to be, is that of the Cornish miners. "In Cornwall the mines are worked strictly on the system of joint adventure; gangs of miners contracting with the agent, who represents the owner of the mine, to execute a certain portion of a vein, and fit the ore for market, at the price of so much in the pound of the sum for which the ore is sold. These contracts are put up at certain regular periods, generally every two months, and taken by a voluntary partnership of men accustomed to the mine. This system has its disadvantages, in consequence of the uncertainty and irregularity of the earnings, and consequent necessity of living for long periods on credit; but it has advantages which more than counterbalance these drawbacks. It produces a degree of intelligence, independence, and moral elevation, which raise

the condition and character of the Cornish miner far above that of the generality of the labouring class. We are told by Dr. Barham, that 'they are not only, as a class, intelligent for labourers, but men of considerable knowledge.' Also, that 'they have a character of independence, something American, the system by which the contracts are let giving the takers entire freedom to make arrangements among themselves; so that each man feels, as a partner in his little firm, that he meets his employers on nearly equal terms.' . . . With this basis of intelligence and independence in their character, we are not surprised when we hear that 'a very great number of miners are now located on possessions of their own, leased for three lives or ninety-nine years, on which they have built houses;' or that '281,541*l.* are deposited in savings banks in Cornwall, of which two-thirds are estimated to belong to miners*."

Mr. Babbage, who also gives an account of this system, observes† that the payment to the crews of whaling ships is governed by a similar principle; and that "the profits arising from fishing with nets on the south coast of England are thus divided: one-half the produce belongs to the owner of the boat and net; the other half is divided in equal portions between the persons using it, who are also bound to assist in repairing the net when required." Mr. Babbage has the great merit of having pointed out the practicability, and the advantage, of extending the principle to manufacturing industry generally. I venture to quote the principal part of his observations on the subject.

"The general principles on which the proposed system is founded, are—1st. That a considerable part of the wages received by each person employed, should depend on the

* This passage is from the Prize Essay on the Causes and Remedies of National Distress, by Mr. Samuel Laing. The extracts which it includes are from the Appendix to the Report of the Children's Employment Commission.

† *Economy of Machinery and Manufactures*, 3rd edition, ch. 26.

profits made by the establishment; and 2nd. That every person connected with it should derive more advantage from applying any improvement he might discover, to the factory in which he is employed, than he could by any other course.

“It would be difficult to prevail on the large capitalist to enter upon any system, which would change the division of the profits arising from the employment of his capital in setting skill and labour in action; any alteration, therefore, must be expected rather from the small capitalist, or from the higher class of workmen, who combine the two characters; and to these latter classes, whose welfare will be first affected, the change is most important. I shall therefore first point out the course to be pursued in making the experiment; and then, taking a particular branch of trade as an illustration, I shall examine the merits and defects of the proposed system as applied to it.

“Let us suppose, in some large manufacturing town, ten or twelve of the most intelligent and skilful workmen to unite, whose characters for sobriety and steadiness are good, and are well known among their class. Such persons will each possess some small portion of capital; and let them join with one or two others who have raised themselves into the class of small master-manufacturers, and therefore possess rather a larger portion of capital. Let these persons, after well considering the subject, agree to establish a manufactory of fire-irons and fenders; and let us suppose that each of the ten workmen can command forty pounds, and each of the small capitalists possesses two hundred pounds: thus they have a capital of 800*l.*, with which to commence business, and for the sake of simplifying, let us further suppose the labour of each of these twelve persons to be worth two pounds a week. One portion of their capital will be expended in procuring the tools necessary for their trade, which we shall take at 400*l.*, and this must be considered as their fixed capital. The remaining 400*l.* must be employed as circulating capital, in purchasing the iron with which their

articles are made, in paying the rent of their workshops, and in supporting themselves and their families until some portion of it is replaced by the sale of the goods produced.

“Now the first question to be settled is, what proportion of the profit should be allowed for the use of capital, and what for skill and labour? It does not seem possible to decide this question by any abstract reasoning: if the capital supplied by each partner is equal, all difficulty will be removed; if otherwise, the proportion must be left to find its level, and will be discovered by experience; and it is probable that it will not fluctuate much. Suppose it to be agreed that the capital of 800*l.* shall receive the wages of one workman. At the end of each week, every workman is to receive one pound as wages, and one pound is to be divided amongst the owners of the capital. After a few weeks the returns will begin to come in; and they will soon become nearly uniform. Accurate accounts should be kept of every expense and of all the sales; and at the end of each week the profit should be divided. A certain portion should be laid aside as a reserved fund, another portion for repair of the tools, and the remainder being divided into thirteen parts, one of these parts would be divided amongst the capitalists and one belong to each workman. Thus each man would, in ordinary circumstances, make up his usual wages of two pounds weekly. If the factory went on prosperously, the wages of the men would increase; if the sales fell off, they would be diminished. It is important that every person employed in the establishment, whatever might be the amount paid for his services, whether he act as labourer or porter, or as the clerk who keeps the accounts, or as book-keeper employed for a few hours once a week to superintend them, should receive one-half of what his service is worth in fixed salary, the other part varying with the success of the undertaking.

“The result of such arrangements in a factory would be,

"1. That every person engaged in it would have a direct interest in its prosperity; since the effect of any success, or falling off, would almost immediately produce a corresponding change in his own weekly receipts.

"2. Every person concerned in the factory would have an immediate interest in preventing any waste or mismanagement in all the departments.

"3. The talents of all connected with it would be strongly directed to improvement in every department.

"4. None but workmen of high character and qualifications could obtain admission into such establishments, because when any additional hands were required, it would be the common interest of all to admit only the most respectable and skilful, and it would be far less easy to impose upon a dozen workmen than upon the single proprietor of a factory.

"5. When any circumstance produced a glut in the market, more skill would be directed to diminishing the cost of production; and a portion of the time of the men might then be occupied in repairing and improving their tools, for which a reserved fund would pay, thus checking present, and at the same time facilitating future production.

"6. Another advantage, of no small importance, would be the total removal of all real or imaginary causes for combinations. The workmen and the capitalist would so shade into each other—would so evidently have a common interest, and their difficulties and distresses would be mutually so well understood, that instead of combining to oppress one another, the only combination which could exist would be a most powerful union between both parties to overcome their common difficulties.

"One of the difficulties attending such a system is, that capitalists would at first fear to embark in it, imagining that the workmen would receive too large a share of the profits: and it is quite true that the workmen would have a larger share than at present: but at the same time, it is presumed

the effect of the whole system would be, that the total profits of the establishment being much increased, the smaller proportion allowed to capital under this system would yet be greater in actual amount, than that which results to it from the larger share in the system now existing.

"A difficulty would occur also in discharging workmen who behaved ill, or who were not competent to their work; this would arise from their having a certain interest in the reserved fund, and perhaps from their possessing a certain portion of the capital employed; but without entering into detail, it may be observed, that such cases might be determined on by meetings of the whole establishment; and that if the policy of the laws favoured such establishments, it would scarcely be more difficult to enforce just regulations than it now is to enforce some which are unjust, by means of combinations either amongst the masters or the men."

In this imaginary case, it is supposed that each labourer brings some small portion of capital into the concern: but the principle is equally applicable to the ordinary case, in which the whole capital belongs to an individual capitalist. An application of it to such a case is actually in progress, by a Paris tradesman, a house-painter, M. Leclaire*. The intelligent author of this meritorious experiment, published a pamphlet in the year 1842, descriptive of his system of operations; to which attention was first directed by M. Duveyrier, in his *Lettres Politiques*, and a full abstract of which has been published in *Chambers' Journal*†. M. Leclaire employs on an average two hundred workmen, whom he pays in the usual manner, by fixed wages or salaries. He assigns to himself, besides interest for his capital, a fixed allowance for his labour and responsibility as manager. At the end of the year, the surplus profits are divided among the whole body, himself included, in the proportion of their fixed salaries.

* His establishment is (or was) 11, Rue Saint Georges.

† For September 27, 1845.

The reasons by which M. Leclaire was led to adopt this system are interesting and instructive. Finding the conduct of his workmen unsatisfactory, he first tried the effect of giving higher wages, and by this he managed to obtain a body of excellent workmen, who would not quit his service for any other. "Having thus succeeded" (I quote from the abstract in Chambers' Journal,) "in producing some sort of stability in the arrangements of his establishment, M. Leclaire expected, he says, to enjoy greater peace of mind. In this, however, he was disappointed. So long as he was able to superintend everything himself, from the general concerns of his business down to its minutest details, he did enjoy a certain satisfaction; but from the moment that, owing to the increase of his business, he found that he could be nothing more than the centre from which orders were issued, and to which reports were brought in, his former anxiety and discomfort returned upon him." He speaks lightly of the other sources of anxiety to which a tradesman is subject, but describes as an incessant cause of vexation the losses arising from the misconduct of workmen. An employer "will find workmen whose indifference to his interests is such that they do not perform two-thirds of the amount of work which they are capable of; hence the continual fretting of masters, who, seeing their interests neglected, believe themselves entitled to suppose that workmen are constantly conspiring to ruin those from whom they derive their livelihood. If the journeyman were sure of constant employment, his position would in some respects be more enviable than that of the master, because he is assured of a certain amount of day's wages, which he will get whether he works much or little. He runs no risk, and has no other motive to stimulate him to do his best than his own sense of duty. The master, on the other hand, depends greatly on chance for his returns: his position is one of continual irritation and anxiety. This would no longer be the case to the same extent, if the interests of the master and those of the workmen were

bound up with each other, connected by some bond of mutual security, such as that which would be obtained by the plan of a yearly division of profits."

It is to be regretted that we are only in possession of the result of M. Leclaire's experiment in the first year during which it was in complete operation. Already, however, the success had been remarkable. Not one of his journeymen who worked as many as three hundred days, earned in that year less than 1500 francs, and some considerably more. His highest rate of daily wages being four francs, or 1200 francs for 300 days, the remaining 300 francs or 12*l.* must have been the smallest amount which any journeyman, who worked that number of days, obtained as his proportion of the surplus profit. M. Leclaire describes in strong terms the improvement which was already manifest in the habits and demeanour of his workmen, not merely when at work, and in their relations with their employer, but at other times and in other relations, showing increased respect both for others and for themselves.

Under this system, as well as under that recommended by Mr. Babbage, the labourers are, in reality, taken into partnership with their employer. Bringing nothing into the common concern but their labour, while he brings not only his labour of direction and superintendence but his capital also, they have justly a smaller share of the profits; this, however, is a matter of private arrangement in all partnerships: one partner has a large, another a small share, according to their agreement, grounded on the equivalent which is given by each. The essence, however, of a partnership is obtained, since each benefits by all things that are beneficial to the concern, and loses by all which are injurious. It is, in the fullest sense, the common concern of all.

§ 6. To this principle, in whatever form embodied, it seems to me that futurity has to look for obtaining the benefits of co-operation, without constituting the numerical

majority of the co-operators an inferior caste. The objections that apply to a "co-operative society," in the Communist or Owenite sense, in which, by force of giving to every member of the body a share in the common interest, no one has a greater share in it than another, are not applicable to what is now suggested. It is expedient that those, whose performance of the part assigned to them is the most essential to the common end, should have a greater amount of personal interest in the issue of the enterprise. If those who supply the funds, and incur the whole risk of the undertaking, obtained no greater reward or more influential voice than the rest, few would practise the abstinence through which those funds are acquired and kept in existence. Up to a certain point, however, the principle of giving to every person concerned an interest in the profits is an actual benefit to the capitalist, not only (as M. Leclaire has testified) in point of ease and comfort, but even in pecuniary advantage. And after the point of greatest benefit to the employers has been attained, the participation of the labourers may be carried somewhat further without any material abatement from that maximum of benefit. At what point, in each employment of capital, this ultimatum is to be found, will one day be known and understood from experience; and up to that point it is not unreasonable to expect that the partnership principle will be, at no very distant time, extended.

The value of this "organization of industry," for healing the widening and embittering feud between the class of labourers and the class of capitalists, must, I think, impress itself by degrees on all who habitually reflect on the condition and tendencies of modern society. I cannot conceive how any such person can persuade himself that the majority of the community will for ever, or even for much longer, consent to hew wood and draw water all their lives in the service and for the benefit of others; or can doubt, that they will be less and less willing to co-operate as subordinate agents in any work, when they have no interest in the result,

and that it will be more and more difficult to obtain the best work-people, or the best services of any work-people, except on conditions similar in principle to those of M. Leclaire. Although, therefore, arrangements of this sort are now in their infancy, their multiplication and growth, when once they enter into the general domain of popular discussion, are among the things which may most confidently be expected.