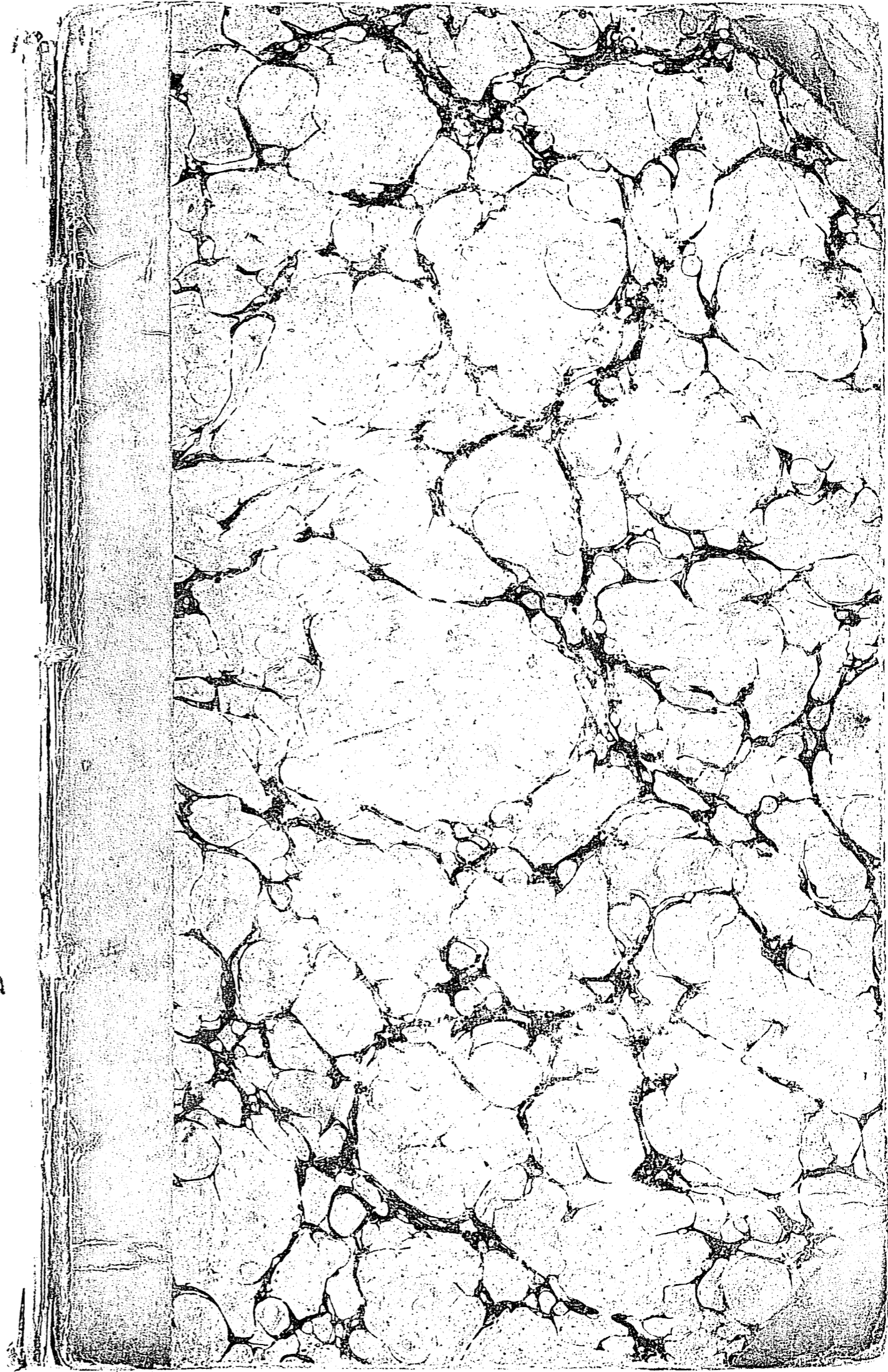


On the principles of political economy, and taxation

Ricard, David 1817

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ON
THE PRINCIPLES
OF
POLITICAL ECONOMY,
AND
TAXATION.

By DAVID RICARDO, Esq.

LONDON:

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1817.

PREFACE.

THE produce of the earth—all that is derived from its surface by the united application of labour, machinery, and capital, is divided among three classes of the community; namely, the proprietor of the land, the owner of the stock or capital necessary for its cultivation, and the labourers by whose industry it is cultivated.

But in different stages of society, the proportions of the whole produce of the earth which will be allotted to each of these classes, under the names of rent, profit, and wages, will be essentially different; depending mainly on the actual fertility of the soil, on the accumulation of capital and population, and on the skill, ingenuity, and instruments employed in agriculture.

To determine the laws which regulate this distribution, is the principal problem in Po-

litical Economy: much as the science has been improved by the writings of Turgot, Stuart, Smith, Say, Sismondi, and others, they afford very little satisfactory information respecting the natural course of rent, profit, and wages.

In 1815, Mr. Malthus in his "Inquiry into the Nature and Progress of Rent," and a Fellow of University College, Oxford, in his "Essay on the Application of Capital to Land," presented to the world, nearly at the same moment, the true doctrine of rent; without a knowledge of which it is impossible to understand the effect of the progress of wealth on profits and wages, or to trace satisfactorily the influence of taxation on different classes of the community, particularly when the commodities taxed are the productions immediately derived from the surface of the earth. Adam Smith, and the other able writers to whom I have alluded, not having viewed correctly the principles of rent, have, it appears to me, overlooked many important truths, which can only be discovered after the subject of rent is thoroughly understood.

To supply this deficiency, abilities are required of a far superior cast to any possessed by the writer of the following pages; yet after having given to this subject his best consideration—after the aid which he has derived from the works of the above-mentioned eminent writers—and after the valuable experience which a few late years, abounding in facts, have yielded to the present generation—it will not, he trusts, be deemed presumptuous in him to state his opinions on the laws of profits and wages, and on the operation of taxes. If the principles which he deems correct should be found to be so, it will be for others more able than himself to trace them to all their important consequences.

The writer, in combating received opinions, has found it necessary to advert more particularly to those passages in the writings of Adam Smith from which he sees reason to differ; but he hopes it will not on that account be suspected that he does not, in common with all those who acknowledge the importance of the science of Political Economy, participate in the admiration which the pro-

found work of this celebrated author so justly excites.

The same remark may be applied to the excellent works of M. Say, who not only was the first, or among the first, of continental writers, who justly appreciated and applied the principles of Smith, and who has done more than all other continental writers taken together, to recommend the principles of that enlightened and beneficial system to the nations of Europe; but who has succeeded in placing the science in a more logical, and more instructive order; and has enriched it by several discussions, original, accurate, and profound.* The respect, however, which the author entertains for the writings of this gentleman, has not prevented him from commenting with that freedom which he thinks the interests of science require, on such passages of the "Economie Politique," as appeared at variance with his own ideas.

* Chap. xv. part i. "Des Débouchés," contains in particular some very important principles, which I believe were first explained by this distinguished writer.

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CHAPTER I.

ON VALUE.

It has been observed by Adam Smith, that "the word Value has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys. The one may be called *value in use*; the other, *value in exchange*. The things," he continues, "which have the greatest value in use, have frequently little or no value in exchange; and, on the contrary, those which have the greatest value in exchange, have little or no value in use." Water and air are abundantly useful; they are indeed indispensable to existence, yet, under ordinary circumstances, nothing can be obtained in exchange for them. Gold,

on the contrary, though of little use compared with air or water, will exchange for a great quantity of other goods.

Utility then is not the measure of exchangeable value, although it is absolutely essential to it. If a commodity were in no way useful,—in other words, if it could in no way contribute to our gratification,—it would be destitute of exchangeable value, however scarce it might be, or whatever quantity of labour might be necessary to procure it.

Possessing utility, commodities derive their exchangeable value from two sources: from their scarcity, and from the quantity of labour required to obtain them.

There are some commodities, the value of which is determined by their scarcity alone. No labour can increase the quantity of such goods, and therefore their value cannot be lowered by an increased supply. Some rare statues and pictures, scarce books and coins, wines of a peculiar quality, which can be made only from grapes grown on a particular soil, of which there is a very limited

quantity, are all of this description. Their value is wholly independent of the quantity of labour originally necessary to produce them, and varies with the varying wealth and inclinations of those who are desirous to possess them.

These commodities, however, form a very small part of the mass of commodities daily exchanged in the market. By far the greatest part of those goods which are the objects of desire, are procured by labour; and they may be multiplied, not in one country alone, but in many, almost without any assignable limit, if we are disposed to bestow the labour necessary to obtain them.

In speaking then of commodities, of their exchangeable value, and of the laws which regulate their relative prices, we mean always such commodities only as can be increased in quantity by the exertion of human industry, and on the production of which competition operates without restraint.

In the early stages of society, the exchangeable value of these commodities, or

the rule which determines how much of one shall be given in exchange for another, depends solely on the comparative quantity of labour expended on each.

“The real price of every thing,” says Adam Smith, “what every thing really costs to the man who wants to acquire it, is the toil and trouble of acquiring it. What every thing is really worth to the man who has acquired it, and who wants to dispose of it, or exchange it for something else, is the toil and trouble which it can save to himself, and which it can impose upon other people.” “Labour was the first price—the original purchase-money that was paid for all things.” Again, “in that early and rude state of society, which precedes both the accumulation of stock and the appropriation of land, the proportion between the quantities of labour necessary for acquiring different objects, seems to be the only circumstance which can afford any rule for exchanging them for one another. If among a nation of hunters, for example, it usually cost twice the labour to kill a beaver which it does to kill a deer, one beaver should naturally exchange for, or

be worth two deer. It is natural that what is usually the produce of two days', or two hours' labour, should be worth double of what is usually the produce of one day's, or one hour's labour.”*

That this is really the foundation of the exchangeable value of all things, excepting those which cannot be increased by human industry, is a doctrine of the utmost importance in political economy; for from no source do so many errors, and so much difference of opinion in that science proceed, as from the vague ideas, which are attached to the word value.

If the quantity of labour realized in commodities, regulate their exchangeable value, every increase of the quantity of labour must augment the value of that commodity on which it is exercised, as every diminution must lower it.

Adam Smith, who so accurately defined the original source of exchangeable value, and who was bound in consistency to main-

* Book i. chap. 5.

tain, that all things became more or less valuable in proportion as more or less labour was bestowed on their production, has himself erected another standard measure of value, and speaks of things being more or less valuable, in proportion as they will exchange for more or less of this standard measure. Sometimes he speaks of corn, at other times of labour, as a standard measure; not the quantity of labour bestowed on the production of any object, but the quantity which it can command in the market: as if these were two equivalent expressions, and as if because a man's labour had become doubly efficient, and he could therefore produce twice the quantity of a commodity, he would necessarily receive twice the former quantity in exchange for it.

If this indeed were true, if the reward of the labourer were always in proportion to what he produced, the quantity of labour bestowed on a commodity, and the quantity of labour which that commodity would purchase, would be equal, and either might accurately measure the variations of other things: but they are not equal; the first is under many circumstances an invariable

standard, indicating correctly the variations of other things; the latter is subject to as many fluctuations as the commodities compared with it. Adam Smith, after most ably shewing the insufficiency of a variable medium, such as gold and silver, for the purpose of determining the varying value of other things, has himself, by fixing on corn or labour, chosen a medium no less variable.

Gold and silver are no doubt subject to fluctuations, from the discovery of new and more abundant mines; but such discoveries are rare, and their effects, though powerful, are limited to periods of comparatively short duration. They are subject also to fluctuation, from improvements in the skill and machinery with which the mines may be worked; as in consequence of such improvements, a greater quantity may be obtained with the same labour. They are further subject to fluctuation from the decreasing produce of the mines, after they have yielded a supply to the world, for a succession of ages. But from which of these sources of fluctuation is corn exempted? Does not that also vary, on one hand, from improvements

in agriculture, from improved machinery and implements used in husbandry, as well as from the discovery of new tracts of fertile land, which in other countries may be taken into cultivation, and which will affect the value of corn in every market where importation is free? Is it not on the other hand subject to be enhanced in value from prohibitions of importation, from increasing population and wealth, and the greater difficulty of obtaining the increased supplies, on account of the additional quantity of labour which the cultivation of inferior lands requires? Is not the value of labour equally variable; being not only affected, as all other things are, by the proportion between the supply and demand, which uniformly varies with every change in the condition of the community, but also by the varying price of food and other necessaries, on which the wages of labour are expended?

In the same country double the quantity of labour may be required to produce a given quantity of food and necessaries at one time, that may be necessary at another, and a distant time; yet the labourer's reward may

possibly be very little diminished. If the labourer's wages at the former period, were a certain quantity of food and necessaries, he probably could not have subsisted if that quantity had been reduced. Food and necessaries in this case will have risen 100 per cent. if estimated by the *quantity* of labour necessary to their production, while they will scarcely have increased in value, if measured by the quantity of labour for which they will *exchange*.

The same remark may be made respecting two or more countries. In America and Poland, a year's labour will produce much more corn than in England. Now, supposing all other necessaries to be equally cheap in those three countries, would it not be a great mistake to conclude, that the quantity of corn awarded to the labourer, would in each country be in proportion to the facility of production?

If the shoes and clothing of the labourer, could, by improvements in machinery, be produced by one fourth of the labour now necessary to their production, they would prob-

ably fall 75 per cent. ; but so far is it from being true, that the labourer would thereby be enabled permanently to consume four coats, or four pair of shoes, instead of one, that his wages would in no long time be adjusted by the effects of competition, and the stimulus to population, to the new value of the necessaries on which they were expended. If these improvements extended to all the objects of the labourer's consumption, we should find him probably at the end of a very few years, in possession of only a small, if any, addition to his enjoyments, although the exchangeable value of those commodities, compared with any other commodity, in the manufacture of which no such improvement were made, had sustained a very considerable reduction ; and though they were the produce of a very considerably diminished quantity of labour.

It cannot then be correct, to say with Adam Smith, " that as labour may sometimes purchase a greater, and sometimes a smaller quantity of goods, it is their value which varies, not that of the labour which purchases them ;" and therefore, " that labour alone never vary-

ing in its own value, is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared ;"—but it is correct to say, as Adam Smith had previously said, " that the proportion between the quantities of labour necessary for acquiring different objects, seems to be the only circumstance which can afford any rule for exchanging them for one another ;" or in other words, that it is the comparative quantity of commodities which labour will produce, that determines their present or past relative value, and not the comparative quantities of commodities, which are given to the labourer in exchange for his labour.

If any one commodity could be found, which now and at all times required precisely the same quantity of labour to produce it, that commodity would be of an unvarying value, and would be eminently useful as a standard by which the variations of other things might be measured. Of such a commodity we have no knowledge, and consequently are unable to fix on any standard of value. It is, however, of considerable use to-

wards attaining a correct theory, to ascertain what the essential qualities of a standard are, that we may know the causes of the variation in the relative value of commodities, and that we may be enabled to calculate the degree in which they are likely to operate.

In speaking however of labour, as being the foundation of all value, and the relative quantity of labour as determining the relative value of commodities, I must not be supposed to be inattentive to the different qualities of labour, and the difficulty of comparing an hour's, or a day's labour, in one employment, with the same duration of labour in another. The estimation in which different qualities of labour are held, comes soon to be adjusted in the market with sufficient precision for all practical purposes, and depends much on the comparative skill of the labourer, and intensity of the labour performed. The scale, when once formed, is liable to little variation. If a day's labour of a working jeweller be more valuable than a day's labour of a common labourer, it has

long ago been adjusted, and placed in its proper position in the scale of value.*

In comparing therefore the value of the same commodity, at different periods of time, the consideration of the comparative skill and intensity of labour, required for that particular commodity, needs scarcely to be attended to, as it operates equally at both pe-

* "But though labour be the real measure of the exchangeable value of all commodities, it is not that by which their value is commonly estimated. It is often difficult to ascertain the proportion between two different quantities of labour. The time spent in two different sorts of work will not always alone determine this proportion. The different degrees of hardship endured, and of ingenuity exercised, must likewise be taken into account. There may be more labour in an hour's hard work, than in two hours' easy business; or, in an hour's application to a trade, which it costs ten years' labour to learn, than in a month's industry at an ordinary and obvious employment. But it is not easy to find any accurate measure, either of hardship or ingenuity. In exchanging, indeed, the different productions of different sorts of labour for one another, some allowance is commonly made for both. It is adjusted, however, not by any accurate measure, but by the higgling and bargaining of the market, according to that sort of rough equality, which, though not exact, is sufficient for carrying on the business of common life."—*Wealth of Nations*. Book i. chap. 10.

riods. One description of labour at one time is compared with the same description of labour at another; if a tenth, a fifth, or a fourth, has been added or taken away; an effect proportioned to the cause will be produced on the relative value of the commodity.

If a piece of cloth be now of the value of two pieces of linen, and if, in ten years hence, the ordinary value of a piece of cloth should be four pieces of linen, we may safely conclude, that either more labour is required to make the cloth, or less to make the linen, or that both causes have operated.

As the inquiry to which I wish to draw the reader's attention, relates to the effect of the variations in the relative value of commodities, and not in their absolute value, it will be of little importance to examine into the comparative degree of estimation in which the different kinds of human labour are held. We may fairly conclude, that whatever inequality there might originally have been in them, whatever the ingenuity, skill, or time necessary for the acquirement of one species of

manual dexterity more than another, it continues nearly the same from one generation to another; or at least, that the variation is very inconsiderable from year to year, and therefore, can have little effect for short periods on the relative value of commodities.

“The proportion between the different rates both of wages and profit in the different employments of labour and stock, seems not to be much affected, as has already been observed, by the riches or poverty, the advancing, stationary, or declining state of the society. Such revolutions in the public welfare, though they affect the general rates both of wages and profit, must in the end affect them equally in all different employments. The proportion between them therefore must remain the same, and cannot well be altered, at least for any considerable time, by any such revolutions.”*

It will be seen by the extract which I have made in page 4, from the “Wealth of Nations,” that though Adam Smith fully recognized the principle, that the proportion be-

* Wealth of Nations, book i. chap. 10.

tween the quantities of labour necessary for acquiring different objects, is the only circumstance which can afford any rule for our exchanging them for one another, yet he limits its application to "that early and rude state of society, which precedes both the accumulation of stock and the appropriation of land;" as if, when profits and rent were to be paid, they would have some influence on the relative value of commodities, independent of the mere quantity of labour that was necessary to their production.

Adam Smith, however, has nowhere analyzed the effects of the accumulation of capital, and the appropriation of land, on relative value. It is of importance, therefore, to determine how far the effects which are avowedly produced on the exchangeable value of commodities, by the comparative quantity of labour bestowed on their production, are modified or altered by the accumulation of capital and the payment of rent.

First, as to the accumulation of capital. Even in that early state to which Adam Smith refers, some capital, though possibly made and accumulated by the hunter himself

would be necessary to enable him to kill his game. Without some weapon, neither the beaver nor the deer could be destroyed, and therefore the value of these animals would be regulated, not solely by the time and labour necessary to their destruction, but also by the time and labour necessary for providing the hunter's capital, the weapon, by the aid of which their destruction was effected.

Suppose the weapon necessary to kill the beaver, were constructed with much more labour than that necessary to kill the deer, on account of the greater difficulty of approaching near to the former animal, and the consequent necessity of its being more true to its mark; one beaver would naturally be of more value than two deer, and precisely for this reason, that more labour would on the whole be necessary to its destruction.

All the implements necessary to kill the beaver and deer might belong to one class of men, and the labour employed in their destruction might be furnished by another class; still, their comparative prices would be in proportion to the actual labour bestowed,

both on the formation of the capital, and on the destruction of the animals. Under different circumstances of plenty or scarcity of capital, as compared with labour, under different circumstances of plenty or scarcity of the food and necessaries essential to the support of men, those who furnished an equal value of capital for either one employment or for the other, might have a half, a fourth, or an eighth of the produce obtained, the remainder being paid as wages to those who furnished the labour; yet this division could not affect the relative value of these commodities, since whether the profits of capital were greater or less, whether they were 50, 20, or 10 per cent., or whether the wages of labour were high or low, they would operate equally on both employments.

If we suppose the occupations of the society extended, that some provide canoes and tackle necessary for fishing, others the seed and rude machinery first used in agriculture, still the same principle would hold true, that the exchangeable value of the commodities produced would be in proportion to the labour bestowed on their production; not on their

immediate production only, but on all those implements or machines required to give effect to the particular labour to which they were applied.

If we look to a state of society in which greater improvements have been made, and in which arts and commerce flourish, we shall still find that commodities vary in value conformably with this principle: in estimating the exchangeable value of stockings, for example, we shall find that their value, comparatively with other things, depends on the total quantity of labour necessary to manufacture them, and bring them to market. First, there is the labour necessary to cultivate the land on which the raw cotton is grown; secondly, the labour of conveying the cotton to the country where the stockings are to be manufactured, which includes a portion of the labour bestowed in building the ship in which it is conveyed, and which is charged in the freight of the goods; thirdly, the labour of the spinner and weaver; fourthly, a portion of the labour of the engineer, smith, and carpenter, who erected the buildings and machinery, by the help of which they are made;

fifthly, the labour of the retail dealer, and of many others, whom it is unnecessary further to particularize. The aggregate sum of these various kinds of labour, determines the quantity of other things for which these stockings will exchange, while the same consideration of the various quantities of labour which have been bestowed on those other things, will equally govern the portion of them which will be given for the stockings.

To convince ourselves that this is the real foundation of exchangeable value, let us suppose any improvement to be made in the means of abridging labour in any one of the various processes through which the raw cotton must pass, before the manufactured stockings come to the market, to be exchanged for other things; and observe the effects which will follow. If fewer men were required to cultivate the raw cotton, or if fewer sailors were employed in navigating, or shipwrights in constructing the ship, in which it was conveyed to us; if fewer hands were employed in raising the buildings and machinery, or if these when raised, were rendered more efficient, the stockings would inevitably fall in

value, and consequently command less of other things. They would fall, because a less quantity of labour was necessary to their production, and would therefore exchange for a smaller quantity of those things in which no such abridgment of labour had been made.

Economy in the use of labour never fails to reduce the relative value of a commodity, whether the saving be in the labour necessary to the manufacture of the commodity itself, or in that necessary to the formation of the capital, by the aid of which it is produced. In either case the price of stockings would fall, whether there were fewer men employed as bleachers, spinners, and weavers, persons immediately necessary to their manufacture; or as sailors, carriers, engineers, and smiths, persons more indirectly concerned. In the one case, the whole saving of labour would fall on the stockings, because that portion of labour was wholly confined to the stockings; in the other, a portion only would fall on the stockings, the remainder being applied to all those other commodities, to the production of which the buildings, machinery, and carriage, were subservient.

In every society the capital which is employed in production, is necessarily of limited durability. The food and clothing consumed by the labourer, the buildings in which he works, the implements with which his labour is assisted, are all of a perishable nature. There is however a vast difference in the time for which these different capitals will endure: a steam-engine will last longer than a ship, a ship than the clothing of the labourer, and the clothing of the labourer longer than the food which he consumes.

According as capital is rapidly perishable, and requires to be frequently reproduced, or is of slow consumption, it is classed under the heads of circulating, or of fixed capital. A brewer, whose buildings and machinery are valuable and durable, is said to employ a large portion of fixed capital: on the contrary, a shoe-maker, whose capital is chiefly employed in the payment of wages, which are expended on food and clothing, commodities more perishable than buildings and machinery, is said to employ a large proportion of his capital as circulating capital.

Two trades then may employ the same

amount of capital; but it may be very differently divided with respect to the portion which is fixed, and that which is circulating.

Again two manufacturers may employ the same amount of fixed, and the same amount of circulating capital; but the durability of their fixed capitals may be very unequal. One may have steam engines of the value of 10,000*l.* the other, ships of the same value.

Besides the alteration in the relative value of commodities, occasioned by more or less labour being required to produce them, they are also subject to fluctuations from a rise of wages, and consequent fall of profits, if the fixed capitals employed be either of unequal value, or of unequal duration.

Suppose that in the early stages of society, the bows and arrows of the hunter were of equal value, and of equal durability, with the canoe and implements of the fisherman, both being the produce of the same quantity of labour. Under such circumstances the value of the deer, the produce of the hunter's day's labour, would be exactly equal to the

value of the fish, the produce of the fisherman's day's labour. The comparative value of the fish and the game, would be entirely regulated by the quantity of labour realised in each; whatever might be the quantity of production, or however high or low general wages or profits might be. If for example the canoes and implements of the fisherman were of the value of 100%. and were calculated to last for ten years, and he employed ten men, whose annual labour cost 100%. and who in one day obtained by their labour twenty salmon: If the weapons employed by the hunter were also of 100%. value and calculated to last ten years, and if he also employed ten men, whose annual labour cost 100%. and who in one day procured him ten deer; then the natural price of a deer would be two salmon, whether the proportion of the whole produce bestowed on the men who obtained it, were large or small. The proportion which might be paid for wages, is of the utmost importance in the question of profits; for it must at once be seen, that profits would be high or low, exactly in proportion as wages were low or high; but it could not in the least affect the relative value of fish and

game, as wages would be high or low at the same time in both occupations. If the hunter urged the plea of his paying a large proportion, or the value of a large proportion of his game for wages, as an inducement to the fisherman to give him more fish in exchange for his game, the latter would state that he was equally affected by the same cause; and therefore under all variations of wages and profits, under all the effects of accumulation of capital, as long as they continued by a day's labour to obtain respectively the same quantity of fish, and the same quantity of game, the natural rate of exchange would be, one deer for two salmon.

If with the same quantity of labour a less quantity of fish, or a greater quantity of game were obtained, the value of fish would rise in comparison with that of game. If, on the contrary, with the same quantity of labour a less quantity of game, or a greater quantity of fish was obtained, game would rise in comparison with fish.

If there were any other commodity which was invariable in its value, requiring at all

times, and under all circumstances, precisely the same quantity of labour to obtain it, we should be able to ascertain, by comparing the value of fish and game with this commodity, how much of the variation was to be attributed to a cause which affected the value of fish, and how much to a cause which affected the value of game.

Suppose money to be that commodity. If a salmon were worth 1*l.* and a deer 2*l.* one deer would be worth two salmon. But a deer might become of the value of three salmon, for more labour might be required to obtain the deer, or less to get the salmon, or both these causes might operate at the same time. If we had this invariable standard, we might easily ascertain in what degree either of these causes operated. If salmon continued to sell for 1*l.* whilst deer rose to 3*l.* we might conclude that more labour was required to obtain the deer. If deer continued at the same price of 2*l.* and salmon sold for 13*s.* 4*d.* we might then be sure that less labour was required to obtain the salmon; and if deer rose to 2*l.* 10*s.* and salmon fell to 16*s.* 8*d.* we should be convinced that both

causes had operated in producing the alteration of the relative value of these commodities.

No alteration in the wages of labour could produce any alteration in the relative value of these commodities; for if profits were 10 per cent., then to replace the 100*l.* circulating capital with 10 per cent. profit, there must be a return of 110*l.*: to replace the equal portion of fixed capital, when profits are at the rate of 10 per cent. there should be annually received 16.27*l.*; for, the present value of an annuity of 16.27*l.* for ten years, when money is at 10 per cent., is 100*l.*; consequently all the game of the hunter should annually sell for 126.27*l.* But the capital of the fisherman being the same in quantity, and divided in the same proportion into fixed and circulating capital, and being also of the same durability, he, to obtain the same profits, must sell his goods for the same value. If wages rose 10 per cent. and consequently 10 per cent. more circulating capital were required in each trade, it would equally affect both employments. In both, 210*l.* instead of 200*l.* would be required in order to produce the

former quantity of commodities; and these would sell precisely for the same money, namely 126.27*l.*: they would therefore be at the same relative value, and profits would be equally reduced in both trades.

The prices of the commodities would not rise, because the money in which they are valued is by the supposition of an invariable value, always requiring the same quantity of labour to produce it.

If the gold mine from which money was obtained were in the same country, in that case, after the rise of wages, 210*l.* might be necessary to be employed, as capital, to obtain the same quantity of metal that 200*l.* obtained before: for the same reason that the hunter and fisherman required 10*l.* in addition to their capitals, the miner would require an equal addition to his. No greater quantity of labour would be required in any of these occupations, but it would be paid for at a higher price, and the same reasons which should make the hunter and fisherman endeavour to raise the value of their game and fish, would cause the owner of the mine to

raise the value of his gold. This inducement acting with the same force on all these three occupations, and the relative situation of those engaged in them being the same before and after the rise of wages, the relative value of game, fish, and gold, would continue unaltered. Wages might rise twenty per cent., and profits consequently fall in a greater or less proportion, without occasioning the least alteration in the relative value of these commodities.

Now suppose, that with the same labour and fixed capital, more fish could be produced, but no more gold or game, the relative value of fish would fall in comparison with gold or game. If, instead of twenty salmon, twenty-five were the produce of one day's labour, the price of a salmon would be sixteen shillings instead of a pound, and two salmon and a half, instead of two salmon, would be given in exchange for one deer, but the price of deer would continue at 2*l.* as before. In the same manner, if fewer fish could be obtained with the same capital and labour, fish would rise in comparative value. Fish then would rise or fall in exchangeable value,

only because more or less labour was required to obtain a given quantity; and it never could rise or fall beyond the proportion of the increased or diminished quantity of labour required.

If we had then an invariable standard, by which we could measure the variation in other commodities, we should find that the utmost limit to which they could permanently rise, was proportioned to the additional quantity of labour required for their production; and that unless more labour were required for their production, they could not rise in any degree whatever. A rise of wages would not raise them in money value, nor relatively to any other commodities, the production of which required no additional quantity of labour, which employed the same proportion of fixed and circulating capital, and fixed capital of the same durability. If more or less labour were required in the production of the other commodity, we have already stated that this will immediately occasion an alteration in its relative value, but such alteration is owing to the altered quantity of requisite labour, and not to the rise of wages.

If the fixed and circulating capitals were in different proportions, or if the fixed capital were of different durability, then the relative value of the commodities produced, would be altered in consequence of a rise of wages.

First, when the fixed and circulating capitals were in different proportions, suppose that instead of 100% fixed capital and 100% circulating capital, the hunter should employ 150% fixed capital and 50% circulating capital, and that the fisherman should on the contrary employ only 50% fixed capital and 150% circulating capital.

If profits be 10 per cent., the hunter must sell his goods for 79% 8s. For,

To replace his circulating capital of 50% with a profit of 10 per cent. would require a value of	55%.
To replace his fixed capital with 10 per cent. profit, the present value of an annuity for ten years of 24.4% at 10 per cent. being	24.4%.
150%	79.4%.

If profits be 10 per cent., the fisherman must sell his goods for 173*l.* 2*s.* 7*d.*

To replace his circulating capital of 150 <i>l.</i> with 10 per cent. profit	165 <i>l.</i>
To replace his fixed capital with 10 per cent. profit, one-third of the hunter's	8.13
	<hr/>
	173.13 <i>l.</i>

Now if wages rise, although neither of these commodities should require more labour for their production, yet their relative value will be altered. Suppose wages to rise 6 per cent., the hunter would not require more than an increase of 3*l.* to his capital, to employ the same number of men, and obtain the same quantity of game; the fisherman would require three times that sum, or 9*l.* The profits of stock would fall to 4 per cent., the hunter would be obliged to sell his game for 73*l.* 12*s.* 2*d.*

To replace his circulating capital of 53 <i>l.</i> with a profit of 4 per cent.	55.12 <i>l.</i>
To replace fixed capital, annually wasted, the present value of an	

annuity of 18.49 <i>l.</i> for ten years, when money is at 4 per cent., being 150 <i>l.</i>	18.49
	<hr/>
	£ 73.61

The fisherman would sell his fish for 171*l.* 11*s.* 5*d.* viz.

To replace his circulating capital of 159 <i>l.</i> with a profit of 4 per cent.	£ 165.360
To replace fixed capital annually wasted, the present value of an annuity of 6.163 <i>l.</i> , for ten years at 4 per cent., being 50 <i>l.</i>	6.163
	<hr/>
	£171.523

Game was to fish before as 100 to 218.
It would now be as 100 to 233.

Thus we see, that with every rise of wages, in proportion as the capital employed in any occupation consists of circulating capital, its produce will be of greater relative value than the goods produced in another occupation, where a less proportion of circulating, and a greater proportion of fixed capital are employed.

Secondly, suppose the proportions of fixed capital to be the same; but of different degrees of durability. In proportion as fixed capital is less durable, it approaches to the nature of circulating capital. It will be consumed in a shorter time, and its value reproduced in order to preserve the capital of the manufacturer. We have just seen, that in proportion as circulating capital preponderates in a manufacture, when wages rise, the value of commodities produced in that manufacture, is relatively higher than that of commodities produced in manufactures where fixed capital preponderates. In proportion to the less durability of fixed capital, and its approach to the nature of circulating capital, the same effect will be produced by the same cause.

Suppose that an engine is made, which will last for a hundred years, and that its value is 20,000*l.* Suppose too, that this machine, without any labour whatever, could produce a certain quantity of commodities annually, and that profits were 10 per cent.: the whole value of the goods produced would be annually 2,000*l.* 2*s.* 11*d.*; for the profit of 20,000*l.*

at 10 per cent. per annum, is	£2,000
And an annuity of 2 <i>s.</i> 11 <i>d.</i>	
for 100 years, at 10 per cent.	
will, at the end of that	
period, replace a capital of	
20,000 <i>l.</i>	2 11
Consequently the goods must	_____
sell for	£2000 2 11

If the same amount of capital, viz. 20,000*l.*, be employed in supporting productive labour, and be annually consumed and reproduced, as it is when employed in paying wages, then to give an equal profit of 10 per cent. on 20,000*l.* the commodities produced must sell for 22,000*l.* Now suppose labour so to rise, that instead of 20,000*l.* being sufficient to pay the wages of those employed in producing the latter commodities, 20,952*l.* is required; then profits will fall to 5 per cent.: for as these commodities would sell for no more than before, viz. £22,000 and to produce them £20,952 would be requisite, there would remain no more than £1048 on a capital of 20,952*l.* If labour so rose, that 21,153*l.* were required, profits would fall to 4 per cent.

and if it rose, so that 21,359*l.* was employed, profits would fall to 3 per cent.

But, as no wages would be paid by the owner of the machine, which would last 100 years, when profits fell to 5 per cent. the price of his goods must fall to 1007*l.* 13*s.* 8*d.* viz. 1000*l.* to pay his profits, and 7*l.* 13*s.* 8*d.* to accumulate for 100 years at 5 per cent. to replace his capital of 20,000*l.* When profits fell to 4 per cent. his goods must sell for 816*l.* 3*s.* 2*d.*, and when at 3 per cent. for 632*l.* 16*s.* 7*d.* By a rise in the price of labour then, under 7 per cent., which has no effect on the prices of commodities wholly produced by labour, a fall of no less than 68 per cent. is effected on those commodities wholly produced by machinery. If the proprietor of the machine sold his goods for more than 632*l.* 16*s.* 7*d.*, he would get more than 3 per cent., the general profit of stock; and as others could furnish themselves with machines at the same price of 20,000*l.* they would be so multiplied, that he would be inevitably obliged to sink the price of his goods, till they afforded only the usual and general profits of stock.

In proportion as this machine were less durable, prices would be less affected by the fall of profit, and the rise of wages. If, for example, the machine would last only ten years, when profits were at 10 per cent. the goods should sell for £3254
 when at 5 per cent. 2590
 4 per cent. 2465
 3 per cent. 2344

for such are the sums requisite to place his profits on a par with others, and to replace his capital at the end of ten years; or, which is the same thing, such are the annuities which 20,000*l.* would purchase for ten years at those rates. If the machine would last only three years, when profits were 10 per cent. the price of the goods would be . . . £8042
 at 5 per cent. 7344
 4 per cent. 7206
 3 per cent. 7070

If it would last only one year, when profits were 10 per cent. the goods would sell for £22,000
 at 5 per cent. 21,000
 4 per cent. 20,800
 3 per cent. 20,600; therefore when profits fell from 10 to 3 per cent. the

goods, which were produced with equal capitals, would fall

68 per cent. if the machine would last 100 years.
 28 per cent. if the machine would last 10 years.
 13 per cent. if it would last 3 years.
 And little more than 6 per cent. if it }
 would last only } 1 year.

These results are of such importance to the science of political economy, yet accord so little with some of its received doctrines, which maintain that every rise in wages is necessarily transferred to the price of commodities, that it may not be superfluous to elucidate the subject still further.

A manufacturer of hats employs a hundred men at an annual expense of 50*l.* each, who produce him commodities of the value of 8000*l.* A machine calculated to last precisely a year, and to do equally well the same work as the 100 men, is offered to him for 5000*l.*, the sum, exactly, that he is expending on wages. It will be a matter of indifference to the manufacturer, whether he purchase the machine, or continue to employ the men. Now if the wages of labour rise 10 per cent. and an additional capital of 500*l.* be conse-

quently required to enable him to employ the same labour, whilst his commodities continue to sell for 8000*l.*, he will no longer hesitate, but will at once purchase the machine, and will do the same annually, while wages continue above the original 5000*l.* But will he be able now to purchase the machine at the former price? will not its value be increased, in consequence of the rise of labour? It would be increased, if there were no stock employed in its construction, and no profits to be paid to the maker of it. If, for example, the machine were produced by 100 men working one year upon it with wages of 50*l.* each, and its price were 5000*l.*, should those wages rise to 55*l.* its price would be 5500*l.* : but this cannot be the case; less than 100 men are employed, or it could not be sold for 5000*l.* ; for out of the 5000*l.* must be paid the profits of the stock which employed the men. Suppose then that only eighty-five men were employed at an expense of 4250*l.* per annum, and that the 750*l.*, which the sale of the machine would produce over and above the wages advanced to the men, constituted the profits of the en-

gineer's stock. When wages rose 10 per cent., he would be obliged to employ an additional capital of 425*l.*, and would therefore employ 4675*l.*, instead of 4250*l.*, on which capital he would only get a profit of 325*l.* if he continued to sell his machine for 5000*l.*; but this is precisely the case of all manufacturers and capitalists; the rise of wages affects them all. If therefore the maker of the machine should raise the price of his machine in consequence of a rise of wages, an unusual quantity of capital would be employed in the construction of such machines, till their price afforded only the usual profits. The manufacturer of hats, by the employment of the machine, if he sells his hats for 8000*l.*, is precisely in the same situation as before; he employs no more capital, and obtains the same profits. The competition of trade would not long allow this; for as capital would flow to the most profitable employment, he would be obliged to lower the price of hats, till his profits had sunk to the general level. Thus then is the public benefited by machinery: these mute agents are always the produce of much less labour than that which they dis-

place, even when they are of the same money value. Through their influence, an increase in the price of provisions which raises wages, will affect fewer persons: it will reach, as in the above instance, eighty-five men instead of a hundred; and the saving which is the consequence, shews itself in the reduced price of the commodity manufactured. Neither machines nor any other commodities are raised in price, but all commodities which are made by machines fall, and fall in proportion to their durability.

It appears, then, that in proportion to the quantity and the durability of the fixed capital employed in any kind of production, the relative prices of those commodities on which such capital is employed, will vary inversely as wages; they will fall as wages rise. It appears too that no commodities whatever are raised in absolute price, merely because wages rise; that they never rise unless additional labour be bestowed on them; but that all commodities in the production of which fixed capital enters, not only do not rise with a rise of wages, but

absolutely fall; fall too as much as 68 per cent., with a rise of seven per cent. in wages, if fixed capital be exclusively employed, and be of the duration of 100 years.

The above statement, which asserts the compatibility of a rise of wages, with a fall of prices, has, I know, the disadvantage of novelty, and must trust to its own merits for advocates; whilst it has for its opponents, writers of distinguished and deserved reputation. It should however be carefully remembered, that in this whole argument I am supposing money to be of an invariable value; in other words, to be always the produce of the same quantity of unassisted labour. Money, however, is a variable commodity; and the rise of wages as well as of commodities, is frequently occasioned by a fall in the value of money. A rise of wages from this cause will indeed be invariably accompanied by a rise in the price of commodities: but in such cases, it will be found that labour and all commodities have not varied in regard to each other, and that the variation has been confined to money.

Money, from its being a commodity obtained from a foreign country, from its being the general medium of exchange between all civilized countries, and from its being also distributed among those countries in proportions which are ever changing with every improvement in commerce and machinery, and with every increasing difficulty of obtaining food and necessaries for an increasing population, is subject to incessant variations. In stating the principles which regulate exchangeable value and price, we should carefully distinguish between those variations which belong to the commodity itself, and those which are occasioned by a variation in the medium in which value is estimated, or price expressed.

A rise in wages, from an alteration in the value of money, produces a general effect on price, and for that reason it produces no real effect whatever on profits. On the contrary, a rise of wages, from the circumstance of the labourer being more liberally rewarded, or from a difficulty of procuring the necessaries on which wages are expended, does not produce the effect of raising price, but has a great effect in lowering profits. In the one case,

no greater proportion of the annual labour of the country is devoted to the support of the labourers, in the other case, a larger portion is so devoted.

It is according to the division of the whole produce of the land and labour of the country, between the three classes of landlords, capitalists, and labourers, that we are to judge of rent, profit, and wages, and not according to the value at which that produce may be estimated in a medium which is confessedly variable.

It is not by the absolute quantity of produce obtained by either class, that we can correctly judge of the rate of profit, rent, and wages, but by the quantity of labour required to obtain that produce. By improvements in machinery and agriculture, the whole produce may be doubled; but if wages, rent, and profit, be also doubled, these three will bear the same proportions to one another, and neither could be said to have relatively varied. But if wages partook not of the whole of this increase; if they, instead of being doubled, were only increased one half, if rent, instead of being doubled, were only increased

three-fourths, and the remaining increase went to profit, it would, I apprehend, be correct for me to say, that rent and wages had fallen, while profits had risen; for if we had an invariable standard, by which to measure the value of this produce, we should find that a less value had fallen to the class of labourers and landlords, and a greater to the class of capitalists, than had been given before. We might find for example, that though the absolute quantity of commodities had been doubled, they were the produce of precisely the former quantity of labour. Of every hundred hats, coats, and quarters of corn produced, if the labourers had

The labourers had	25
The landlords	25
And the capitalists	50
	100

And if, after these commodities were doubled in quantity, of every 100

The labourers had only	22
The landlords	22
And the capitalists	56
	100

In that case I should say, that wages and rent

had fallen, and profits risen; though in consequence of the abundance of commodities, the quantity paid to the labourer and landlord would have increased in the proportion of 25 to 44. Wages are to be estimated by their real value, viz. by the quantity of labour and capital employed in producing them, and not by their nominal value either in coats, hats, money, or corn. Under the circumstances I have just supposed, commodities would have fallen to half their former value; and, if money had not varied, to half their former price also. If then in this medium, which had not varied in value, the wages of the labourer should be found to have fallen, it will not the less be a real fall, because they might furnish him with a greater quantity of cheap commodities, than his former wages.

The variation in the value of money, however great, makes no difference in the *rate* of profits; for suppose the goods of the manufacturer to rise from 1000*l.* to 2000*l.*, or 100 per cent., if his capital, on which the variations of money have as much effect as on the value of produce, if his machinery, buildings, and stock in trade rise more than 100 per cent, his

rate of profits has fallen, and he has a proportionably less quantity of the produce of the labour of the country at his command.

If, with capital of a given value, he double the quantity of produce, its value falls one half, and then it will bear the same proportion to the capital which produced it, as it did before.

If at the same time that he doubles the quantity of produce by the employment of the same capital, the value of money is by any accident lowered one half, the produce will sell for twice the money value that it did before; but the capital employed to produce it, will also be of twice its former money value; and therefore in this case too, the value of the produce will bear the same proportion to the value of the capital as it did before; and although the produce be doubled, rent, wages, and profits will only vary as the proportions vary, in which this double produce may be divided among the three classes that share it.

It appears then that the accumulation of capital, by occasioning different proportions.

of fixed and circulating capital to be employed in different trades, and by giving different degrees of durability to such fixed capital, introduces a considerable modification to the rule, which is of universal application in the early states of society.

Commodities, though they continue to rise and fall, in proportion as more or less labour is necessary to their production, are also affected in their relative value by a rise or fall of profits, since equal profits may be derived from goods which sell for 2,000% and from those which sell for 10,000%; and consequently the variations of those profits, independently of any increased or diminished quantity of labour required for the goods in question, must affect their prices in different proportions.

It appears too, that commodities may be lowered in value in consequence of a real rise of wages, but they never can be raised from that cause. On the other hand, they may rise from a fall of wages, as they then lose the peculiar advantages of production, which high wages afforded them.

CHAPTER II.

ON RENT.

IT remains however to be considered, whether the appropriation of land, and the consequent creation of rent, will occasion any variation in the relative value of commodities, independently of the quantity of labour necessary to production. In order to understand this part of the subject, we must inquire into the nature of rent, and the laws by which its rise or fall is regulated. Rent is that portion of the produce of the earth, which is paid to the landlord for the use of the original and indestructible powers of the soil. It is often however confounded with the interest and profit of capital, and in popular language the term is applied to whatever is annually paid by a

farmer to his landlord. If, of two adjoining farms of the same extent, and of the same natural fertility, one had all the conveniences of farming buildings, were, besides, properly drained and manured, and advantageously divided by hedges, fences, and walls, while the other had none of these advantages, more remuneration would naturally be paid for the use of one, than for the use of the other; yet in both cases this remuneration would be called rent. But it is evident, that a portion only of the money annually to be paid for the improved farm, would be given for the original and indestructible powers of the soil; the other portion would be paid for the use of the capital which had been employed in ameliorating the quality of the land, and in erecting such buildings as were necessary to secure and preserve the produce. Adam Smith sometimes speaks of rent, in the strict sense to which I am desirous of confining it, but more often in the popular sense, in which the term is usually employed. He tells us, that the demand for timber, and its consequent high price, in the more southern countries of Europe, caused a rent to be paid for forests in Norway, which could before afford

no rent. Is it not however evident, that the person who paid, what he thus calls rent, paid it in consideration of the valuable commodity which was then standing on the land, and that he actually repaid himself with a profit, by the sale of the timber? If, indeed, after the timber was removed, any compensation were paid to the landlord for the use of the land, for the purpose of growing timber or any other produce, with a view to future demand, such compensation might justly be called rent, because it would be paid for the productive powers of the land; but in the case stated by Adam Smith, the compensation was paid for the liberty of removing and selling the timber, and not for the liberty of growing it. He speaks also of the rent of coal mines, and of stone quarries, to which the same observation applies—that the compensation given for the mine or quarry, is paid for the value of the coal or stone which can be removed from them, and has no connexion with the original and indestructible powers of the land. This is a distinction of great importance, in an inquiry concerning rent and profits; for it is found, that the laws which regulate the

progress of rent, are widely different from those which regulate the progress of profits, and seldom operate in the same direction. In all improved countries, that which is annually paid to the landlord, partaking of both characters, rent and profit, is sometimes kept stationary by the effects of opposing causes, at other times advances or recedes, as one or other of these causes preponderates. In the future pages of this work, then, whenever I speak of the rent of land, I wish to be understood as speaking of that compensation, which is paid to the owner of land for the use of its original and indestructible powers.

On the first settling of a country, in which there is an abundance of rich and fertile land, a very small proportion of which is required to be cultivated for the support of the actual population, or indeed can be cultivated with the capital which the population can command, there will be no rent; for no one would pay for the use of land, when there was an abundant quantity not yet appropriated, and therefore at the disposal of whosoever might choose to cultivate it.

On the common principles of supply and demand, no rent could be paid for such land, for the reason stated, why nothing is given for the use of air and water, or for any other of the gifts of nature which exist in boundless quantity. With a given quantity of materials, and with the assistance of the pressure of the atmosphere, and the elasticity of steam, engines may perform work, and abridge human labour to a very great extent; but no charge is made for the use of these natural aids, because they are inexhaustible, and at every man's disposal. In the same manner the brewer, the distiller, the dyer, make incessant use of the air and water for the production of their commodities; but as the supply is boundless, it bears no price.* If

* "The earth, as we have already seen, is not the only agent of nature which has a productive power; but it is the only one, or nearly so, that one set of men take to themselves, to the exclusion of others; and of which consequently they can appropriate the benefits. The waters of rivers, and of the sea, by the power which they have of giving movement to our machines, carrying our boats, nourishing our fish, have also a productive power; the wind which turns our mills, and even the heat of the sun, work for us; but happily no one has yet been able to say: the 'wind and the sun are mine, and the service which they render must be paid for.'"—*Economie Politique*, par J. B. Say, vol. ii. p. 124.

all land had the same properties, if it were boundless in quantity, and uniform in quality, no charge could be made for its use, unless where it possessed peculiar advantages of situation. It is only then because land is of different qualities with respect to its productive powers, and because in the progress of population, land of an inferior quality, or less advantageously situated, is called into cultivation, that rent is ever paid for the use of it. When, in the progress of society, land of the second degree of fertility is taken into cultivation, rent immediately commences on that of the first quality, and the amount of that rent will depend on the difference in the quality of these two portions of land.

When land of the third quality is taken into cultivation, rent immediately commences on the second, and it is regulated as before, by the difference in their productive powers. At the same time, the rent of the first quality will rise, for that must always be above the rent of the second, by the difference between the produce which they yield with a given quantity of capital and labour. With every step in the progress of population, which

shall oblige a country to have recourse to land of a worse quality, to enable it to raise its supply of food, rent, on all the more fertile land, will rise.

Thus suppose land—No. 1, 2, 3,—to yield, with an equal employment of capital and labour, a net produce of 100, 90, and 80 quarters of corn. In a new country, where there is an abundance of fertile land compared with the population, and where therefore it is only necessary to cultivate No. 1, the whole net produce will belong to the cultivator, and will be the profits of the stock which he advances. As soon as population had so far increased as to make it necessary to cultivate No. 2, from which ninety quarters only can be obtained after supporting the labourers, rent would commence on No. 1; for either there must be two rates of profit on agricultural capital, or ten quarters, or the value of ten quarters must be withdrawn from the produce of No. 1, for some other purpose. Whether the proprietor of the land, or any other person, cultivated No. 1, these ten quarters would equally constitute rent; for the cultivator of No. 2 would get the same

result with his capital, whether he cultivated No. 1, paying ten quarters for rent, or continued to cultivate No. 2, paying no rent. In the same manner it might be shewn that when No. 3 is brought into cultivation, the rent of No. 2 must be ten quarters, or the value of ten quarters, whilst the rent of No. 1 would rise to twenty quarters; for the cultivator of No. 3 would have the same profits whether he paid twenty quarters for the rent of No. 1, ten quarters for the rent of No. 2, or cultivated No. 3 free of all rent.

It often, and indeed commonly happens that before No. 2, 3, 4, or 5, or the inferior lands are cultivated, capital can be employed more productively on those lands which are already in cultivation. It may perhaps be found, that by doubling the original capital employed on No. 1, though the produce will not be doubled, will not be increased by 100 quarters, it may be increased by eighty-five quarters, and that this quantity exceeds what could be obtained by employing the same capital on land, No. 3.

In such case, capital will be preferably em-

ployed on the old land, and will equally create a rent; for rent is always the difference between the produce obtained by the employment of two equal quantities of capital and labour. If with a capital of 1000*l.* a tenant obtain 100 quarters of wheat from his land, and by the employment of a second capital of 1000*l.*, he obtain a further return of eighty-five, his landlord would have the power at the expiration of his lease, of obliging him to pay fifteen quarters, or an equivalent value, for additional rent; for there cannot be two rates of profit. If he is satisfied with a diminution of fifteen quarters in the return for his second 1000*l.*, it is because no employment more profitable can be found for it. The common rate of profit would be in that proportion, and if the original tenant refused, some other person would be found willing to give all which exceeded that rate of profit to the owner of the land from which he derived it.

In this case, as well as in the other, the capital last employed pays no rent. For the greater productive powers of the first 1000*l.*, fifteen quarters is paid for rent, for the em-

ployment of the second 1000l. no rent whatever is paid. If a third 1000l. be employed on the same land, with a return of seventy-five quarters, rent will then be paid for the second 1000l. and will be equal to the difference between the produce of these two, or ten quarters; and at the same time the rent of the first 1000l. will rise from fifteen to twenty-five quarters; while the last 1000l. will pay no rent whatever.

If then good land existed in a quantity much more abundant than the production of food for an increasing population required, or if capital could be indefinitely employed without a diminished return on the old land, there could be no rise of rent; for rent invariably proceeds from the employment of an additional quantity of labour with a proportionally less return.

The most fertile, and most favourably situated land will be first cultivated, and the exchangeable value of its produce will be adjusted in the same manner as the exchangeable value of all other commodities, by the total quantity of labour necessary in various

forms, from first to last, to produce it, and bring it to market. When land of an inferior quality is taken into cultivation, the exchangeable value of raw produce will rise, because more labour is required to produce it.

The exchangeable value of all commodities, whether they be manufactured, or the produce of the mines, or the produce of land, is always regulated, not by the less quantity of labour that will suffice for their production under circumstances highly favourable, and exclusively enjoyed by those who have peculiar facilities of production; but by the greater quantity of labour necessarily bestowed on their production by those who have no such facilities; by those who continue to produce them under the most unfavourable circumstances; meaning—by the most unfavourable circumstances, the most unfavourable under which the quantity of produce required renders it necessary to carry on the production.

Thus, in a charitable institution, where the poor are set to work with the funds of benefactors, the general prices of the commodities, which are the produce of such work, will

not be governed by the peculiar facilities afforded to these workmen, but by the common, usual, and natural difficulties, which every other manufacturer will have to encounter. The manufacturer enjoying none of these facilities might indeed be driven altogether from the market, if the supply afforded by these favoured workmen were equal to all the wants of the community; but if he continued the trade, it would be only on condition that he should derive from it the usual and general rate of profits on stock; and that could only happen when his commodity sold for a price proportioned to the quantity of labour bestowed on its production.*

* Has not M. Say forgotten, in the following passage, that it is the cost of production which ultimately regulates price? "The produce of labour employed on the land has this peculiar property, that it does not become more dear by becoming more scarce, because population always diminishes at the same time that food diminishes, and consequently the quantity of these products *demanded*, diminishes at the same time as the quantity supplied. Besides it is not observed that corn is more dear in those places where there is plenty of uncultivated land, than in completely cultivated countries. England and France were much more imperfectly cultivated in the middle ages than they are now; they produced much less raw produce: nevertheless from all that we can judge by a comparison with

It is true, that on the best land, the same produce would still be obtained with the same labour as before, but its value would be enhanced in consequence of the diminished returns obtained by those who employed fresh labour and stock on the less fertile land. Notwithstanding then, that the advantages of fertile over inferior lands are in no case lost, but only transferred from the cultivator, or consumer, to the landlord, yet since more labour is required on the inferior lands, and since it is from such land only that we are enabled to furnish ourselves with the additional supply of raw produce, the comparative value of that produce will continue permanently above its former level, and make

the value of other things, corn was not sold at a dearer price. If the produce was less, so was the population; the weakness of the demand compensated the feebleness of the supply." vol. ii. 338. M. Say being impressed with the opinion that the price of commodities is regulated by the price of labour, and justly supposing that charitable institutions of all sorts tend to increase the population beyond what it otherwise would be, and therefore to lower wages, says, "I suspect that the cheapness of the goods, which come from England is partly caused by the numerous charitable institutions which exist in that country." vol. ii. 277. This is a consistent opinion in one who maintains that wages regulate price.

it exchange for more hats, cloth, shoes, &c. &c. in the production of which no such additional quantity of labour is required.

The reason then, why raw produce rises in comparative value, is because more labour is employed in the production of the last portion obtained, and not because a rent is paid to the landlord. The value of corn is regulated by the quantity of labour bestowed on its production on that quality of land, or with that portion of capital, which pays no rent. Corn is not high because a rent is paid, but a rent is paid because corn is high; and it has been justly observed, that no reduction would take place in the price of corn, although landlords should forego the whole of their rent. Such a measure would only enable some farmers to live like gentlemen, but would not diminish the quantity of labour necessary to raise raw produce on the least productive land in cultivation.

Nothing is more common than to hear of the advantages which the land possesses over every other source of useful produce, on account of the surplus which it yields in the form

of rent. Yet when land is most abundant, when most productive, and most fertile, it yields no rent; and it is only when its powers decay, and less is yielded in return for labour, that a share of the original produce of the more fertile portions is set apart for rent. It is singular that this quality in the land, which should have been noticed as an imperfection, compared with the natural agents by which manufacturers are assisted, should have been pointed out as constituting its peculiar pre-eminence. If air, water, the elasticity of steam, and the pressure of the atmosphere, were of various qualities; if they could be appropriated, and each quality existed only in moderate abundance, they as well as the land would afford a rent, as the successive qualities were brought into use. With every worse quality employed, the value of the commodities in the manufacture of which they were used would rise, because equal quantities of labour would be less productive. Man would do more by the sweat of his brow, and nature perform less; and the land would be no longer pre-eminent for its limited powers.

If the surplus produce which land affords

in the form of rent be an advantage, it is desirable that, every year, the machinery newly constructed should be less efficient than the old, as that would undoubtedly give a greater exchangeable value to the goods manufactured, not only by that machinery, but by all the other machinery in the kingdom; and a rent would be paid to all those who possessed the most productive machinery.*

* "In agriculture too," says Adam Smith, "nature labours along with man; and though her labour costs no expense, its produce has its value, as well as that of the most expensive workman." The labour of nature is paid, not because she does much, but because she does little. In proportion as she becomes niggardly in her gifts, she exacts a greater price for her work. Where she is munificently beneficent, she always works gratis. "The labouring cattle employed in agriculture, not only occasion, like the workmen in manufactures, the reproduction of a value equal to their own consumption, or to the capital which employs them, together with its owner's profits, but of a much greater value. Over and above the capital of the farmer and all its profits, they regularly occasion the reproduction of the rent of the landlord. This rent may be considered as the produce of those powers of nature, the use of which the landlord lends to the farmer. It is greater or smaller according to the supposed extent of those powers, or in other words, according to the supposed natural or improved fertility of the land. It is the work of nature which remains, after deducting or compensating every thing which can be regarded as

The rise of rent is always the effect of the increasing wealth of the country, and of the

the work of man. It is seldom less than a fourth, and frequently more than a third of the whole produce. No, equal quantity of productive labour employed in manufactures, can ever occasion so great a reproduction. *In them nature does nothing, man does all*; and the reproduction must always be in proportion to the strength of the agents that occasion it. The capital employed in agriculture, therefore, not only puts into motion a greater quantity of productive labour than any equal capital employed in manufactures, but in proportion too to the quantity of the productive labour which it employs, it adds a much greater value to the annual produce of the land and labour of the country, to the *real* wealth and revenue of its inhabitants. Of all the ways in which a capital can be employed, it is by far the most advantageous to the society."—Book II. chap. v. p. 15.

Does nature nothing for man in manufactures? Are the powers of wind and water, which move our machinery, and assist navigation, nothing? The pressure of the atmosphere and the elasticity of steam, which enable us to work the most stupendous engines—are they not the gifts of nature? to say nothing of the effects of the matter of heat in softening and melting metals, of the decomposition of the atmosphere in the process of dyeing and fermentation. There is not a manufacture which can be mentioned, in which nature does not give her assistance to man, and give it too, generously and gratuitously.

In remarking on the passage which I have copied from Adam Smith, Mr. Buchanan observes, "I have endeavoured to shew, in the observations on productive and unproductive

difficulty of providing food for its augmented population. It is a symptom, but it is never a cause of wealth; for wealth often increases most rapidly while rent is either stationary, or even falling. Rent increases most rapidly, as the disposable land decreases in its productive powers. Wealth increases most rapidly in those countries where the disposable land is most fertile, where importation is least restricted, and where through agricultural improvements, productions can be multiplied without any increase in the proportional quantity of labour, and where consequently the progress of rent is slow.

labour, contained in the fourth volume, that agriculture adds no more to the national stock than any other sort of industry. In dwelling on the reproduction of rent as so great an advantage to society, Dr. Smith does not reflect that rent is the effect of high price, and that what the landlord gains in this way, he gains at the expense of the community at large. There is no absolute gain to the society by the reproduction of rent; it is only one class profiting at the expense of another class. The notion of agriculture yielding a produce, and a rent in consequence, because nature concurs with human industry in the process of cultivation, is a mere fancy. It is not from the produce, but from the price at which the produce is sold, that the rent is derived; and this price is got, not because nature assists in the production, but because it is the price which suits the consumption to the supply."

If the high price of corn were the effect, and not the cause of rent, price would be proportionally influenced as rents were high or low, and rent would be a component part of price. But that corn which is produced with the greatest quantity of labour is the regulator of the price of corn, and rent does not and cannot enter in the least degree as a component part of its price. Adam Smith, therefore, cannot be correct in supposing that the original rule which regulated the exchangeable value of commodities, namely the comparative quantity of labour by which they were produced, can be at all altered by the appropriation of land and the payment of rent. Raw material enters into the composition of most commodities, but the value of that raw material as well as corn, is regulated by the productiveness of the portion of capital last employed on the land, and paying no rent; and therefore rent is not a component part of the price of commodities.

We have been hitherto considering the effects of the natural progress of wealth and population on rent, in a country in which the

land is of variously productive powers; and we have seen, that with every portion of additional capital which it becomes necessary to employ on the land with a less productive return, rent would rise. It follows from the same principles, that any circumstances in the society which should make it unnecessary to employ the same amount of capital on the land, and which should therefore make the portion last employed more productive, would lower rent. Any great reduction in the capital of a country, which should materially diminish the funds destined for the maintenance of labour, would naturally have this effect. Population regulates itself by the funds which are to employ it, and therefore always increases or diminishes with the increase or diminution of capital. Every reduction of capital is therefore necessarily followed by a less effective demand for corn, by a fall of price, and by diminished cultivation. In the reverse order to that in which the accumulation of capital raises rent, will the diminution of it lower rent. Land of a less unproductive quality will be in succession relinquished, the exchangeable value of produce will fall, and land of a superior quality

will be the land last cultivated, and that which will then pay no rent.

The same effects may however be produced when the wealth and population of a country are increased, if that increase is accompanied by such marked improvements in agriculture, as shall have the same effect of diminishing the necessity of cultivating the poorer lands, or of expending the same amount of capital on the cultivation of the more fertile portions.

If a million of quarters of corn be necessary for the support of a given population, and it be raised on land of the qualities of No. 1, 2, 3; and if an improvement be afterwards discovered by which it can be raised on No. 1 and 2, without employing No. 3, it is evident that the immediate effect must be a fall of rent; for No. 2, instead of No. 3, will then be cultivated without paying any rent; and the rent of No. 1, instead of being the difference between the produce of No. 3 and No. 1, will be the difference only between No. 2 and 1. With the same population, and no more, there can be no demand for any additional quantity of corn; the capital and labour employed on No. 3, will be devoted to the production of

other commodities desirable to the community, and can have no effect in raising rent unless the raw material from which they are made cannot be obtained without employing capital less advantageously on the land, in which case No. 3 must again be cultivated.

It is undoubtedly true, that the fall in the relative price of raw produce, in consequence of the improvement in agriculture, or rather in consequence of less labour being bestowed on its production, would naturally lead to increased accumulation; for the profits of stock would be greatly augmented. This accumulation would lead to an increased demand for labour, to higher wages, to an increased population, to a further demand for raw produce, and to an increased cultivation. It is only, however, after the increase in the population, that rent would be as high as before; that is to say, after No. 3 was taken into cultivation. A considerable period would have elapsed, attended with a positive diminution of rent.

But improvements in agriculture are of two kinds: those which increase the productive

powers of the land, and those which enable us to obtain its produce with less labour. They both lead to a fall in the price of raw produce; they both affect rent, but they do not affect it equally. If they did not occasion a fall in the price of raw produce, they would not be improvements; for it is the essential quality of an improvement to diminish the quantity of labour before required to produce a commodity; and this diminution cannot take place without a fall of its price or relative value.

The improvements which increase the productive powers of the land, are such as the more skilful rotation of crops, or the better choice of manure. These improvements absolutely enable us to obtain the same produce from a smaller quantity of land. If, by the introduction of a course of turnips, I can feed my sheep besides raising my corn, the land on which the sheep were before fed becomes unnecessary, and the same quantity of raw produce is raised by the employment of a less quantity of land. If I discover a manure which will enable me to make a piece of land produce 20 per cent. more corn, I may withdraw at least a portion of

my capital from the most unproductive part of my farm. But, as I have before observed, it is not necessary that land should be thrown out of cultivation, in order to reduce rent: to produce this effect, it is sufficient that successive portions of capital are employed on the same land with different results, and that the portion which gives the least result should be withdrawn. If, by the introduction of the turnip husbandry, or by the use of a more invigorating manure, I can obtain the same produce with less capital, and without disturbing the difference between the productive powers of the successive portions of capital, I shall lower rent; for a different and more productive portion will be that which will form the standard from which every other will be reckoned. If, for example, the successive portions of capital yielded 100, 90, 80, 70; whilst I employed these four portions, my rent would be 60, or the difference between

$$\begin{array}{r}
 70 \text{ and } 100 = 30 \\
 70 \text{ and } 90 = 20 \\
 70 \text{ and } 80 = 10 \\
 \hline
 60
 \end{array}
 \left. \begin{array}{l} \\ \\ \\ \end{array} \right\} \begin{array}{l} \text{whilst the produce} \\ \text{would be } 340 \end{array}
 \left\{ \begin{array}{l} 100 \\ 90 \\ 80 \\ 70 \\ \hline 340 \end{array} \right.$$

and while I employed these portions, the rent would remain the same, although the produce of each should have an equal augmentation. If, instead of 100, 90, 80, 70, the produce should be increased to 125, 115, 105, 95, the rent would still be 60, or the difference between

$$\begin{array}{r}
 95 \text{ and } 125 = 30 \\
 95 \text{ and } 115 = 20 \\
 95 \text{ and } 105 = 10 \\
 \hline
 60
 \end{array}
 \left. \begin{array}{l} \\ \\ \\ \end{array} \right\} \begin{array}{l} \text{whilst the produce} \\ \text{would be increased} \\ \text{to } 440 \end{array}
 \left\{ \begin{array}{l} 125 \\ 115 \\ 105 \\ 95 \\ \hline 440 \end{array} \right.$$

But with such an increase of produce, without an increase of demand, there could be no motive for employing so much capital on the land; one portion would be withdrawn, and consequently the last portion of capital would yield 105 instead of 95, and rent would fall to 30, or the difference between

$$\begin{array}{r}
 105 \text{ and } 125 = 20 \\
 105 \text{ and } 115 = 10 \\
 \hline
 30
 \end{array}
 \left. \begin{array}{l} \\ \\ \end{array} \right\} \begin{array}{l} \text{whilst the produce would be still} \\ \text{adequate to the wants of the po-} \\ \text{pulation, for it would be } 345 \\ \text{quarters, or} \end{array}
 \left\{ \begin{array}{l} 125 \\ 115 \\ 105 \\ \hline 345 \end{array} \right.$$

the demand being only for 340 quarters. —But there are improvements which may lower the relative value of produce without lowering the corn rent, though they will lower the money rent of land. Such improvements do not increase the productive powers of the land, but they enable us to obtain its produce with less labour. They are rather directed to the formation of the capital applied to the land, than to the cultivation of the land itself. Improvements in agricultural implements, such as the plough and the threshing machine, economy in the use of horses employed in husbandry, and a better knowledge of the veterinary art, are of this nature. Less capital, which is the same thing as less labour, will be employed on the land; but to obtain the same produce, less land cannot be cultivated.* Whether improvements of this kind, however, affect corn rent, must depend on the question, whether the difference between the produce obtained by the employment of different portions of capital be increased, stationary, or diminished. If four portions of capital, 50, 60, 70, 80, be employed on the land, giving each the same results, and any improvement in the

formation of such capital should enable me to withdraw 5 from each, so that they should be 45, 55, 65, and 75, no alteration would take place in the corn rent; but if the improvements were such as to enable me to make the whole saving on the largest portion of capital, that portion which is least productively employed, corn rent would immediately fall, because the difference between the capital most productive and the capital least productive would be diminished; and it is this difference which constitutes rent.

Without multiplying instances, I hope enough has been said to shew, that whatever diminishes the inequality in the produce obtained from successive portions of capital employed on the same or on new land, tends to lower rent; and that whatever increases that inequality, necessarily produces an opposite effect, and tends to raise it.

In speaking of the rent of the landlord, we have rather considered it as the proportion of the whole produce, without any reference to its exchangeable value; but since the same cause, the difficulty of production,

raises the exchangeable value of raw produce, and raises also the proportion of raw produce paid to the landlord for rent, it is obvious that the landlord is doubly benefited by difficulty of production. First he obtains a greater share, and secondly the commodity in which he is paid is of greater value.*

* To make this obvious, and to shew the degrees in which corn and money rent will vary, let us suppose that the labour of ten men will, on land of a certain quality, obtain 180 quarters of wheat, and its value to be 4*l.* per quarter, or 720*l.*; and that the labour of ten additional men will, on the same or any other land, produce only 170 quarters in addition; wheat would rise from 4*l.* to 4*l.* 4*s.* 8*d.* for 170: 180:: 4*l.*: 4*l.* 4*s.* 8*d.*; or, as in the production of 170 quarters, the labour of 10 men is necessary in one case, and only of 9.44 in the other, the rise would be as 9.44 to 10, or as 4*l.* to 4*l.* 4*s.* 8*d.*. If 10 men be further employed, and the return be

160,	the price will rise to	£4 10 0
150,	- - - - -	4 16 0
140,	- - - - -	5 2 10

Now if no rent was paid for the land which yielded 180 quarters when corn was at 4*l.* per quarter, the value of 10 quarters would be paid as rent when only 170 could be procured, which, at 4*l.* 4*s.* 8*d.* would be 42*l.* 7*s.* 6*d.*

20 qrs. when 160 were produced, which at £4 10 0 would be	£90 0 0
30 qrs. 150	4 16 0 144 0 0
40 qrs. 140	5 2 10 205 13 4

Corn rent then would increase in the proportion of	}	100 200 300 400	}	and money rent in the pro- portion of	}	100 212 340 485
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CHAPTER III.

ON THE RENT OF MINES.

THE metals, like other things, are obtained by labour. Nature, indeed, produces them; but it is the labour of man which extracts them from the bowels of the earth, and prepares them for our service.

Mines, as well as land, generally pay a rent to their owner; and this rent, as well as the rent of land, is the effect, and never the cause of the high value of their produce.

If there were abundance of equally fertile mines, which any one might appropriate, they could yield no rent; the value of their produce would depend on the quantity of labour necessary to extract the metal from the mine and bring it to market.

But there are mines of various qualities, affording very different results, with equal quantities of labour. The metal produced from the poorest mine that is worked, must at least have an exchangeable value, not only sufficient to procure all the clothes, food, and other necessaries consumed by those employed in working it, and bringing the produce to market, but also to afford the common and ordinary profits to him who advances the stock necessary to carry on the undertaking. The return for capital from the poorest mine paying no rent, would regulate the rent of all the other more productive mines. This mine is supposed to yield the usual profits of stock. All that the other mines produce more than this, will necessarily be paid to the owners for rent. Since this principle is precisely the same as that which we have already laid down respecting land, it will not be necessary further to enlarge on it.

It will be sufficient to remark, that the same general rule which regulates the value of raw produce and manufactured commodities, is applicable also to the metals; their

value depending not on the rate of profits, nor on the rate of wages, nor on the rent paid for mines, but on the total quantity of labour necessary to obtain the metal, and to bring it to market.

Like every other commodity, the value of the metals is subject to variation. Improvements may be made in the implements and machinery used in mining, which may considerably abridge labour; new and more productive mines may be discovered, in which, with the same labour, more metal may be obtained; or the facilities of bringing it to market may be increased. In either of these cases the metals would fall in value, and would therefore exchange for a less quantity of other things. On the other hand, from the increasing difficulty of obtaining the metal, occasioned by the greater depth at which the mine must be worked, and the accumulation of water, or any other contingency, its value, compared with that of other things, might be considerably increased.

It has therefore been justly observed, that however honestly the coin of a country may conform to its standard, money made of gold

and silver is still liable to fluctuations in value, not only to accidental and temporary, but to permanent and natural variations, in the same manner as other commodities.

By the discovery of America and the rich mines in which it abounds, a very great effect was produced on the natural price of the precious metals. This effect is by many supposed not yet to have terminated. It is probable however that all the effects on the value of the metals, resulting from the discovery of America have long ceased, and if any fall has of late years taken place in their value, it is to be attributed to improvements in the mode of working the mines.

From whatever cause it may have proceeded, the effect has been so slow and gradual, that little practical inconvenience has been felt from gold and silver being the general medium in which the value of all other things is estimated. Though undoubtedly a variable measure of value, there is probably no commodity subject to fewer variations. This and the other advantages which these metals possess, such as their hardness, their malleability, their divisibility,

and many more, have justly secured the preference every where given to them, as a standard for the money of civilized countries.

Having acknowledged the imperfections to which money made of gold and silver is liable as a measure of value, from the greater or less quantity of labour which may, under varying circumstances, be necessary for the production of those metals, we may be permitted to make the supposition that all these imperfections were removed, and that equal quantities of labour could at all times obtain, from that mine which paid no rent, equal quantities of gold. Gold would then be an invariable measure of value. The quantity indeed would enlarge with the demand, but its value would be invariable, and it would be eminently well calculated to measure the varying value of all other things. I have already in a former part of this work considered gold as endowed with this uniformity, and in the following chapter I shall continue the supposition. In speaking therefore of varying price, the variation will be always considered as being in the commodity, and never in the medium in which it is estimated.

CHAPTER IV.

ON NATURAL AND MARKET PRICE.

IN making labour the foundation of the value of commodities, and the comparative quantity of labour which is necessary to their production, the rule which determines the respective quantities of goods which shall be given in exchange for each other, we must not be supposed to deny the accidental and temporary deviations of the actual or market price of commodities from this, their primary and natural price.

In the ordinary course of events, there is no commodity which continues for any length of time to be supplied precisely in that degree of abundance, which the wants and wishes of mankind require, and therefore

there is none which is not subject to accidental and temporary variations of price. It is only in consequence of such variations, that capital is apportioned precisely, in the requisite abundance and no more, to the production of the different commodities which happen to be in demand. With the rise or fall of price, profits are elevated above, or depressed below their general level, and capital is either encouraged to enter into, or is warned to depart from the particular employment in which the variation has taken place.

Whilst every man is free to employ his capital where he pleases, he will naturally seek for it that employment which is most advantageous; he will naturally be dissatisfied with a profit of 10 per cent., if by removing his capital he can obtain a profit of 15 per cent. This restless desire on the part of all the employers of stock, to quit a less profitable for a more advantageous business, has a strong tendency to equalize the rate of profits of all, or to fix them in such proportions, as may in the estimation of the parties,

compensate for any advantage which one may have, or may appear to have over the other. It is perhaps very difficult to trace the steps by which this change is effected: it is probably effected, by a manufacturer not absolutely changing his employment, but only lessening the quantity of capital he has in that employment. In all rich countries, there is a number of men forming what is called the monied class; these men are engaged in no trade, but live on the interest of their money, which is employed in discounting bills, or in loans to the more industrious part of the community. The bankers too employ a large capital on the same objects. The capital so employed forms a circulating capital of a large amount, and is employed, in larger or smaller proportions, by all the different trades of a country. There is perhaps no manufacturer, however rich, who limits his business to the extent that his own funds alone will allow: he has always some portion of this floating capital, increasing or diminishing according to the activity of the demand for his commodities. When the demand for silks increases, and that for cloth diminishes, the clothier does not remove with his capital to the silk trade; but

he dismisses some of his workmen, he discontinues his demand for the loan from bankers and monied men; while the case of the silk manufacturer is the reverse: he wishes to employ more workmen, and thus his motive for borrowing is increased: he borrows more, and thus capital is transferred from one employment to another, without the necessity of a manufacturer discontinuing his usual occupation. When we look to the markets of a large town, and observe how regularly they are supplied both with home and foreign commodities, in the quantity in which they are required, under all the circumstances of varying demand, arising from the caprice of taste, or a change in the amount of population, without often producing either the effects of a glut from a too abundant supply, or an enormously high price from the supply being unequal to the demand, we must confess that the principle which apportions capital to each trade in the precise amount that it is required, is more active than is generally supposed.

A capitalist, in seeking profitable employment for his funds, will naturally take into consideration all the advantages which one

occupation possesses over another. He may therefore be willing to forego a part of his money profit, in consideration of the security, cleanliness, ease, or any other real or fancied advantage which one employment may possess over another.

If from a consideration of these circumstances, the profits of stock should be so adjusted that in one trade they were 20, in another 25, and in another 30 per cent., they would probably continue permanently with that relative difference, and with that difference only; for if any cause should elevate the profits of one of these trades 10 per cent. either these profits would be temporary, and would soon again fall back to their usual station, or the profits of the others would be elevated in the same proportion.

Let us suppose that all commodities are at their natural price, and consequently that the profits of capital in all employments are exactly at the same rate, or differ only so much as, in the estimation of the parties, is equivalent to any real or fancied advantage which they possess or forego. Suppose now,

that a change of fashion should increase the demand for silks, and lessen that for woollens; their natural price, the quantity of labour necessary to their production, would continue unaltered, but the market price of silks would rise, and that of woollens would fall; and consequently the profits of the silk manufacturer would be above, whilst those of the woollen manufacturer would be below, the general and adjusted rate of profits. Not only the profits, but the wages of the workmen would be affected in these employments. This increased demand for silks would however soon be supplied, by the transference of capital and labour from the woollen to the silk manufacture; when the market prices of silks and woollens would again approach their natural prices, and then the usual profits would be obtained by the respective manufacturers of those commodities.

It is then the desire, which every capitalist has, of diverting his funds from a less to a more profitable employment, that prevents the market price of commodities from continuing for any length of time either much above, or

much below their natural price. It is this competition which so adjusts the exchangeable value of commodities, that after paying the wages for the labour necessary to their production, and all other expenses required to put the capital employed in its original state of efficiency, the remaining value or overplus will in each trade be in proportion to the value of the capital employed.

In the 7th chap. of the Wealth of Nations, all that concerns this question is most ably treated. Having fully acknowledged the temporary effects which, in particular employments of capital, may be produced on the prices of commodities, as well as on the wages of labour, and the profits of stock, by accidental causes, without influencing the general price of commodities, wages, or profits, since these effects are equally operative in all stages of society, we may be permitted to leave them entirely out of our consideration, whilst we are treating of the laws which regulate natural prices, natural wages, and natural profits, effects totally independent of these accidental causes. In speaking

then of the exchangeable value of commodities, or the power of purchasing possessed by any one commodity, I mean always that power which it would possess, if not disturbed by any temporary or accidental cause, and which is its natural price.

CHAPTER V.

ON WAGES.

LABOUR, like all other things which are purchased and sold, and which may be increased or diminished in quantity, has its natural and its market price. The natural price of labour is that price which is necessary to enable the labourers, one with another, to subsist and to perpetuate their race, without either increase or diminution.

The power of the labourer to support himself, and the family which may be necessary to keep up the number of labourers, does not depend on the quantity of money, which he may receive for wages; but on the quantity of food, necessaries, and conveniences become essential to him from habit, which that money will purchase. The natural price of labour, therefore, depends on the price of the food, necessaries, and conveniences required

for the support of the labourer and his family. With a rise in the price of food and necessaries, the natural price of labour will rise; with the fall in their price, the natural price of labour will fall.

With the progress of society, the natural price of labour has always a tendency to rise, because one of the principal commodities by which its natural price is regulated, has a tendency to become dearer, from the greater difficulty of producing it. As, however, the improvements in agriculture, the discovery of new markets, whence provisions may be imported, may for a time counteract the tendency to a rise in the price of necessaries, and may even occasion their natural price to fall, so will the same causes produce the correspondent effects on the natural price of labour.

The natural price of all commodities excepting raw produce and labour has a tendency to fall, in the progress of wealth and population; for though, on one hand, they are enhanced in real value, from the rise in the natural price of the raw material of which they are made, this is more than counterbalanced

by the improvements in machinery, by the better division and distribution of labour, and by the increasing skill, both in science and art, of the producers.

The market price of labour is the price which is really paid for it, from the natural operation of the proportion of the supply to the demand; labour is dear when it is scarce, and cheap when it is plentiful. However much the market price of labour may deviate from its natural price, it has, like commodities, a tendency to conform to it.

It is when the market price of labour exceeds its natural price, that the condition of the labourer is flourishing and happy, that he has it in his power to command a greater proportion of the necessaries and enjoyments of life, and therefore to rear a healthy and numerous family. When however, by the encouragement which high wages give to the increase of population, the number of labourers is increased, wages again fall to their natural price, and indeed from a re-action sometimes fall below it.

When the market price of labour is below its natural price, the condition of the labourers is most wretched: then poverty deprives them of those comforts which custom renders absolute necessaries. It is only after their privations have reduced their number, or the demand for labour has increased, that the market price of labour will rise to its natural price, and that the labourer will have the moderate comforts, which the natural price of wages will afford.

Notwithstanding the tendency of wages to conform to their natural rate, their market rate may, in an improving society, for an indefinite period, be constantly above it; for no sooner may the impulse, which an increased capital gives to a new demand for labour be obeyed, than another increase of capital may produce the same effect; and thus if the increase of capital be gradual and constant, the demand for labour may give a continued stimulus to an increase of people.

Capital is that part of the wealth of a country, which is employed in production, and consists of food, clothing, tools, raw

material, machinery, &c. necessary to give effect to labour.

Capital may increase in quantity at the same time that its value rises. An addition may be made to the food and clothing of a country, at the same time that more labour may be required to produce the additional quantity than before; in that case not only the quantity, but the value of capital will rise.

Or capital may increase without its value increasing, and even while its value is actually diminishing; not only may an addition be made to the food and clothing of a country, but the addition may be made by the aid of machinery, without any increase, and even with an absolute diminution in the proportional quantity of labour required to produce them. The quantity of capital may increase, while neither the whole together, nor any part of it singly, will have a greater value than before.

In the first case, the natural price of wages, which always depends on the price of food, clothing, and other necessaries, will

rise; in the second, it will remain stationary, or fall; but in both cases the market rate of wages will rise, for in proportion to the increase of capital will be the increase in the demand for labour; in proportion to the work to be done will be the demand for those who are to do it.

In both cases too the market price of labour will rise above its natural price; and in both cases it will have a tendency to conform to its natural price, but in the first case this agreement will be most speedily effected. The situation of the labourer will be improved, but not much improved; for the increased price of food and necessaries will absorb a large portion of his increased wages; consequently a small supply of labour, or a trifling increase in the population, will soon reduce the market price to the then increased natural price of labour.

In the second case, the condition of the labourer will be very greatly improved; he will receive increased money wages, without having to pay any increased price, and perhaps, even a diminished price for the com-

modities which he and his family consume; and it will not be till after a great addition has been made to the population, that the market price of wages will again sink to their then low and reduced natural price.

Thus, then, with every improvement of society, with every increase in its capital, the market wages of labour will rise; but the permanence of their rise will depend on the question, whether the natural price of wages has also risen; and this again will depend on the rise in the natural price of those necessaries, on which the wages of labour are expended.

It is not to be understood that the natural price of wages, estimated even in food and necessaries, is absolutely fixed and constant. It varies at different times in the same country, and very materially differs in different countries. It essentially depends on the habits and customs of the people. An English labourer would consider his wages under their natural rate, and too scanty to support a family, if they enabled him to purchase no other food than potatoes, and to live

in no better habitation than a mud cabin; yet these moderate demands of nature are often deemed sufficient in countries where "man's life is cheap," and his wants easily satisfied. Many of the conveniences now enjoyed in an English cottage, would have been thought luxuries at an early period of our history.

From manufactured commodities always falling, and raw produce always rising, with the progress of society, such a disproportion in their relative value is at length created, that in rich countries a labourer, by the sacrifice of a very small quantity only of his food, is able to provide liberally for all his other wants.

Independently of the variations in the value of money, which necessarily affect wages, but which we have here supposed to have no operation, as we have considered money to be uniformly of the same value, wages are subject to a rise or fall from two causes:

- 1st. The supply and demand of labourers.
- 2dly. The price of the commodities on which the wages of labour are expended.

In different stages of society, the accumulation of capital, or of the means of employing labour, is more or less rapid, and must in all cases depend on the productive powers of labour. The productive powers of labour are generally greatest when there is an abundance of fertile land: at such periods accumulation is often so rapid, that labourers cannot be supplied with the same rapidity as capital.

It has been calculated, that under favourable circumstances population may be doubled in twenty-five years; but under the same favourable circumstances, the whole capital of a country might possibly be doubled in a shorter period. In that case, wages during the whole period would have a tendency to rise, because the demand for labour would increase still faster than the supply.

In new settlements, where the arts and knowledge of countries far advanced in refinement are introduced, it is probable that capital has a tendency to increase faster than mankind: and if the deficiency of labourers

were not supplied by more populous countries; this tendency would very much raise the price of labour. In proportion as these countries become populous, and land of a worse quality is taken into cultivation, the tendency to an increase of capital diminishes; for the surplus produce remaining, after satisfying the wants of the existing population, must necessarily be in proportion to the facility of production, viz. to the smaller number of persons employed in production. Although, then, it is probable, that under the most favourable circumstances, the power of production is still greater than that of population, it will not long continue so; for the land being limited in quantity, and differing in quality; with every increased portion of capital employed on it, there will be a decreased rate of production; whilst the power of population continues always the same.

In those countries where there is abundance of fertile land, but where, from the ignorance, indolence, and barbarism of the inhabitants, they are exposed to all the evils of want and famine, and where it has been said that population presses against the

means of subsistence, a very different remedy should be applied from that which is necessary in long settled countries, where, from the diminishing rate of the supply of raw produce, all the evils of a crowded population are experienced. In the one case, the misery proceeds from the inactivity of the people. To be made happier, they need only to be stimulated to exertion; with such exertion, no increase in the population can be too great, as the powers of production are still greater. In the other case, the population increases faster than the funds required for its support. Every exertion of industry, unless accompanied by a diminished rate of increase in the population, will add to the evil, for production cannot keep pace with it.

In some countries of Europe, and many of Asia, as well as in the islands in the South Seas, the people are miserable, either from a vicious government or from habits of indolence, which make them prefer present ease and inactivity, though without security against want, to a moderate degree of exertion, with plenty of food and necessaries. By diminishing their population, no relief

would be afforded, for productions would diminish in as great, or even in a greater, proportion. The remedy for the evils under which Poland and Ireland suffer, which are similar to those experienced in the South Seas, is to stimulate exertion, to create new wants, and to implant new tastes; for those countries must accumulate a much larger amount of capital, before the diminished rate of production will render the progress of capital necessarily less rapid than the progress of population. The facility with which the wants of the Irish are supplied, permits that people to pass a great part of their time in idleness: if the population were diminished, this evil would increase, because wages would rise, and therefore the labourer would be enabled, in exchange for a still less portion of his labour, to obtain all that his moderate wants require.

Give to the Irish labourer a taste for the comforts and enjoyments which habit has made essential to the English labourer, and he would be then content to devote a further portion of his time to industry, that he might be enabled to obtain them. Not only would

all the food now produced be obtained, but a vast additional value in those other commodities, to the production of which the now unemployed labour of the country might be directed. In those countries, where the labouring classes have the fewest wants, and are contented with the cheapest food, the people are exposed to the greatest vicissitudes and miseries. They have no place of refuge from calamity; they cannot seek safety in a lower station; they are already so low, that they can fall no lower. On any deficiency of the chief article of their subsistence, there are few substitutes of which they can avail themselves, and dearth to them is attended with almost all the evils of famine.

In the natural advance of society, the wages of labour will have a tendency to fall, as far as they are regulated by supply and demand; for the supply of labourers will continue to increase at the same rate, whilst the demand for them will increase at a slower rate. If, for instance, wages were regulated by a yearly increase of capital, at the rate of 2 per cent., they would fall when it accumu-

lated only at the rate of $1\frac{1}{2}$ per cent. They would fall still lower when it increased only at the rate of 1, or $\frac{1}{2}$ per cent., and would continue to do so until the capital became stationary, when wages also would become stationary, and be only sufficient to keep up the numbers of the actual population. I say that, under these circumstances, wages would fall, if they were regulated only by the supply and demand of labourers; but we must not forget, that wages are also regulated by the prices of the commodities on which they are expended.

As population increases, these necessaries will be constantly rising in price, because more labour will be necessary to produce them. If, then, the money wages of labour should fall, whilst every commodity on which the wages of labour were expended rose, the labourer would be doubly affected, and would be soon totally deprived of subsistence. Instead, therefore, of the money wages of labour falling, they would rise; but they would not rise sufficiently to enable the labourer to purchase as many comforts and necessaries as he did before the rise in the price of those commodities. If his annua

wages were before 24*l.*, or six quarters of corn when the price was 4*l.* per quarter, he would probably receive only the value of five quarters when corn rose to 5*l.* per quarter. But five quarters would cost 25*l.*; he would therefore receive an addition in his money wages, though with that addition he would be unable to furnish himself with the same quantity of corn and other commodities, which he had before consumed in his family.

Notwithstanding, then, that the labourer would be really worse paid, yet this increase in his wages would necessarily diminish the profits of the manufacturer; for his goods would sell at no higher price, and yet the expense of producing them would be increased. This, however, will be considered in our examination into the principles which regulate profits.

It appears, then, that the same cause which raises rent, namely, the increasing difficulty of providing an additional quantity of food with the same proportional quantity of labour, will also raise wages; and therefore if money be of an unvarying value, both rent

and wages will have a tendency to rise with the progress of wealth and population.

But there is this essential difference between the rise of rent and the rise of wages. The rise in the money value of rent is accompanied by an increased share of the produce; not only is the landlord's money rent greater, but his corn rent also; he will have more corn, and each defined measure of that corn will exchange for a greater quantity of all other goods which have not been raised in value. The fate of the labourer will be less happy: he will receive more money wages, it is true, but his corn wages will be reduced; and not only his command of corn, but his general condition will be deteriorated, by his finding it more difficult to maintain the market rate of wages above their natural rate. While the price of corn rises 10 per cent., wages will always rise less than 10 per cent., but rent will always rise more; the condition of the labourer will generally decline, and that of the landlord will always be improved.

When wheat was at 4*l.* per quarter, sup-

pose the labourer's wages to be 24*l.* per annum, or the value of six quarters of wheat; and suppose half his wages to be expended on wheat, and the other half, or 12*l.*, on other things. He would receive

£24.14.	}	when wheat	}	£4.4.8.	}	or the	}	5.83 qrs.
25.10.				4.10.				5.66 qrs.
26.8				4.16.				5.50 qrs.
27.8.6				5.2.10.				5.33 qrs.

He would receive these wages to enable him to live just as well, and no better, than before; for when corn was at 4*l.* per quarter, he would expend for three quarters of corn, at 4*l.* per qr. £12
 and on other things 12

 24

When wheat was 4*l.* 4*s.* 8*d.*, three quarters, which he and his family consumed, would cost him £12.14
 other things not altered in price : 12

 24.14

When at 4*l.* 10*s.*, three quarters of wheat would cost 13.10
 and other things 12

 25.10

When at 4*l.* 16*s.*, three qrs. of wheat £14.8
 Other things 12

 26.8

When at 5.2.10*l.* three quarters of wheat would cost £15.8.6.
 Other things 12

 27.8.6

In proportion as corn became dear, he would receive less corn wages, but his money wages would always increase, whilst his enjoyments on the above supposition, would be precisely the same. But as other commodities would be raised in price in proportion as raw produce entered into their composition, he would have more to pay for some of them. Although his tea, sugar, soap, candles, and house rent, would probably be no dearer, he would pay more for his bacon, cheese, butter, linen, shoes, and cloth; and therefore, even with the above increase of wages, his situation would be comparatively worse. But it may be said that I have been considering the effect of wages on price, on the supposition that gold, or the metal from which money is made, is the produce of the country in which wages varied; and

that the consequences which I have deduced agree little with the actual state of things, because gold is a metal of foreign production. The circumstance however, of gold being a foreign production, will not invalidate the truth of the argument, because it may be shewn, that whether it were found at home, or were imported from abroad, the effects ultimately and indeed immediately would be the same.

When wages rise, it is generally because the increase of wealth and capital have occasioned a new demand for labour, which will infallibly be attended with an increased production of commodities. To circulate these additional commodities, even at the same prices as before, more money is required, more of this foreign commodity from which money is made, and which can only be obtained by importation. Whenever a commodity is required in greater abundance than before, its relative value rises comparatively with those commodities with which its purchase is made. If more hats were wanted, their price would rise, and more gold would be given for them. If more gold were re-

quired, gold would rise, and hats would fall in price, as a greater quantity of hats and of all other things would then be necessary to purchase the same quantity of gold. But in the case supposed, to say that commodities will rise, because wages rise, is to affirm a positive contradiction; for we first say that gold will rise in relative value in consequence of demand, and secondly, that it will fall in relative value because prices will rise, two effects which are totally incompatible with each other. To say that commodities are raised in price, is the same thing as to say that money is lowered in relative value; for it is by commodities that the relative value of gold is estimated. If then all commodities rose in price, gold could not come from abroad to purchase those dear commodities, but it would go from home to be employed with advantage in purchasing the comparatively cheaper foreign commodities. It appears then, that the rise of wages will not raise the prices of commodities, whether the metal from which money is made be produced at home or in a foreign country. All commodities cannot rise at the same time without an addition to the quantity of money. This addition could not be ob-

tained at home, as we have already shewn; nor could it be imported from abroad. To purchase any additional quantity of gold from abroad, commodities at home must be cheap, not dear. The importation of gold, and a rise in the price of all home-made commodities with which gold is purchased or paid for, are effects absolutely incompatible. The extensive use of paper money does not alter this question, for paper money conforms, or ought to conform to the value of gold, and therefore its value is influenced by such causes only as influence the value of that metal.

These then are the laws by which wages are regulated, and by which the happiness of far the greatest part of every community is governed. Like all other contracts, wages should be left to the fair and free competition of the market, and should never be controlled by the interference of the legislature.

The clear and direct tendency of the poor laws, is in direct opposition to these obvious principles: it is not, as the legislature benevolently intended, to amend the condition of

the poor, but, to deteriorate the condition of both poor and rich; instead of making the poor rich, they are calculated to make the rich poor; and whilst the present laws are in force, it is quite in the natural order of things that the fund for the maintenance of the poor should progressively increase, till it has absorbed all the neat revenue of the country, or at least so much of it as the state shall leave to us, after satisfying its own never failing demands for the public expenditure.*

This pernicious tendency of these laws is no longer a mystery, since it has been fully developed by the able hand of Mr. Malthus; and every friend to the poor must ardently wish for their abolition. Unfortunately however they have been so long established, and the habits of the poor have been so formed

* With Mr. Buchanan in the following passage, if it refers to temporary states of misery, I so far agree, that "the great evil of the labourer's condition, is poverty, arising either from a scarcity of food or of work; and in all countries, laws without number have been enacted for his relief. But there are miseries in the social state which legislation cannot relieve; and it is useful therefore to know its limits, that we may not, by aiming at what is impracticable, miss the good which is really in our power."—*Buchanan*, page 61.

upon their operation, that to eradicate them with safety from our political system requires the most cautious and skilful management. It is agreed by all who are most friendly to a repeal of these laws, that if it be desirable to prevent the most overwhelming distress to those for whose benefit they were erroneously enacted, their abolition should be effected by the most gradual steps.

It is a truth which admits not a doubt, that the comforts and well being of the poor cannot be permanently secured without some regard on their part, or some effort on the part of the legislature, to regulate the increase of their numbers, and to render less frequent among them early and improvident marriages. The operation of the system of poor laws has been directly contrary to this. They have rendered restraint superfluous, and have invited imprudence by offering it a portion of the wages of prudence and industry.

The nature of the evil points out the remedy. By gradually contracting the sphere of the poor laws; by impressing on the poor the value of independence, by teaching them

that they must look not to systematic or casual charity, but to their own exertions for support, that prudence and forethought are neither unnecessary nor unprofitable virtues, we shall by degrees approach a sounder and more healthful state.

No scheme for the amendment of the poor laws merits the least attention, which has not their abolition for its ultimate object; and he is the best friend to the poor, and to the cause of humanity, who can point out how this end can be attained with the most security, and at the same time with the least violence. It is not by raising in any manner different from the present, the fund from which the poor are supported, that the evil can be mitigated. It would not only be no improvement, but it would be an aggravation of the distress which we wish to see removed, if the fund were increased in amount, or were levied according to some late proposals, as a general fund from the country at large. The present mode of its collection and application has served to mitigate its pernicious effects. Each parish raises a separate fund for the support of its own poor. Hence it becomes an ob-

ject of more interest and more practicability to keep the rates low, than if one general fund were raised for the relief of the poor of the whole kingdom. A parish is much more interested in an economical collection of the rate, and a sparing distribution of relief, when the whole saving will be for its own benefit, than if hundreds of other parishes were to partake of it.

It is to this cause, that we must ascribe the fact of the poor laws not having yet absorbed all the net revenue of the country; it is to the rigour with which they are applied, that we are indebted for their not having become overwhelmingly oppressive. If by law every human being wanting support could be sure to obtain it, and obtain it in such a degree as to make life tolerably comfortable, theory would lead us to expect that all other taxes together would be light compared with the single one of poor rates. The principle of gravitation is not more certain than the tendency of such laws to change wealth and power into misery and weakness; to call away the exertions of labour from every object, except that of providing mere subsistence; to con-

found all intellectual distinction; to busy the mind continually in supplying the body's wants; until at last all classes should be infected with the plague of universal poverty. Happily these laws have been in operation during a period of progressive prosperity, when the funds for the maintenance of labour have regularly increased, and when an increase of population would be naturally called for. But if our progress should become more slow; if we should attain the stationary state, from which I trust we are yet far distant, then will the pernicious nature of these laws become more manifest and alarming; and then too will their removal be obstructed by many additional difficulties.

CHAPTER V.

ON PROFITS.

THE profits of stock in different employments, having been shewn to bear a proportion to each other, and to have a tendency to vary all in the same degree and in the same direction, it remains for us to consider what is the cause of the permanent variations in the rate of profit, and the consequent permanent alterations in the rate of interest.

We have seen that the price* of corn is regulated by the quantity of labour necessary to produce it, with that portion of capital which pays no rent. We have seen too that all manufactured commodities rise and fall

* The reader is desired to bear in mind, that for the purpose of making the subject more clear, I consider money to be invariable in value, and therefore every variation of price to be referable to an alteration in the value of the commodity.

in price, in proportion as more or less labour becomes necessary to their production. Neither the farmer who cultivates that quality of land, which regulates price, nor the manufacturer, who manufactures goods, sacrifice any portion of the produce for rent. The whole value of their commodities is divided into two portions only: one constitutes the profits of stock, the other the wages of labour.

Supposing corn and manufactured goods always to sell at the same price, profits would be high or low in proportion as wages were low or high. But suppose corn to rise in price because more labour is necessary to produce it; that cause will not raise the price of manufactured goods in the production of which no additional quantity of labour is required. If then wages continued the same, profits would remain the same; but if, as is absolutely certain, wages should rise with the rise of corn, then profits would necessarily fall.

If a manufacturer always sold his goods for the same money, for 1000*l.* for example, his profits would depend on the price of the

labour necessary to manufacture those goods. His profits would be less when wages amounted to 800*l.* than when he paid only 600*l.* In proportion then as wages rose, would profits fall. But if the price of raw produce would increase, it may be asked, whether the farmer at least would not have the same rate of profits, although he should pay an additional price for wages? Certainly not: for he will not only have to pay, in common with the manufacturer, an increase of wages to each labourer he employs, but he will be obliged either to pay rent, or to employ an additional number of labourers to obtain the same produce; and the rise in the price of raw produce will be proportioned only to that rent, or that additional number, and will not compensate him for the rise of wages.

If both the manufacturer and farmer employed ten men, on wages rising from 24*l.* to 25*l.* per annum per man, the whole sum paid by each would be 250*l.* instead of 240*l.* This is, however, the whole addition that would be paid by the manufacturer to obtain the same quantity of commodities; but the farmer on new land would probably be obliged

to employ an additional man, and therefore to pay an additional sum of 25*l.* for wages; and the farmer on the old land would be obliged to pay precisely the same additional sum of 25*l.* for rent; without which additional labour, corn would not have risen. One will therefore have to pay 275*l.* for wages alone, the other, for wages and rent together; each 25*l.* more than the manufacturer: for this latter 25*l.* they are compensated by the addition to the price of raw produce, and therefore their profits still conform to the profits of the manufacturer. As this proposition is important, I will endeavour still further to elucidate it.

We have shewn that in early stages of society, both the landlord's and the labourer's share of the *value* of the produce of the earth, would be but small; and that it would increase in proportion to the progress of wealth, and the difficulty of procuring food. We have shewn too, that although the value of the labourer's portion will be increased by the high value of food, his real share will be diminished; whilst that of the landlord will not only be raised in value, but will also be increased in quantity.

The remaining quantity of the produce of the land, after the landlord and labourer are paid, necessarily belongs to the farmer, and constitutes the profits of his stock. But it may be alleged, that though as society advances, his proportion of the whole produce will be diminished, yet as it will rise in value, he, as well as the landlord and labourer, may, notwithstanding, receive a greater value.

It may be said for example, that when corn rose from 4*l.* to 10*l.*, the 180 quarters obtained from the best land would sell for 1800*l.* instead of 720*l.*; and therefore, though the landlord and labourer be proved to have a greater value for rent and wages, still the value of the farmer's profit might also be augmented. This however is impossible, as I shall now endeavour to shew.

In the first place, the price of corn would rise only in proportion to the increased difficulty of growing it on land of a worse quality.

It has been already remarked, that if the labour of ten men will, on land of a certain

quality, obtain 180 quarters of wheat, and its value be 4*l.* per quarter, or 720*l.*; and if the labour of ten additional men, will on the same or any other land, produce only 170 quarters in addition, wheat would rise from 4*l.* to 4*l.* 4*s.* 8*d.*; for 170 : 180 :: 4*l.* : 4*l.* 4*s.* 8*d.* In other words, as for the production of 170 quarters, the labour of ten men is necessary, in the one case, and only that of 9.44 in the other, the rise would be as 9.44 to 10, or as 4*l.* to 4*l.* 4*s.* 8*d.* In the same manner it might be shewn, that if the labour of ten additional men would only produce 160 quarters, the price would further rise to 4*l.* 10*s.*; if 150, to 4*l.* 16*s.*; &c. &c.

But when 180 quarters were produced on the land paying no rent, and its price was 4*l.* per quarter, it sold for £720. And when 170 quarters were produced on the land paying no rent, and the price rose to 4*l.* 4*s.* 8*d.* it still sold for 720. So, 160 quarters at 4*l.* 10*s.* produce 720. And 150 quarters at 4*l.* 16*s.* produce the same sum of 720.

Now it is evident, that if out of these equal

values, the farmer is at one time obliged to pay wages regulated by the price of wheat at 4*l.*, and at other times at higher prices; the rate of his profits will diminish in proportion to the rise in the price of corn.

In this case, therefore, I think it is clearly demonstrated that a rise in the price of corn, which increases the money wages of the labourer, diminishes the money value of the farmer's profits.

But the case of the farmer of the old and better land will be in no way different; he also will have increased wages to pay, and will never retain more of the value of the produce, however high may be its price, than 720*l.* to be divided between himself and his always equal number of labourers; in proportion therefore as they get more, he must retain less.

When the price of corn was at 4*l.*, the whole 180 quarters belonged to the cultivator, and he sold it for 720*l.* When corn rose to 4*l.* 4*s.* 8*d.* he was obliged to pay the value of ten quarters out of his 180 for rent, conse-

quently the remaining 170 yielded him no more than 720*l.*: when it rose further to 4*l.* 10*s.* he paid twenty quarters, or their value, for rent, and consequently only retained 160 quarters, which yielded the same sum of 720*l.*

It will be seen then, that whatever rise may take place in the price of corn, in consequence of the necessity of employing more labour and capital to obtain a given additional quantity of produce, such rise will always be equalled in value by the additional rent, or additional labour employed; so that whether corn sells for 4*l.*, 4*l.* 10*s.*, or 5*l.* 2*s.* 10*d.* the farmer will obtain for that which remains to him, after paying rent, the same real value. Thus we see, that whether the produce belonging to the farmer be 180, 170, 160, or 150 quarters, he always obtains the same sum of 720*l.* for it; the price increasing in an inverse proportion to the quantity.

Rent then, it appears, always falls on the consumer, and never on the farmer; for if the produce of his farm should uniformly be

180 quarters, with the rise of price, he would retain the value of a less quantity for himself, and give the value of a larger quantity to his landlord; but the deduction would be such as to leave him always the same sum of 720%.

It will be seen too that, in all cases, the same sum of 720% must be divided between wages and profits. If the value of the raw produce from the land exceed this value, it belongs to rent, whatever may be its amount. If there be no excess, there will be no rent. Whether wages or profits rise or fall, it is this sum of 720% from which they must both be provided. On the one hand, profits can never rise so high as to absorb so much of this 720%, that enough will not be left to furnish the labourers with absolute necessaries; on the other hand, wages can never rise so high as to leave no portion of this sum for profits.

Thus in every case, agricultural, as well as manufacturing profits are lowered by a rise in the price of raw produce, if it be accom-

panied by a rise of wages.* If the farmer gets no additional value for the corn which remains to him after paying rent, if the manufacturer gets no additional value for the goods which he manufactures, and if both are obliged to pay a greater value in wages, can any point be more clearly established than that profits must fall, with a rise of wages?

The farmer then, although he pays no part of his landlord's rent, that being always regulated by the price of produce, and invariably falling on the consumers, has however a very decided interest in keeping rent low, or rather in keeping the natural price of produce low. As a consumer of raw produce, and of those things into which raw produce enters as a component part, he will in common with all other consumers, be interested in keeping the price low. But he is

* The reader is aware, that we are leaving out of our consideration the accidental variations arising from bad and good seasons, or from the demand increasing or diminishing by any sudden effect on the state of population. We are speaking of the natural and constant, not of the accidental and fluctuating price of corn.

most materially concerned with the high price of corn as it affects wages. With every rise in the price of corn, he will have to pay out of an equal and unvarying sum of 720*l.*, an additional sum for wages to the ten men whom he is supposed constantly to employ. We have seen in treating on wages, that they invariably rise with the rise in the price of raw produce. On a basis assumed for the purpose of calculation, page 106, it will be seen that if when wheat is at 4*l.* per quarter, wages should be 24*l.* per annum.

When Wheat is at	$\left. \begin{array}{l} \text{£ } 4 \text{ s. } 8 \\ \text{£ } 4 \text{ s. } 10 \\ \text{£ } 4 \text{ s. } 16 \\ \text{£ } 5 \text{ s. } 2 \end{array} \right\}$	wages would be	$\left. \begin{array}{l} \text{£ } 24 \text{ s. } 14 \text{ d. } 0 \\ \text{£ } 25 \text{ s. } 10 \text{ d. } 0 \\ \text{£ } 26 \text{ s. } 8 \text{ d. } 0 \\ \text{£ } 27 \text{ s. } 8 \text{ d. } 6 \end{array} \right\}$
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Now, of the unvarying fund of 720*l.* to be distributed between labourers and farmers,

When the price of Wheat is at	$\left. \begin{array}{l} \text{£ } 4 \text{ s. } 0 \text{ d. } 0 \\ \text{£ } 4 \text{ s. } 4 \text{ d. } 8 \\ \text{£ } 4 \text{ s. } 10 \text{ d. } 0 \\ \text{£ } 4 \text{ s. } 16 \text{ d. } 0 \\ \text{£ } 5 \text{ s. } 2 \text{ d. } 10 \end{array} \right\}$	the labourer will receive	$\left. \begin{array}{l} \text{£ } 240 \text{ s. } 0 \\ \text{£ } 247 \text{ s. } 0 \\ \text{£ } 255 \text{ s. } 0 \\ \text{£ } 264 \text{ s. } 0 \\ \text{£ } 274 \text{ s. } 5 \end{array} \right\}$	the farmer will receive	$\left. \begin{array}{l} \text{£ } 480 \text{ s. } 0 \text{ d. } 0 \\ \text{£ } 473 \text{ s. } 0 \text{ d. } 0 \\ \text{£ } 465 \text{ s. } 0 \text{ d. } 0 \\ \text{£ } 456 \text{ s. } 0 \text{ d. } 0 \\ \text{£ } 445 \text{ s. } 15 \text{ d. } 0 \end{array} \right\}$
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* The 180 quarters of corn would be divided in the fol-

And supposing that the original capital of the farmer was 3000*l.*, the profits of his stock being in the first instance 480*l.*, would be at the rate of 16 per cent. When his profits fell to 473*l.*, they would be at the rate of 15.7 per cent.

465 <i>l.</i>	15.5
456 <i>l.</i>	15.2
445 <i>l.</i>	14.8

But the *rate* of profits will fall still more, because the capital of the farmer, it must be recollected, consists in a great measure of

lowing proportions between landlords, farmers, and labourers, with the above-named variations in the value of corn.

Price per qr.	Rent.	Profit.	Wages.	Total.
£. s. d.	In Wheat.	In Wheat.	In Wheat.	
4 0 0	None.	120 qrs.	60 qrs.	} 180
4 4 8	10 qrs.	111.7	58.3	
4 10 0	20	103.4	56.6	
4 16 0	30	95	55	
5 2 10	40	86.7	53.3	

and, under the same circumstances, money rent, wages, and profit, would be as follows :

Price per qr.	Rent.	Profit.	Wages.	Total.
£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.
4 0 0	None.	480 0 0	240 0 0	720 0 0
4 4 8	42 7 6	473 0 0	247 0 0	762 7 6
4 10 0	90 0 0	465 0 0	255 0 0	810 0 0
4 16 0	144 0 0	456 0 0	264 0 0	864 0 0
5 2 10	205 13 4	445 15 0	274 5 0	925 13 4

raw produce, such as his corn and hay-ricks, his unthreshed wheat and barley, his horses and cows, which would all rise in price in consequence of the rise of produce. His absolute profits would fall from 480*l.* to 445*l.* 15*s.*; but if from the cause which I have just stated, his capital should rise from 3000*l.* to 3200*l.* the rate of his profits would, when corn was at 5*l.* 2*s.* 10*d.*, be under 14 per cent.

If a manufacturer had also employed 3000*l.* in his business, he would be obliged in consequence of the rise of wages, to increase his capital, in order to be enabled to carry on the same business. If his commodities sold before for 720*l.*, they would continue to sell at the same price; but the wages of labour, which were before 240*l.*, would rise when corn was at 5*l.* 2*s.* 10*d.* to 274*l.* 5*s.* In the first case he would have a balance of 480*l.* as profit on 3000*l.*, in the second he would have a profit only of 445*l.* 15*s.*, on an increased capital, and therefore his profits would conform to the altered rate of those of the farmer.

There are few commodities which are not more or less affected in their price by the rise

of raw produce, because some raw material from the land enters into the composition of most commodities. Cotton goods, linen, and cloth, will all rise in price with the rise of wheat; but they rise on account of the greater quantity of labour expended on the raw material from which they are made, and not because more was paid by the manufacturer to the labourers whom he employed on those commodities.

In all cases, commodities rise because more labour is expended on them, and not because the labour which is expended on them is at a higher value. Articles of jewellery, of iron, of plate, and of copper, would not rise, because none of the raw produce from the surface of the earth enters into their composition.

It may be said that I have taken it for granted, that money wages would rise with a rise in the price of raw produce, but that this is by no means a necessary consequence, as the labourer may be contented with fewer enjoyments. It is true that the wages of labour may previously have been at a high

level, and that they may bear some reduction. If so, the fall of profits will be checked; but it is impossible to conceive that the money price of wages should fall, or remain stationary with a gradually increasing price of necessaries; and therefore it may be taken for granted that, under ordinary circumstances, no permanent rise takes place in the price of necessaries, without occasioning, or having been preceded by a rise in wages.

The effects produced on profits, would have been the same, or nearly the same, if there had been any rise in the price of those other necessaries, besides food, on which the wages of labour are expended. The necessity which the labourer would be under of paying an increased price for such necessaries, would oblige him to demand more wages; and whatever increases wages, necessarily reduces profits. But suppose the price of silks, velvets, furniture, and any other commodities, not required by the labourer, to rise in consequence of more labour being expended on them, would not that affect profits? certainly not: for nothing can affect

profits but a rise in wages; silks and velvets are not consumed by the labourer, and therefore cannot raise wages.

It is to be understood that I am speaking of profits generally. I have already remarked that the market price of a commodity may exceed its natural or necessary price, as it may be produced in less abundance than the new demand for it requires. This however is but a temporary effect. The high profits on capital employed in producing that commodity will naturally attract capital to that trade; and as soon as the requisite funds are supplied, and the quantity of the commodity is duly increased, its price will fall, and the profits of the trade will conform to the general level. A fall in the general rate of profits is by no means incompatible with a partial rise of profits in particular employments. It is through the inequality of profits, that capital is moved from one employment to another. Whilst then general profits are falling, and gradually settling at a lower level in consequence of the rise of wages, and the increasing difficulty of supplying the increasing population with necessaries, the

profits of the farmer, may, for an interval of some little duration, be above the former level. An extraordinary stimulus may be also given for a certain time, to a particular branch of foreign and colonial trade; but the admission of this fact by no means invalidates the theory, that profits depend on high or low wages, wages on the price of necessaries, and the price of necessaries chiefly on the price of food, because all other requisites may be increased almost without limit.

It should be recollected that prices always vary in the market, and in the first instance, through the comparative state of demand and supply. Although cloth could be furnished at 40s. per yard, and give the usual profits of stock, it may rise to 60 or 80s. from a general change of fashion, or from any other cause which should suddenly and unexpectedly increase the demand, or diminish the supply of it. The makers of cloth will for a time have unusual profits, but capital will naturally flow to that manufacture, till the supply and demand are again at their fair level, when the price of cloth will again sink to 40s., its natural or necessary price. In the same manner, with

every increased demand for corn, it may rise so high as to afford more than the general profits to the farmer. If there be plenty of fertile land, the price of corn will again fall to its former standard, after the requisite quantity of capital has been employed in producing it, and profits will be as before; but if there be not plenty of fertile land, if, to produce this additional quantity, more than the usual quantity of capital and labour be required, corn will not fall to its former level. Its natural price will be raised, and the farmer, instead of obtaining permanently larger profits, will find himself obliged to be satisfied with the diminished rate which is the inevitable consequence of the rise of wages, produced by the rise of necessaries.

The natural tendency of profits then is to fall; for, in the progress of society and wealth, the additional quantity of food required is obtained by the sacrifice of more and more labour. This tendency, this gravitation as it were of profits, is happily checked at repeated intervals by the improvements in machinery, connected with the production of necessaries, as well as by discoveries in the science of agriculture

which enable us to relinquish a portion of labour before required, and therefore to lower the price of the prime necessary of the labourer. The rise in the price of necessaries and in the wages of labour is however limited; for as soon as wages should be equal (as in the case formerly stated) to 720*l.*, the whole receipts of the farmer, there must be an end of accumulation; for no capital can then yield any profit whatever, and no additional labour can be demanded, and consequently population will have reached its highest point. Long indeed before this period, the very low rate of profits will have arrested all accumulation, and almost the whole produce of the country, after paying the labourers, will be the property of the owners of land and the receivers of tithes and taxes.

Thus, taking the former very imperfect basis as the grounds of my calculation, it would appear that when corn was at 20*l.* per quarter, the whole net income of the country would belong to the landlords, for then the same quantity of labour that was originally necessary to produce 180 quarters, would be necessary to produce 36; since 20*l.* : 4*l.* :: 180 : 36. The farmer then, who originally produced

180 quarters, (if any such there were, for the old and new capital employed on the land would be so blended, that it could in no way be distinguished,) would sell the

180 qrs. at 20 <i>l.</i> per qr. or	£3600
the value of 144 qrs. { to landlord for rent, being the dif- ference between 36 and 180 qrs. }	2880
36 qrs.	720
the value of 36 qrs. to labourers ten in number . . .	720

leaving nothing whatever for profit.

At this price of 20*l.* the labourers would continue to consume three quarters each per annum or . . . £60

And on other commodities they would expend 12*l.*

72 for each labourer.

And therefore ten labourers would cost 720*l.* per annum.

In all these calculations I have been desirous only to elucidate the principle, and it is scarcely necessary to observe, that my whole basis is assumed at random, and merely for the purpose of exemplification. The results though different in degree, would have been the same in principle, however accurately I might have set out in stating the difference in the number of labourers necessary to obtain the successive quantities of corn required by an increasing population, the quantity consumed by the labourer's family, &c. &c. My object

has been to simplify the subject, and I have therefore made no allowance for the increasing price of the other necessaries, besides food, of the labourer; an increase which would be the consequence of the increased value of the raw material from which they are made, and which would of course further increase wages, and lower profits.

I have already said, that long before this state of prices was become permanent, there would be no motive for accumulation; for no one accumulates but with a view to make his accumulation productive, and it is only when so employed that it operates on profits. Without a motive there could be no accumulation, and consequently such a state of prices never could take place. The farmer and manufacturer can no more live without profit, than the labourer without wages. Their motive for accumulation will diminish with every diminution of profit, and will cease altogether when their profits are so low as not to afford them an adequate compensation for their trouble, and the risk which they must necessarily encounter in employing their capital productively.

I must again observe, that the rate of profits would fall much more rapidly than I have estimated in my calculation: for the value of the produce being what I have stated it under the circumstances supposed, the value of the farmer's stock would be greatly increased from its necessarily consisting of many of the commodities which had risen in value. Before corn could rise from 4*l.* to 12*l.* his capital would probably be doubled in exchangeable value, and be worth 6000*l.* instead of 3000*l.* If then his profit were 180*l.*, or 6 per cent. on his original capital, profits would not at that time be really at a higher *rate* than 3 per cent.; for 6000*l.* at 3 per cent. gives 180*l.*; and on those terms only could a new farmer with 6000*l.* money in his pocket enter into the farming business.

Many trades would derive some advantage, more or less, from the same source. The brewer, the distiller, the clothier, the linen manufacturer, would be partly compensated for the diminution of their profits, by the rise in the value of their stock of raw and finished materials; but a manufacturer of hard-ware, of jewellery, and of many other commodities,

as well as those whose capitals uniformly consisted of money, would be subject to the whole fall in the rate of profits, without any compensation whatever.

We should also expect that, however the rate of the profits of stock might diminish in consequence of the accumulation of capital on the land, and the rise of wages, yet the aggregate amount of profits would increase. Thus supposing that, with repeated accumulations of 100,000*l.*, the rate of profit should fall from 20 to 19, to 18, to 17 per cent.; a constantly diminishing rate, we should expect that the whole amount of profits received by those successive owners of capital would be always progressive; that it would be greater when the capital was 200,000*l.*, than when 100,000*l.*; still greater when 300,000*l.*; and so on, increasing, though at a diminishing rate, with every increase of capital. This progression however is only true for a certain time: thus 19 per cent. on 200,000 is more than 20 on 100,000*l.*; again 18 per cent. on 300,000 is more than 19 per cent. on 200,000*l.*; but after capital has accumulated to a large amount, and profits have fallen, the further

accumulation diminishes the aggregate of profits. Thus suppose the accumulation should be 1,000,000*l.*, and the profits 7 per cent. the whole amount of profits will be 70,000*l.*; now if an addition of 100,000*l.* capital be made to the million, and profits should fall to 6 per cent., 66,000*l.* or a diminution of 4000*l.* will be received by the owners of stock, although the whole amount of stock will be increased from 1,000,000*l.* to 1,100,000*l.*

There can, however, be no accumulation of capital, so long as stock yields any profit at all, without its yielding not only an increase of produce, but an increase of value. By employing 100,000*l.* additional capital, no part of the former capital will be rendered less productive. The produce of the land and labour of the country must increase, and its value will be raised, not only by the value of the addition which is made to the former quantity of productions, but by the new value which is given to the whole produce of the land, by the increased difficulty of producing the last portion of it, which new value always goes to rent. When the accumulation of capital, however, becomes very great, notwithstanding this increased value, it will

be so distributed that a less value than before will be appropriated to profits, while that which is devoted to rent and wages will be increased. Thus with successive additions of 100,000*l.* to capital, with a fall in the rate of profits, from 20 to 19, to 18, to 17 per cent. &c. the productions annually obtained will increase in quantity, and be of more than the whole additional value, which the additional capital is calculated to produce. From 20,000*l.* it will rise to more than 39,000*l.* and then to more than 57,000*l.*, and when the capital employed is a million, as we before supposed, if 100,000*l.* more be added to it, and the aggregate of profits is actually lower than before, more than 6000*l.* will nevertheless be added to the revenue of the country, but it will be to the revenue of the landlords; they will obtain more than the additional produce, and will from their situation be enabled to encroach even on the former gains of the capitalist. Thus, suppose the price of corn to be 4*l.* per quarter, and that therefore, as we before calculated, of every 720*l.* remaining to the farmer after payment of his rent, 480*l.* were retained by him, and 240*l.* were paid to his labourers; when the

price rose to 6*l.* per quarter, he would be obliged to pay his labourers 300*l.* and retain only 420*l.* for profits. Now if the capital employed were so large as to yield a hundred thousand times 720*l.* or 72,000,000*l.* the aggregate of profits would be 48,000,000*l.* when wheat was at 4*l.* per quarter; and if by employing a larger capital, 105,000 times 720*l.* were obtained when wheat was at 6*l.*, or 75,600,000*l.*, profits would actually fall from 48,000,000*l.* to 44,100,000*l.* or 105,000 times 420*l.*, and wages would rise from 24,000,000*l.* to 31,500,000*l.* Wages would rise because more labourers would be employed, in proportion to capital; and each labourer would receive more money wages; but the condition of the labourer, as we have already shewn, would be worse, inasmuch as he would be able to command a less quantity of the produce of the country. The only real gainers would be the landlords; they would receive higher rents, first, because produce would be of a higher value, and secondly, because they would have a greatly increased proportion.

Although a greater value is produced, a greater proportion of what remains of that

value, after paying rent, is consumed by the producers; and it is this, and this alone, which regulates profits. Whilst the land yields abundantly, wages may temporarily rise, and the producers may consume more than their accustomed proportion; but the stimulus which will thus be given to population, will speedily reduce the labourers to their usual consumption. But when poor lands are taken into cultivation, or when more capital and labour are expended on the old land, with a less return of produce, the effect must be permanent. A greater proportion of that part of the produce which remains to be divided, after paying rent, between the owners of stock and the labourers, will be apportioned to the latter. Each man may, and probably will, have a less absolute quantity; but as more labourers are employed in proportion to the whole produce retained by the farmer, the value of a greater proportion of the whole produce will be absorbed by wages, and consequently the value of a smaller proportion will be devoted to profits. This will necessarily be rendered permanent by the laws of nature, which have limited the productive powers of the land.

Thus we again arrive at the same conclusion which we have before attempted to establish:—that in all countries, and at all times, profits depend on the quantity of labour requisite to provide necessaries for the labourers, on that land or with that capital which yields no rent. The effects then of accumulation will be different in different countries, and will depend chiefly on the fertility of the land. However extensive a country may be where the land is of a poor quality, and where the importation of food is prohibited, the most moderate accumulations of capital will be attended with great reductions in the rate of profit, and a rapid rise in rent; and on the contrary a small but fertile country, particularly if it freely permits the importation of food, may accumulate a large stock of capital without any great diminution in the rate of profits, or any great increase in the rent of land. In the Chapter on Wages, we have endeavoured to shew that the money price of commodities would not be raised by a rise of wages, either on the supposition that gold, the standard of money, was the produce of this country, or that it was imported from abroad. But if it were otherwise, if the prices