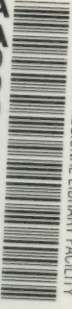


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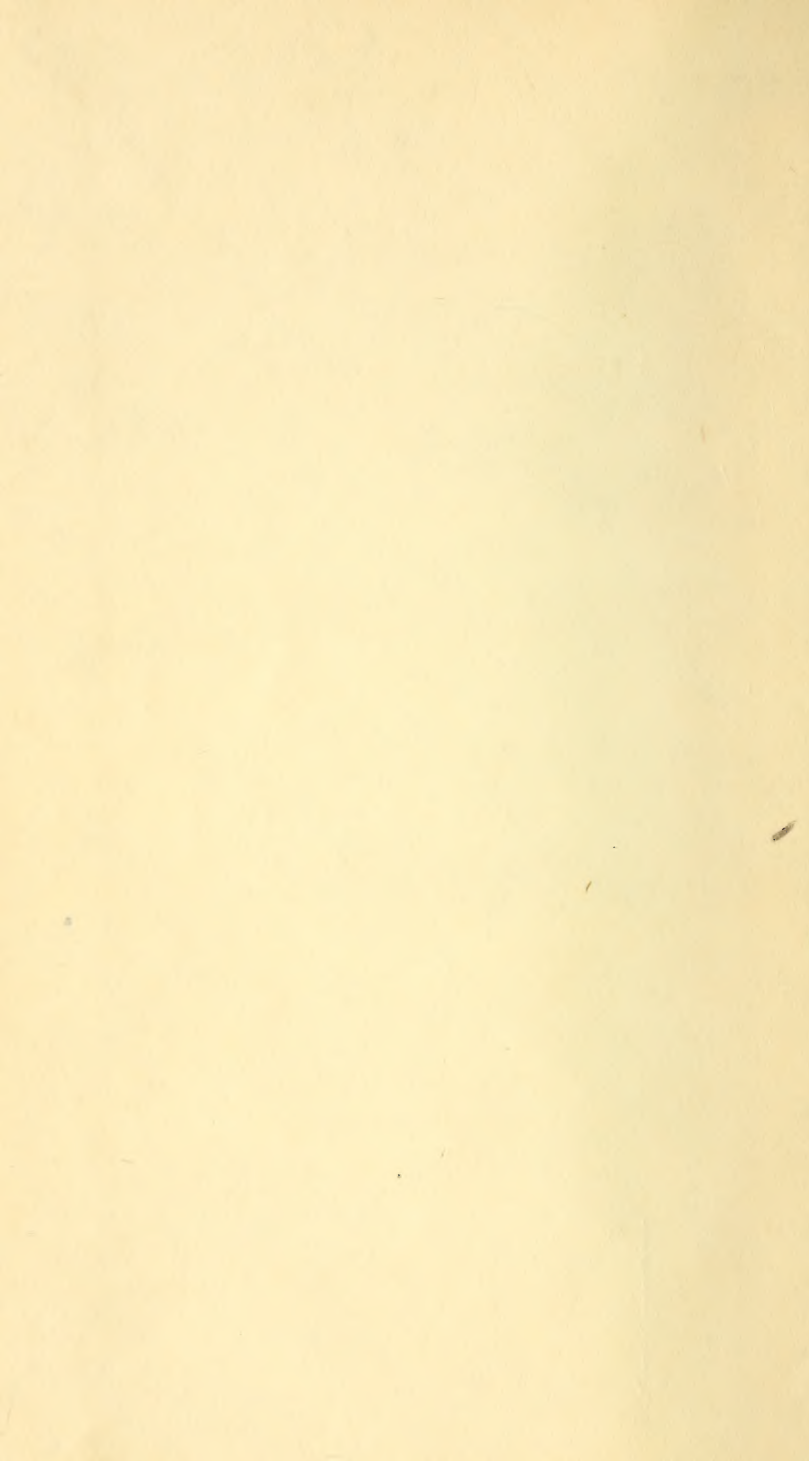
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CATECHISM

OF

POLITICAL ECONOMY;

OR,

FAMILIAR CONVERSATIONS

ON THE MANNER IN WHICH

WEALTH

IS

PRODUCED, DISTRIBUTED, AND CONSUMED

IN

SOCIETY.

---

BY JEAN-BAPTISTE SAY,

PROFESSOR OF POLITICAL ECONOMY IN THE "ATHENÉE ROYAL" OF PARIS;  
KNIGHT OF ST. WOLODOMIR OF RUSSIA; MEMBER OF THE SOCIETIES OF ZU-  
RICH, BOLOGNA, &c. AND AUTHOR OF A TREATISE ON POLITICAL ECONOMY.

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TRANSLATED FROM THE FRENCH

BY JOHN RICHTER.

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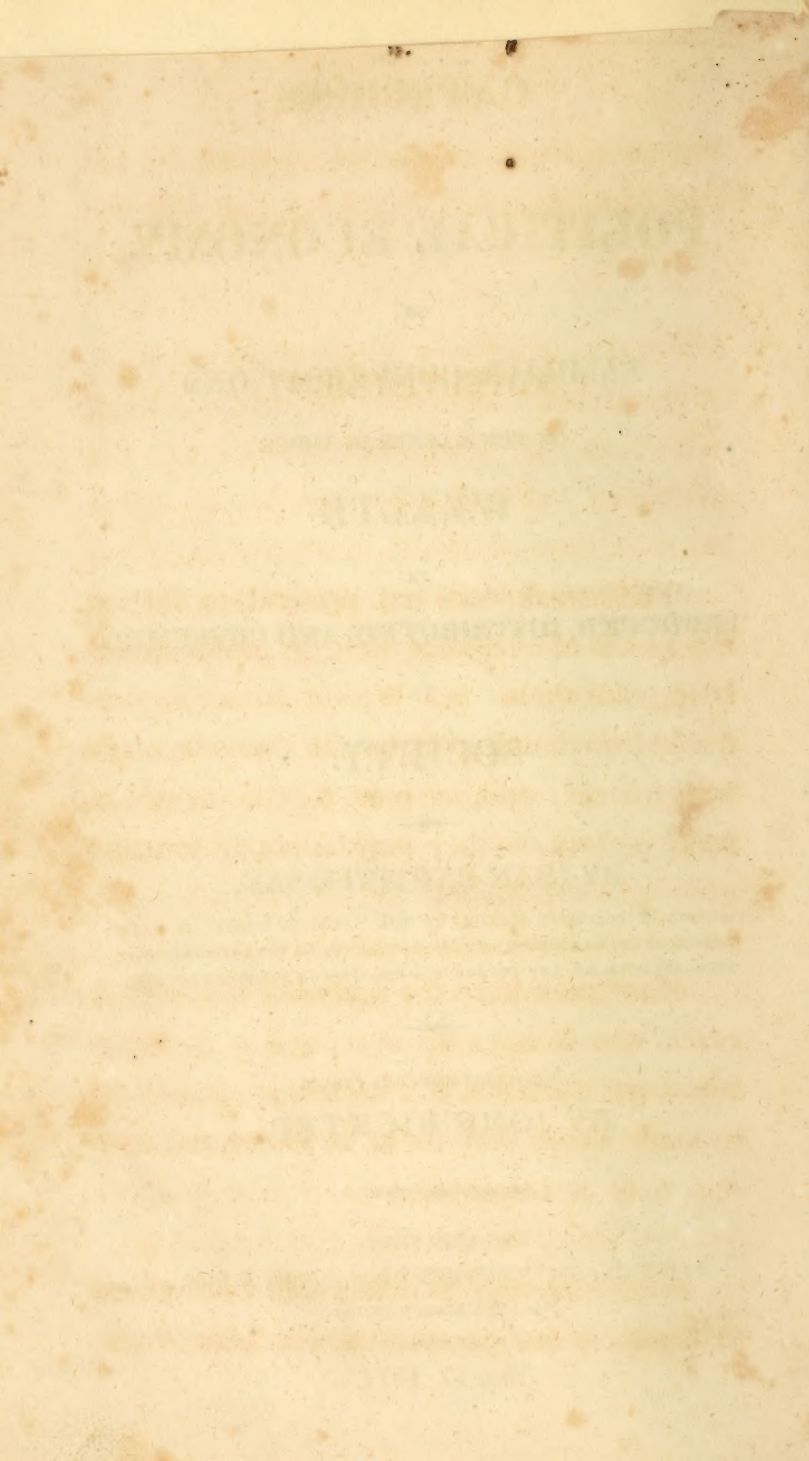
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## ADVERTISEMENT.

THIS work does not pretend to furnish the means of becoming rich. It professes only to point them out. Wealth cannot be produced from nothing : but a clock may be made with wheels ; and, as men may be taught to make a clock, so they may be taught to make what is called Riches.

Many men have the materials within their reach, who do not suspect it ; and as for those who have them not, is it useless even to them to know where they are to be found, and how they may be employed ?

Some men may be better able than others to profit by the perusal of this little Work.

But I venture to assert, that there is no person who may not derive from it some advantage.

It has been asked, why I did not publish this Catechism, as being more elementary, before my "*Traite d'Economie Politique.*" The reason is evident. If I had not previously proved in a work of detail, by numerous examples and strict reasoning, that Political Economy, in the present state of the science, is only the exposition of what is passing every day; and that all the facts are so intimately connected together, that it has become easy to refer to their causes, and to deduce from them satisfactory results, every thing must have been taken upon my credit; and I am far from pretending to so much deference.

An elementary work is necessarily somewhat dogmatical. But when truths are not promulgated under the sanction of an acknowledged authority, it is not only necessary to be in the right, but to prove that we are so. And how could these proofs have been

established in so small a compass, and at the same time have been rendered intelligible to the uninformed?

This task is however no longer requisite ; as the proofs of every thing, which might appear to be mere assertion, are to be found in a more extensive work, which has been adopted by foreigners as well as the French, and strengthened by the approbation of men, the most versed in Europe, in the practice as well as the theory of Values.

Those who possess the most elevated minds have generally most goodness of heart. They will feel what a happy influence the true principles of Political Economy, better understood, are capable of exerting on the lot of mankind ; and perhaps they will judge, that my efforts to spread them are not unworthy of their sanction.

J. B. SAY.



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# CATECHISM.

## CHAPTER THE FIRST.

*On the Composition of Wealth and the Use of Money.*

*WHAT do you understand by the word, wealth?*

✓ Whatever has a value; gold, silver, land, merchandise . . . . .

*Are not gold and silver preferable to other wealth?*

That is preferable in which the greatest value is to be found. One hundred and ten guineas in corn are ✓ preferable to one hundred guineas in gold.

*But, where the value is equal, is not the money better than the merchandise?*

In fact, it is preferred.

*What is the reason of it?*

The custom generally established of using money as a medium in exchanges, renders that species of merchandise more convenient than any other for those who have purchases to make; that is, for every body.

*What do you mean by money being a medium of exchanges?*

If you are a farmer, and desire to exchange a part of your corn for cloth, you begin by procuring money for your corn; then with that money you buy cloth.

*Without doubt.*

You have in reality made a double exchange, in which you have given corn to one man, and another has given cloth to you.

*That is true.*

The value of this corn was transitorily in money, afterwards in cloth; and though you have in fact exchanged your corn for cloth, money was the *intermediate* form which that value assumed in order to change itself into cloth. Such is the use of money.

*Well! But if all these values are equal, why is that of money preferred?*

Because, when a man once possesses money, he need make only one exchange, in order to obtain what he may want; while he who possesses every other merchandise, has two exchanges to make. He must, in the first place, exchange his merchandise for money, and afterwards his money for merchandise.



*Can you make use of any other thing for this purpose instead of money?*

Yes; there are countries in which shells and other articles are used; but the metals, and principally gold and silver, are, of all materials, the most convenient to be used as money. It is that which has caused them to be adopted by all civilized and commercial nations.

*Then in those countries in which shells are used as money, they are the objects which, the value being equal, are preferred in exchanges?*

They are so in effect: but the precious metals are more sought after than the other monies, because they possess, as merchandise, certain advantages which increase the preference they possess as money. They contain much value in small bulk, which permits them to be easily concealed, and carried from place to place; they do not spoil by keeping; they may be divided or reunited at will, almost without loss; in fine, they are valuable all over the world: and whatever frequented place we travel to with this sort of wealth, we are sure, on more or less favourable conditions, to be able to exchange it for whatever we may want.

*I comprehend the reason why money, and, above all, money of gold and silver, is more desirable than any other merchandise; but how can we procure it?*

As we procure every thing else that we want; by an exchange when we have not a mine that produces it;

in the same way that we procure fruit when we do not possess the tree that bears it.

*How can we obtain a thing in order to give it in exchange for money?*

Produce it.

*Produce a thing! But supposing that possible, how shall I be certain that I shall get money for that thing?*

You may assure yourself of that by giving it a value.

*But how can a value be given to things?*

We shall see that in the following chapters.

## CHAPTER II.

*On the Utility and Value of Products*

*WHAT* do you understand by the word, Products ?

I understand all those things to which men have consented to give a value.

*How is value given to a thing ?*

By giving it utility.

*How is the utility of a thing the cause of its having a value ?*

Because persons are then to be found who are in want of this thing ; they desire to have it from those who produce it. These, on their side, will not part from it until they are paid the expenses they have been at in producing it, including their profits. The value of the thing is established by the result of this opposition between the producer and the consumer.

*But there are many things of great utility, and no value ; as, water. Why have they no value ?*

Because nature gives them gratuitously, and without stint, and we are not obliged to produce them. If a

person was able to create water, and wished to sell it, no one would buy it, because it could be had at the river for nothing. Thus all the world enjoys these things: but they are not riches to any body. If all things that men could desire were in the same case, no one would be rich, but no one would be in want of riches, since each could enjoy all things at his pleasure.

But this is not the case: the greater part of things which are necessary and even indispensable to us, are not given to us gratuitously and unlimitedly. Human industry must, with pains and labour, collect, fashion and transport them.

They then become *products*. The utility, the faculty they have acquired of being serviceable, gives them a value, and this value is *riches*.

When once riches are thus created, they may be exchanged for other riches, other values, and we may procure the products which we want in exchange for those we can spare. We have seen in the preceding chapter, how money facilitates this exchange.

*I now conceive how products alone are riches; but their utility does not appear to be the only cause which gives them value; for there are products, such as rings and artificial flowers, which have value, but no utility.*

You do not discover the utility of these products, because you call only *useful* that which is so to the eye of reason: but you ought to understand by that word

whatever is capable of satisfying the wants and desires of man such as he is. His vanity and his passions are to him wants, sometimes as imperious as hunger. He is the sole judge of the importance that things are of to him, and of the want he has of them. We cannot judge of it but by the price he puts on them. The value of things is the sole measure of their utility to man. It is enough for us to give them utility *in his eyes* in order to give them a value. Now that is what we call to *produce*, to create products.

*Recapitulate what you have said.*

Give to any thing, to a material which has no value, *utility*, and you give it a *value*; that is, you make a *product* of it; you create *wealth*.

*One can then create wealth?*

Incontestibly.

*I thought that man could not create any thing.*

He cannot create matter: he cannot make the laws which regulate nature; but with existing matter and the laws of nature, such as they are, he can give a value to certain things, and consequently can create wealth.

*What country may be called a rich country?*

One in which many things of value, or more briefly, many values are to be found; in the same manner as a family which possesses many of these values, is a rich family.

## CHAPTER III.

*On Production.*

*YOU have told me that to produce is to give utility to things : how is utility given ? How are we to produce ?*

In an infinity of ways ; but for our convenience we may arrange, in three classes, every manner of producing.

*What is the first manner of producing !*

It consists in *collecting or gathering together* those things which nature creates, either without the intervention of man, such as fish and minerals ; or, such as men have, by the cultivation of the earth, and by means of seeds, induced and assisted nature to produce. All these works are alike in their object. They are called *Agricultural Industry*.

*What utility is given to a thing by him who finds it ready made to his hands ; as the fisherman, who takes a fish, or a miner who collects minerals ?*

He renders it fit for use. The fish, while it is in the sea, is useless. As soon as it is brought to the market, we can make use of it. In like manner, it is in vain that coal exists in the bosom of the earth; while there, it is of no utility; it neither warms us, nor heats the iron in the forge: it is the industry of the miner that makes it fit for these purposes. He creates, by extracting it from the earth, all the value that it has when extracted.

*How does the cultivator create value?*

The materials, of which a sack of corn is composed, are not drawn from nothing; they existed before the corn was corn; they were diffused through the earth, the water, and the air, and had no value whatever. The industry of the cultivator, in taking measures to bring these different matters together, first under the form of grain, and afterwards of a sack of corn, created a value which they had not before. It is the same with all the other products of agriculture.

*What is the second manner of producing?*

It consists in giving to the product of another industry a great value, by the new forms that we give to it, by the changes which it is made to undergo. The miner procures the metal of which a buckle is made; but a buckle, when made, is worth more than the metal of which it is formed. The value of the buckle above that of the metal is a value produced, and the

buckle is the product of two kinds of industry: of that of the miner, and that of the manufacturer. This last is called *manufacturing industry*.

*What works are included in manufacturing industry?*

It includes the most ordinary as well as the most exquisite workmanship, the form given by a rough village artisan to a pair of wooden shoes, as well as that given to a piece of jewellery. It includes alike the work executed by a single cobbler in his stall, and by hundreds of workmen in a vast manufactory.

*What is the third manner of producing?*

We produce also by buying a product in one place, where it is of a less value, and conveying it to another where it is of greater value. This is the work of *Commercial Industry*.

*How does commercial industry produce utility, as it neither changes the form nor the substance of a product, which is sold just as it is bought?*

It acts like the fisherman, of whom we have just spoken: it takes a product from a place where it cannot be used; from a place, at least, where its uses are less extensive, less precious, to a place where they are more so, or where its production is less easy, less abundant, and dearer. Wood is little used, and consequently of very limited utility in the mountains, where it so far exceeds the wants of the inhabitants, that it is some-



times left to rot ; this utility,\* however, becomes very considerable when the same wood is transported into a city. Hides are of little value in South America, where they have a great number of wild animals: the same skins have a great value in Europe, where their production is expensive, and their uses much more multiplied. Commercial Industry, in bringing them, augments their value by all the difference between their price in Brazil and their price in Europe.

*What is comprehended under the term commercial Industry ?*

Every species of industry which takes a product from one place, and transports it to another, where it is more precious, and which thus brings it within the reach of those who want it. It includes also, by analogy, the industry which, by retailing a product, brings it within the reach of small consumers. Thus the grocer, who buys merchandise in gross, to re-sell it in detail in the same town; and the butcher, who buys whole beasts to re-sell them piece by piece, exercises *Commercial Industry*.

*Is there not great similarity between these different modes of producing ?*

The greatest. They all consist in taking a product in one state, and delivering it in another, in which it

\* We must never forget that, by the words *utility of things*, we mean the faculty they have of serving those purposes, to which man thinks proper to apply them.

has a greater utility and a higher value. They may be all reduced to one species. If we distinguish them here, it is to facilitate the study of their results: but notwithstanding all our distinctions, it is often very difficult to separate one kind of industry from another. A villager, who makes baskets, is a manufacturer; when he carries them to market, he becomes commercial. But no matter by which means, the moment that we create or that we augment the utility of things, we augment their value, we exercise an industry, we produce wealth.

For shortness, Agricultural Industry may be called *Agriculture*; Manufacturing Industry may be called *Manufactures*; and Commercial Industry, *Commerce*.

## CHAPTER IV.

*On the Operations common to all the Species of Industry.*

*I HAVE just seen that agriculture, manufactures, and commerce are productive of wealth: by what means do they attain that end?*

An industrious undertaking, whatever it may be, is an enterprize in which a man decides, what part of the material and of the laws of the physical and moral world he is able to apply to the production of a useful thing.

*What do you understand by the laws of the physical world?*

I understand the laws to which material beings are subjected; thus, metals are softened by heat: this is a physical law.

*Give me an example of the use of this physical law in any industrious enterprize?*

A blacksmith, who uses heat to soften a piece of iron of which he makes a horse-shoe, is the undertaker

of a manufacturing industry, who avails himself of that physical law ; in the same manner, the merchant, who fits out a vessel, uses for the purpose of sending it beyond seas, the power of the winds, which are themselves the effects of some other law of the physical world.

*What do you understand by the laws of the moral world?*

They are the rules to which we are subjected by the customs, the wants, and the will of mankind.

*Give me an instance in which the undertaker of any industry consults the laws of the moral world?*

He consults them when he informs himself of the manners, the wants, and the legislation of men, which may either enable him to procure the materials for his industry, or furnish him with consumers of his products. Some of these laws belong to the nature of man, others to the manners of the country and age in which we live. He who takes into his calculation human vanity, runs little risk of deceiving himself. A hatter who carries on, in a proper manner, his business among us, has a lucrative occupation. He would have gained nothing among the ancients, who did not wear hats.

*Who are those who study the laws of the physical world?*

Those who cultivate the physical and mathemati-

cal sciences: such as chemists, naturalists, geometri-  
cians, &c.

*Who are those who study the laws of the moral  
world?*

Those who inform themselves of morals, politics,  
history, geography, travels, &c.

*I understand: the learned serve as guides to the in-  
dustrious?*

Just so: and the work of the one, as well as the  
other, is productive, since they concur in creating pro-  
ducts. It is only in civilized and enlightened coun-  
tries that we see a very great and productive industry.  
It is there only that we find that great mass of acquired  
knowledge, of which the industrious, the agricultu-  
rists, manufacturers, and merchants avail themselves.

*Are the learned, and the undertakers of works of in-  
dustry, the only industrious men?*

No. There are also workmen under the direction  
of the undertakers of works of industry. When a  
workman carries on an enterprize on his own account,  
as the knife-grinder in the streets, he is both workman  
and undertaker.

## CHAPTER V.

*On Capital and Land.*

*IS it sufficient for an undertaker of industry to have the talents and judgment which constitute his industry?*

No: his judgment and his talent would be exercised upon nothing. He must possess, besides those, the materials on which he would employ his industry, and the indispensable implements to carry it into effect. All these things have a value previously acquired, and this value is called *capital*.

*I thought that capital was a sum of money, and not materials and utensils?*

The value of a capital at the moment in which it is borrowed may have the form of money: but it has that form only transitorily, in the same manner that the corn which a producer of corn desires to exchange for cloth, is exchanged in the first place for money, which is to be again exchanged for cloth.\* The values

\* See Chapter I. on the Use of Money

which we save, in order to be employed as capitals, are, in the same manner, products which we successively exchange for money: and when we desire to use them as capital, we exchange them again for products necessary to production.

*You say that capital is composed of products, that is to say, of things or values produced by the industry of man: a capital is then always a value which is moveable?*

No: the products of human industry may be either moveable or immoveable. A house is a product of human industry. In works of agriculture, besides the value of the land, which may be considered as a great and admirable instrument in the hands of man, and which, on this account, makes part of his capital, the clearings, the buildings, and the inclosures, which are improvements of this grand instrument, are products of industry.

*Are there not also moveable values in the capital of an agriculturist?*

Yes: the implements of labour, the cattle, the seed, as well as the provisions for his family, his servants, and his animals; and even the money that is destined for the outgoings which his undertaking requires.

*Tell me of what the capital of a manufacturer; a weaver, for example, consists.*

It is composed of the value of his first material, which may be either cotton, flax, wool, or silk: also

of his looms, shuttles, and other implements: and, in fact, of every value which he is obliged to advance for his own maintenance as well as that of his workmen.

*If the value of the capital be employed in the purchase of all these things, how is it that it is not lost?*

Because the result of all these things is a riband or a cloth, the value of which reimburses the capital, and pays besides, the weaver the profits of his industry. In the same manner, the capital of the merchant consists principally of the value of the merchandise in which he trades: and this merchandise, augmenting in value in his hands, represents at all times his capital increased by his profits.

*How does a man, engaged in industry, know whether the value of his capital is increased or diminished?*

By an inventory; that is, by a detailed account of all that he possesses, in which every thing is valued according to its current price.



## CHAPTER VI.

*On the Formation of Capital.*

*I SEE that to create values, that is, riches, industrious talents and capital are necessary. I can conceive that industrious talents may be acquired by study and practice ; but how is capital to be procured?*

It must be created, or borrowed of those who have created it.

*How can it be created?*

To answer this question, it is necessary to begin by giving some notions on consumption, although this is not the proper place, and it ought to be developed hereafter.

*What do you understand by consumption?*

Consumption is the opposite of production : it is a destruction of values produced. We cannot destroy matter any more than we can create it ; but we can destroy the utility that has been given to it ; and, in

destroying its utility, we destroy its value. That is, what is called “*to consume.*”

*We do not wantonly destroy things of value. What end is proposed in doing so?*

Either to procure an enjoyment, or else to reproduce another value. The consumption of food or clothing is an enjoyment: it has no other result. *Reproductive consumption* is neither so simple nor so easy.

*In what does it consist?*

It consists in the industrious destruction of one value, so as to produce another in place of that which is destroyed, and which exceeds the latter in value sufficiently to pay for the industry employed in the operation. Thus the agriculturist who sows a grain of corn destroys the value of it: but he does not destroy it in the same manner as he who eats it. He destroys it in such manner as that it shall be reproduced with profit: and even if he employ this grain or many grains in feeding fowls, he still destroys the value of this grain; but as he increases the value of the fowls, he produces a value which usually replaces, with profit, the value which was consumed. This is called *reproductive consumption*.

*Every thing that a man consumes for his own use is then an unproductive consumption?*

No, not all. When eatables, drinkables, or wearing apparel, are consumed by men who are at

the same time employed in producing a value equal, or superior, to what they consume, it becomes a *reproductive consumption*. It is so much the more reproductive, as the value of the products, which these men have created during the consumption, exceeds the value of those they have consumed.

*Give me examples of reproductive consumption drawn from manufacturing industry?*

Besides the maintenance of his workmen and agents, a manufacturer consumes the materials which he transforms. He consumes, also, although more slowly, the utensils he employs. Thus a soap-maker consumes, reproductively, oil, soda, wood, or coal, cauldrons, &c. and even the place and workshops in which he exercises his industry.

*Give me examples of reproductive consumption in commercial Industry?*

A merchant consumes the value of the maintenance of his workmen, that is, of his carriers, lightermen, sailors, porters, and agents of every sort. He consumes also his instruments, which are carts, horses, ships, warehouses : and we may even consider, as part of his consumption, the advances which he makes for the purchase of his merchandise. All these advances are restored to him by the value of the products which go out of his hands : that is, the merchandise in a state to be sold.

All these undertakers of industry reproduce with

loss, or without either loss or gain, or with profit, according as they reproduce values, which are either inferior, equal, or superior to the values which they have consumed.

*What is the effect of these facts, as respects capital?*

That which is called *productive capital*, or, simply, *capital*, consists of all those values, or, if you will, all those advances employed reproductively, and replaced in proportion as they are destroyed.

It is easy to see that this term *capital* has no relation to the nature or form of the values of which capital is composed (their nature and form vary perpetually); but refers to the use, to the reproductive consumption of these values: thus, a bushel of corn forms no part of my capital, if I employ it to make cakes to treat my friends: but it does form part of my capital, if I use it in maintaining workmen who are employed on the production of that which will repay me its value. In the same manner, a sum of money is no longer a part of my capital, if I exchange it for products which I consume; but it does form part of my capital, if I exchange it for a value which is to remain and augment in my hands.

*How is capital amassed?*

Capital is augmented by all that is withdrawn from *unproductive* consumption, and added to a *consumption which is reproductive*.

*Can capitals that are amassed be consumed?*

Without doubt.

*Can capitals be amassed without being consumed?*

Yes, capitals, that is, values may be amassed under one form as well as another, in gold, silver, or merchandise, and no part of it used for production. These are idle capitals, which may become productive hereafter, but which in the mean time do not yield any of those profits which we shall consider presently. Capital thus accumulated may be transferred from one to another by exchange or by succession; and may be lent in one form as well as in another, either in the form of merchandise or of money: but in whatever form it is transferred or lent, it consists in the value of the things transferred or lent, and not in the things themselves. Thus when Paul, a clothier, sells cloth on credit to Silvan, a woollen draper, he really lends to Silvan the value for which he gives him credit; although this value is not lent in money, but in merchandise, and although it is to be returned not in merchandise but in money.

*Is land a capital?*

Land is made use of in the way of capital. It is an instrument for which no other can be substituted, and by means of which we make materials for our use, and consequently give them a value. It may be transmitted or lent (by way of letting) as capital may: but it differs from capital as it is not a human production, but is furnished to us by nature, and is incapable of increase by accumulation like capital.

*I comprehend that a capital, which is a mass of values accumulated by the care which has been taken to snatch them successively from improductive, and to devote them to reproductive consumption, belongs to him who has taken the pains and imposed on himself the privations of which it is the fruit: but why should land, which is given gratuitously by nature, be the property of any one?*

It is not the object of political economy to inquire what may have been the origin of the right to property. It shews only that land, and consequently its products, is susceptible of appropriation, that is to say, of becoming the exclusive property of such or such; and that this appropriation is highly favourable to production: for if land, and the products to be derived from it, did not belong exclusively to some one, no one would take the pains, nor make the advances necessary, to obtain those products; much less to cultivate and enrich the soil. For the same reason it is useful that capital and its products should be an exclusive property; it is the only means of inducing its accumulation and its productive employment.

*You have said that land differs from capital, inasmuch as it is not, like the latter, capable of extension; but the clearing, the buildings and the enclosures by increasing the products, are equivalent to an actual extension.*

The improvements which are values accumulated by industry on land are a capital, and the profits which

result from the whole are the united profits of capital and land.

*But how can we transfer or lend capital of this kind?*

It can only be done by transferring or lending at the same time the land itself. It is for this reason that capital, so employed, is called an *appropriated capital*. There is, in the same manner, much capital locked up in many manufactories, in all the utensils and in the buildings which are generally much more valuable than the land on which they stand. Thus, when we have exchanged a moveable capital for a mill, a forge, or a house to live in, we cannot put ourselves again into the possession of that portion of our capital, without selling at the same time the land as well as the buildings upon it.

The other capital is called *circulating capital*. There is no other difference between them than that the materials of which these respective capitals are composed, are more conveniently and more easily exchanged, and in smaller portions in the one case than in the other.

## CHAPTER VII.

*On the Manner, in which the Value of Products is established, and of the Charges of Production.*

*WE have seen how utility is given to things: we have seen that utility gives them value; how is that value fixed, the amount of which constitutes riches?*

The utility which things have acquired, causes them to be sought after, to be wanted; a price is offered for them; and when this price is sufficient to defray the expenses which their production would cost, they will be produced.

*Of what are the expenses of production composed?*

Of whatever must be paid to obtain the co-operation of the agents of production.

*What are the agents of production?*

They are the means indispensably necessary for the creation of a product: viz. *human industry*; the *capital* or value which serves for that purpose; the *land* and other natural agents which contribute to it.

*To whom do you give the name of producers?*



To all those who possess any of the agents of production. A man who exercises an industry, and the possessor of capital or of land, are *producers*.

*Why do you call the possessors of capital, or of land, producers, even when they do not labour themselves?*

Because the capital and the land, concurring in the formation of products, those who furnish these means of production contribute to it effectually themselves.

*What do you say of him who employs his own capital or cultivates his own land?*

That he contributes doubly: first, by his industry; afterwards as a capitalist or landholder: but although these functions are often filled by one person, it is convenient to separate them when they are to be studied, in order to distinguish properly what belongs to each species of productive service.

*What is meant by the term, productive service?*

It is the service rendered by each of the agents of production; the service rendered by industry; the service rendered by capital; and the service rendered by natural agents.

*I see what is the cause of the demand and of the payment for productive services. What is it that limits this demand?*

The property of the consumers, or of those who desire to use the product. There would be no bounds to the demand for any useful thing, if it were not to be paid for. There is no other effective demand than

that which is accompanied by the offer of a price : and it is this price, which, in paying for the product, pays at the same time for the services which were necessary to its production.

*What happens when the price of the product is not sufficient to pay the charges of production ?*

Then the producers will not exchange their productive services for the price of the product ; and the production does not take place.

*What happens when the price of the product is more than enough to pay the charges of production ?*

The producers of this kind of product become more numerous, and their competition will cause the price of the product to fall.

*Can one let out or lend productive services ?*

Yes ; when a man lets out his industry, the price which is paid for it, is called *wages*. When he lets out his capital, it is called *interest*. When he lets out his land, the tenant is called a *farmer*, and the price is called *rent*.

*What do you understand by letting out industry ?*

It is to give, for hire, time, talent, and labour ; to co-operate in the creation of a product of industry.

*Who is it that hires the labour of the one, the capital or the land of the others ?*

It is an undertaker of industry who unites all these means of production, and who finds in the value of the products which result from them, the re-establishment

of the entire capital he employs, and the value of the wages, the interest and the rent which he pays, as well as the profits belonging to himself.

*What happens when the value of the products he has created, is not sufficient to pay for all that?*

He loses, if he has any thing to lose : or if he has nothing, those lose who have given him their confidence.

## CHAPTER VIII.

*On the Profits of Industry, Capital, and Land; that is, Income.*

*WHAT is the source of the profits of industry, capital, and land?*

It is in the price of the products created by their co-operation. The consumer, in buying a product, pays all the charges of its production; that is, the services of the producers (the industrious, the capitalists, and the landholders), who have contributed to its production.

*How can these profits, paid by a single consumer, be distributed among the different producers?*

By the advances which the producers make of them to one another.

*Explain that by an example.*

Let us examine how the value of a cloth coat is distributed among the producers of the stuff of which it is made. We see that a farmer who has reared a sheep, has paid a rent to the landholder who let him the land

on which the sheep was fed. That is, a profit received for the productive service of the land. If the farmer have borrowed the capital necessary for the cultivation of his farm, the interest which he pays for it, is another profit, received by a capitalist, for the productive service of his capital. When the farmer has sold his wool, the price which he receives for it, reimburses him the rent and interest he has paid, and also the profits of his industry. The clothier, in his turn, by means of his capital, advances this value, which is already distributed. If his capital be a borrowed one, and he pay interest for it, he pays also in advance the profits of the capitalist who lent it to him; and he is reimbursed the whole, together with his profits, by the woollen draper, who is at last reimbursed for his advances and his profits by the sale which he makes to the consumer. Thus at the time the sale of the cloth was accomplished, the value had already been distributed among its different producers.

In thus tracing the progress of any product whatever, we shall find that its value is scattered among a crowd of producers, many of whom, perhaps, are ignorant of the existence of the product: so that the man that wears the coat is, perhaps, without suspecting it, one of the capitalists, and consequently one of the producers, who have contributed to its formation.

*Is not society then divided into producers and consumers?*

Every body consumes, and almost every body produces. For, not to be a producer, it is necessary neither to exercise any industry, nor any talent, nor to possess either the smallest portion of land or of productive capital.

*What do the profits, distributed among society, become ?*

They compose the income of each individual ; and the incomes of all the individuals which form a nation, compose the total income of that nation.

*What is called annual income ?*

It is the sum of all the portions of income received in the course of a year. The annual income of a whole nation, is the sum of all the portions of income received, in the course of a year, by all the individuals of which that nation is composed.

*Are incomes paid at fixed periods ?*

Some of them are so ; some not. A landholder who lets his land, a capitalist who lends his capital, and who thus gives up to another the profits which may result from these agents of production, generally stipulate the condition of receiving the rent or interest, which forms their income, at fixed periods. The workman, who lets out his industrious talent, receives the wages which form his income by portions, every week or every fortnight. But the grocer, who sells sugar and coffee, receives on each ounce that he sells, a small

portion of his profit: and all these united profits form his income.

*Are incomes, or portions of income, always paid in money?*

The manner in which they are paid, has nothing to do with the subject. The corn, vegetables, milk, and butter, which a farmer consumes in his own family, form part of his income. If he pay part of his rent in provisions, these provisions form part of the income of the landlord. The essential thing is the value paid. Whether this value be paid in provisions, or whether he that owes it, exchange these provisions for money, in order to pay the value in money, is of no importance. It is the value acquired, under whatever form, for a productive service, that constitutes income.

*As the incomes of individuals are so much the more considerable as their profits are greater, and as their profits are greater when their productive services are better paid, it appears to me that the dearer these productive services are, the greater the total income of that nation must be.*

Yes: but when the productive services are dearer, so are the products; and when the price of the products augments in the same proportion as the incomes, the augmentation of the income is only nominal. When the charges of production have doubled, we can, with an income nominally double, only purchase the same quantity of products. That alone really

increases the ease of individuals and of nations, which lowers the value of products without decreasing incomes.

*In what circumstances is this advantage experienced?*

It is when, by a better employment of the means of production, the products are multiplied, without increasing the charges of production. Then the products fall, and incomes remain the same. This is what takes place when a new and ingenious machine has been brought into use, such as the stocking frame and the cotton spinning machines; and when a new canal has been cut, which, without increasing the charge, permits the transport of ten times, or a hundred times, more merchandise, &c.



## CHAPTER IX.

*On Wages, Interest, and Rent.*

*WHAT do you observe on the wages of workmen, interest of capital, and rent of land?*

That he who lets out his industry, his capital, or his land, renounces the profits he might have drawn from their productive services. He renounces them in favour of an undertaker of industry, who hires them, and who draws, from these means of production, a profit which is either superior, or equal, or inferior, to what he pays for them.

*What causes raise the rate of wages?*

The abundance of capital and land compared with the number of workmen: for there must be land, and, above all, capital, in order to employ workmen.

*Why is it that wages scarcely ever exceed what is necessary to maintain a workman and his family, according to the custom of the place?*

Because wages, by rising higher, encourage an in-

crease of workmen; this occasions such services to be more offered in proportion to the demand for them. Works, which require rare and distinguished talents, are exceptions to this rule; because such talents cannot always be increased according to the demand for them.

*What causes influence the rate of interest?*

The interest of capital lent, although expressed by one price only, a *certain per centage* on the capital lent, ought really to be distinguished into two parts.

*Explain this by an example.*

If you lend a sum of money, and agree with the borrower for an interest of six per cent. *per annum*, there is in this rate, four per cent. (more or less), to pay for the productive service of the capital, and two per cent. (more or less) to cover the risk that you run of never getting your capital back.

*On what do you found this presumption?*

On this, that if you were enabled to lend the same capital with perfect security, on a very safe mortgage, you would lend it at four per cent. more or less. The surplus is then a species of premium of insurance which is paid to you to indemnify you for the risk that you run.

*Setting aside the premium of insurance, which varies according to the greater or less solidity of the parties, what are the causes which vary the rate of interest, properly so called?*

The rate of interest rises when those who borrow have numerous, ready, and lucrative employments for capital; because then many undertakers of industry are desirous of participating in the profits which these employments of capital offer; and capitalists are also more likely to use them themselves, which augments the demand for capital, and diminishes the amount which is offered for employment. The rate of interest increases also, when, from whatever cause, the mass of disposable capital, that is, of capitals requiring to be employed, has been diminished.\* Contrary circumstances lower the rate of interest; and one of these circumstances may so balance the other, that the rate of interest will remain at the same point, because the one tends to heighten, precisely as much as the other to lower, the rate.

*When you say that the mass of disposable capital increases or diminishes, do you mean by that the quantity of money?*

By no means: I mean values destined by their possessors to reproductive consumption, and which are not so engaged that they cannot be withdrawn in order to use them differently.

*Explain that by an example?*

\* See some striking examples in my *Treatise on Political Economy*, liv. ii. chap. 8.

Suppose you have lent funds to a merchant on condition of his paying them back to you on giving him three months notice; or, which comes to the same thing, that you are in the habit of discounting bills of exchange, can you not easily employ these funds in a different way, if you find any one more convenient to you?

*Without doubt.*

Then these funds are a disposable capital. They are so, too, if they be in the form of a merchandise easily sold, since you can exchange them readily for any other value. They are still more disposable if they be in specie. But you must understand that the sum of all these disposable capitals is a very different thing from the sum of coined money, and that it may be much more considerable.

*I understand so.*

Well! it is the sum of these capitals which influences the rate of interest, and not the sums of money under which form these values temporarily present themselves when they are about to pass from one hand to another. A disposable capital may be in the form of a certain sort of merchandise, a sack of guineas for instance: but if the quantity of this merchandise which is in circulation, have no influence on the rate of interest, the abundance or the scarcity of the gold has no influence on it either.

*It is not then really the hire of money that one pays when one pays an interest?*

By no means.

*Why is it called the interest of money?*

From very inaccurate ideas which are formed of the nature and use of capital.

*What is legal interest?*

It is the rate fixed by the law in cases where it has not been fixed by the parties : as when the holder of a capital has enjoyed it in the place of an absentee, or a minor to whom he is bound to account.

*Cannot public authority fix a limit to the interest which individuals may agree upon?*

It cannot, without violating the freedom of transactions.

*What causes influence the rent of land?*

The demand for the hire of farms compared with the number to be let. It may be observed on this subject, that the demand commonly exceeds the number to be let; because in all countries the number of these is necessarily limited; while that of farmers and of capitals, which may be applied to this industry, are not necessarily so : so that in those places, where there are not stronger motives to a contrary effect, rent is rather above than below the real profit of land.

*What have you more to say on this subject?*

That rent tends nevertheless to get down to the pro-

fit of land ; for when it exceeds that profit, the farmer is obliged to pay the excess, either out of the profits of his industry, or the interest of his capital ; and is no longer completely indemnified for the employment of those means of production.

## CHAPTER X.

*On Incomes founded on immaterial Products.*

*What is meant by immaterial products?*

They express a utility produced, but which is not attached to any material.

*Explain this by an example.*

When a physician visits a sick person, and prescribes a remedy, or a regimen, which cures him, he renders himself useful to him. The physician receives a sum of money in exchange for this utility: but here the utility is not attached to any merchandise where it may be preserved for a time, and exchanged again. It is a product truly immaterial, in exchange for which the physician receives a fee which constitutes his income. The industry of the physician is analogous to that of every undertaker of an industry. He applies to the wants of men the medical knowledge which he has collected.

*What other professions found their incomes on immaterial products?*

There are a great number of them. They include the most elevated as well as the most abject situations in society. The public functionaries, from the chiefs of the government down to the lowest officer, the judges and the priests, receive in exchange for their usefulness to the public, fees paid at the expense of the public.

*What causes influence the amount of these fees?*

As these fees are never the result of a free agreement, but depend on political circumstances, they are seldom proportioned with exactness to the utility produced.

*Give me some other examples of industry productive of immaterial products.*

An advocate, an actor, a musician, a soldier, a domestic, render services of which the value may be measured by the price which they receive.

*What do you observe respecting immaterial products?*

That they are necessarily consumed at the same instant they are produced. Their value, consequently, cannot be reserved for consumption at any other time, or to be employed as capital, because they are not attached to any material by means of which they can be preserved.

*What consequence do you draw from that?*

That in multiplying the services rendered by these



different classes, the consumption of them is multiplied: that it hinders these kinds of works from contributing to the increase of the mass of wealth. It follows from this, that in multiplying, for example, placemen, lawyers, soldiers, &c. the wealth of a country is not increased, whatever may otherwise be the utility of these different professions. The services they render exist no longer than the moment they are performed.

*They live then on the incomes of other producers?*

They live no more on the incomes of other producers than a wine merchant lives on the income of a woollen draper, who buys wine which he pays for with part of his income, and afterwards consumes. An actor is a dealer in amusement; a spectator buys his commodity, pays for it out of his income, and consumes it the instant it is delivered to him. The products furnished by the actor and by the wine merchant, are equally lost; but when the price which has been given to them for it, has been freely paid, it is an exchange, like all others, followed by a consumption of the same nature as all unproductive consumptions.

*Are immaterial products the fruit of industry alone?*

Yes, when nothing has been advanced to acquire the talent of which they are the fruit: but when this talent has required long and expensive studies, they

are the result of an *appropriated capital*,\* that is to say, of advances which have been made of industry. One part of the fees then serves to pay the life interest in this capital, and another to pay for the industry exercised. When the fees, or gratuities, are not sufficient to pay for the service of these two agents of production, their product becomes more scarce, and its price increases until the moment when the quantity of that product is rendered equal to the demand.

*Are there any immaterial products which are the result of capital alone?*

Yes, if moveable effects (household furniture) be considered as capital, and if they be kept up to their original value. When their value is not kept up, besides the use of the capital, a part of the capital itself is consumed.

The plate which is used in a family forms part of the capital and riches of that family. It is not improductive, since it renders a daily service: but it does not produce any value which can afterwards be exchanged for any other thing. This service is an immaterial product consumed at the moment. The family consumes the interest of this part of its capital.

\* It must be remembered, that an *appropriated capital* is a capital which cannot be withdrawn from the employment to which it has been applied, to be applied to another employment.

*Are there any immaterial products which result from land?*

Yes: the enjoyment received from a pleasure garden, is a product of the land of this garden and the capital devoted to its arrangement. It has no other exchangeable product.

## CHAPTER XI.

*On Consumption in general.*

*WE have already seen what consumption is : finish the development of its effects.*

It must be remembered that to consume is not to destroy the matter of a product : we can no more destroy the matter, than we can create it. To consume is to destroy its value by destroying its utility ; by destroying the quality which had been given to it, of being useful to, or of satisfying the wants of man. Then the quality for which it had been demanded, was destroyed. The demand having ceased, the value, which exists always in proportion to the demand, ceases also. The thing thus consumed, that is, whose value is destroyed, though the material is not, no longer forms any portion of wealth.

A product may be consumed rapidly, as food ; or

slowly, as a house. It may be consumed in part, as a coat, which, having been worn for some months, still retains a certain value. In whatever manner the consumption takes place, the effect is the same: it is a destruction of value; and as value makes riches, consumption is a destruction of wealth.

*What is the object of consumption?*

To procure to the consumer either an enjoyment or a new value, in general superior to the value consumed; otherwise the consumer would not obtain any profit. In the first case, it is an *improductive*, and in the second a *reproductive* consumption.

*What would that consumption be which had for its object neither to procure an enjoyment, nor to create a new product?*

That would be a sacrifice without compensation; a folly.

*What must be thought then of a system, the tendency of which is, to consume for the sole purpose of favouring production?*

That which must be thought of a system which should propose to burn down a city, for the purpose of benefiting the builders, by employing them to restore it.

*Develope what relates to reproductive consumption.*

Every thing which has been said on production, serves for that purpose.

*What have you to say on the subject of improductive consumption?*

Improductive consumption, which we shall hereafter, for brevity, call simply *consumption*, divides itself into two kinds, *private* and *public*.

*What do you understand by private consumption?*

That which has for its object to satisfy the wants of individuals and of families.

*What do you mean by public consumption?*

That which has for its object to supply the wants of men whose association forms a community, a province, or a nation.

*Are these two sorts of consumption of the same nature?*

They are entirely of the same nature, and their effects are the same. One set of persons cause the consumption in one case, and other persons in the other; that is all the difference.

*What is meant by the words, annual consumption of a nation?*

It is the sum of the values consumed by a nation in a year, whether for the wants of individuals or of the public.

*Do these words comprehend reproductive consumption as well as the others?*

Yes: for we may say that France consumes annually so many quintals of soda or of indigo, although the

indigo and the soda can only be consumed reproductively, as they cannot satisfy directly any want: and as they can be employed only in the arts, they serve necessarily for reproduction.

*Do you comprehend, in the consumption of a nation, the merchandise she exports to other countries?*

Yes; and I comprehend in its products whatever it receives in return; in the same manner that I comprehend in its consumption the value of the wool it uses for the manufacture of cloth, and in its productions the value of the cloth which results from it.

*Does a nation consume all that it produces?*

Yes, with very few exceptions; for it is our interest not to create products unless they are demanded: and they are never demanded but to be consumed.

*If a nation consumes the total of the values which it produces, how can it accumulate values, form capital, and maintain it?*

The values, which serve the purposes of capital, may be consumed perpetually, yet are never lost: for in the same proportion as they are consumed, they are reproduced under new forms, by the action of industry. This reproduction, once accomplished, if the value reproduced be found superior to the value consumed, there has been an augmentation of capital; in the contrary case, a diminution of capital. If the

reproduction have simply equalled the consumption, the capital has been merely kept up.\*

*Shew me the application of these truths by examples.*

Take, for instance, a farmer, or a manufacturer, or even a merchant. Suppose that he employs in his enterprize a capital of twenty thousand pounds, that is to say, suppose that all the values that he has in his enterprize on the first day of a year, are equal in value to a sum of twenty thousand pounds. In the course of his operations, these values change their forms perpetually; and although his capital does not exceed twenty thousand pounds, yet we may suppose, that if all the values which he has consumed in the course of the year, were added together, they would amount to sixty thousand pounds; because a value destroyed may have been reproduced, destroyed again a second and a third time, before the year revolves. We may suppose also, that if all the values produced in the same year were added together, they might amount to a sum of sixty-four thousand pounds. If

\* In the amount of reproductive consumption, the profits of all the industries employed, even that of the undertaker, must always be included. When all the charges of production, (the profits included), are paid, and the capital is not completely re-established in its full value, the consumption exceeds the reproduction: there is a loss.



then this undertaker of industry has had consumption for sixty thousand pounds, and productions for sixty-four thousand pounds, he ought to have at the end of the year values amounting to four thousand pounds more than he had at the beginning.

*That appears clear.*

Let us go on. If he have expended unproductively in the same year, to satisfy the wants of his family, four thousand pounds, he will have consumed his profits: and if he take his inventory, he will find himself, at the end of the year, with a capital of twenty thousand pounds only, as he had at the beginning of the year. But if, instead of having expended unproductively, for the support of his family, four thousand pounds, he had only expended two thousand, unless he has hid two thousand pounds, he will find that this value of two thousand pounds, which has not been expended unproductively, will have been laid out productively, and that it will appear in his inventory in augmentation of capital under some form or other, either under that of provisions, of goods in process of manufacture, or even of advances capable of being recovered.

*I conceive that.*

You perceive then, that although the value of the capital has not been more than twenty thousand

pounds, the total value of the products for the year may have been much more considerable?

*Yes.*

That this form of products, whatever it may be, may have been entirely consumed; and that, nevertheless, the capital of this individual may have been augmented?

*Yes.*

Well, then, multiply in your mind what has happened to a single individual, and suppose the same thing to have happened to all the individuals of the same nation: or at least suppose that the consequences that have happened to some, balanced by those which have happened to others, have produced a general result analogous to the preceding example; and you will find, by a second example, that a nation which had at the commencement of the year, a capital of a hundred millions, may have consumed in a year three hundred millions of values, producing three hundred and twenty millions of values, of which she has consumed reproductively three hundred millions, and unproductively twenty millions; or rather reproductively three hundred and ten millions, and unproductively ten millions.

*I grant it.*

In this last supposition, this little nation, which

will have consumed all its productions, will, nevertheless, be enriched during the year ten millions of values, which will be found distributed under different forms among those individuals who have conducted their affairs with the greatest intelligence and economy.

## CHAPTER XII.

*On private Consumption.*

*WHAT* difference is there between the words, *Expense* and *Consumption* ?

*Expense* is the purchase of a thing to be consumed : and as, in general, people only buy what they intend to consume, the words *expense* and *consumption* are often used for one another. It is, however, proper to remark, that when we buy a product, we exchange the value we are willing to give up for one of which we are in want : the value of a crown, for instance, for the value of a handkerchief. We are still as rich when we have made the purchase as we were before ; only we possess in the form of a handkerchief what we before had in the form of a crown. We do not begin to lose this value until we begin to use the handkerchief : and it is only when the consumption is finished, that we are poorer by a crown. It is not then in buying, but in consuming, that we dissipate our property. That is

the reason why, in the middle ranks of life, the character and economical talents of the woman, who directs the greater part of the consumption of the family, assists materially to preserve fortunes.

*What do you understand by economical talents?*

It is the talent of deciding judiciously what consumption may be permitted, and what must be prohibited, in that state of fortune in which we are placed, and according to the income we have.

*What do you understand by avarice?*

We are avaricious when we deprive ourselves, or those dependent upon us, of those consumptions which we might permit according to our incomes.

*Is it avaricious not to expend the whole of one's income?*

No: for it is only by the savings which are made from unproductive consumption, that we can hope to enjoy repose in our old days, and to procure an establishment for our families.

*Do we do any wrong to society by thus amassing a productive capital, for the sake of enjoying ourselves, or suffering those belonging to us to enjoy, the profits it will produce?*

On the contrary, capitals accumulated by individuals, add so much to the total capital of society; and as a capital placed, that is, employed reproductively, is indispensably necessary to give activity to industry, every person who spares from his revenue to add to his

capital, procures, to a certain number of persons who have nothing but their industry, the means of deriving a revenue from their talents.

*Are not some consumptions better managed than others?*

Yes : they are those which procure greater satisfaction, in proportion to the sacrifice of the values which they occasion. Such are the consumptions which satisfy the real, rather than fictitious, wants. Wholesome food, decent clothing, convenient lodgings, are consumptions more fitting and better regulated than luxurious food, foppish clothing, and stately habitations. More true satisfaction results from the first than the last.

*What do you consider, besides, as well regulated consumptions?*

The consumption of products of the best quality of every sort, although they may cost more.

*For what reason do you consider them as well regulated consumptions?*

Because the workmanship employed on a bad article will be more quickly consumed than that on a good one. When a pair of shoes is made with bad leather, the work of the shoemaker, which is used up in the same time as the shoes, does not cost less, and is consumed in fifteen days, instead of lasting two or three months, which it would have done if the leather had been good. The carriage of bad merchandise costs

as much as that of good, which is more advantageous. Poor nations have, consequently, beside the disadvantage of consuming less perfect productions, that of paying dearer for them in proportion.

*What consumptions do you consider as the worst regulated?*

Those which procure more chagrin and mischief than satisfaction: such as the excess of intemperance, and expenses which excite contempt, or are followed by punishment.

## CHAPTER XIII.

*On Public Consumptions.*

*WHAT* do you call public consumptions?

Those which are made for the service of men, assembled in communities, provinces, or nations. It is the purchase of services and products, consumed for public utility, which constitutes the public expenses.

*What are the principal objects of public expenses?*

The payment of the administrators of the government, the judges, soldiers, and professors in the public institutions; the providing for the army and navy, and maintaining the public establishments, edifices, roads, canals, ports, hospitals, &c.

*What do you observe generally with respect to public expenses?*

That the public is never so cheaply served as individuals.

*What are the reasons?*

There are three. First, that political circumstances



fix the number and salaries of the public functionaries, and that their services are consequently not open to a free competition. The second, that those who direct the public expenses, devoting to them money which is not their own, are less sparing of it than individuals would be. The third, that works executed for the public, are easily superintended, and are never watched by personal interest.

*I am inclined to believe that public consumptions, by returning to society the money which has been drawn from it, do not impoverish it.*

They do impoverish it the same as private consumptions, by the whole amount of the values consumed.

*How do you explain this ?*

The money is wrested from the people without equivalent. A value is taken away from the community, without its receiving any other value in return. But when this money is returned to the community, it is not gratuitously. It is in virtue of a purchase in which the seller delivers to government, or its agents, things which have a value. The community has twice delivered the same value. It has delivered the contribution, and also the merchandize, which the government has bought with the amount of that contribution. Of these two values, the one is returned by the purchase which the government has made; the other is never returned at all: it is consumed, that is to say, it is destroyed.

*Illustrate this by an example?*

We will suppose that a community pays in money a hundred thousand pounds; there is a value equal to one hundred thousand pounds drawn from the community. The agents of the government, with this sum, purchase clothes for the army; this is another value equal to one hundred thousand pounds drawn from the community. The government, in paying the clothier, restores the one hundred thousand pounds it had raised by contribution: but the value of the one hundred thousand pounds in clothes is not restored, and will be consumed and lost. It is the same case with that of a man who draws from the community his revenue in money, and returns it back by means of his expenditure; but who does not return the provisions he has purchased with his revenue, and which he has consumed.

*But when a government constructs buildings, and with the amount of the contributions pays the workmen, does it not then restore to society the values which it has drawn from it?*

Not an atom more. It draws from society, in this last case, one value in contribution, and then another value equal to it in services which it consumes. The purchase of the services is not a restitution, but an exchange.

*Is not this a mere distinction of words, and is not the purchase of services equivalent to a restitution?*

Not in the least. When the government employs workmen, it receives from them in exchange for their wages a real value, which is their labour; a value founded on the products which are to result from this labour; a value, which being consumed by the government, cannot be consumed in any other design, nor with any other result.

*The workmen thus employed would have perhaps been without work?*

Why? The government by this operation has not multiplied the values appropriated to the payment of workmen. If it distribute them on the one hand, it takes away from the contributor on the other, the power of distributing them, either directly by employing the workmen himself, or indirectly, by means of his consumptions.

*When a government consumes, it stands then in the same situation with any other consumer?*

Almost always. The exceptions to this rule are too rare to be worth noticing.

*What consequences do you draw from it?*

That the consumptions, or, if you will, the expenses of government, are always a sacrifice made by society, which is never indemnified for it, otherwise than by the product which results from it.

*What do you mean by a product resulting from public expenditure?*

When the government constructs a bridge, the ser-

vice which the public derive from it, repays, and often with very great advantage, the sacrifice of values which the bridge has cost.

*When a part of the contributions is employed in the construction of monuments or buildings, which have no public utility, there is then on the part of society a sacrifice without compensation?*

Precisely : it is for that reason that a good government makes no expenditure which has not a useful result. The economy of nations is exactly the same with that of individuals.

## CHAPTER XIV.

*On Public Property and Taxes.*

*FROM whence are the values derived which serve for the public consumptions?*

They are derived either from the revenues of property belonging to the public, or from taxes.

*What constitutes the revenues of public property?*

These properties are either, capital or freehold property; but most generally, freehold property, land, houses, &c. which the government let, and the revenue of which it consumes for the advantage of the public. When it consists of forests, it sells the annual felling; when capital, it lends it at interest: but this last case is very rare.

*Who is it that pays the taxes?*

The individuals whom, in this respect, we call *contributors*.

*Where do the contributors get the values with which they pay the taxes?*

They take these values from the products which

belong to them, or, which comes to the same thing, from the money which they procure by the exchange of these products.

*Are these products the fruit of the annual productions?*

They are sometimes the products of the year, which form part of the income of individuals, and sometimes former products, which they employ as productive capitals.

*In what case do the contributors take from their capitals to pay the taxes?*

When their incomes are not sufficient. And in this case, the taxes dry up one of the sources of revenue, and one of the means of the industry of society.

*Give me an example in which the taxes are discharged with a portion of capital.*

If a man whose income is absorbed by the ordinary contributions, together with the maintenance of his family, come to an heritage, and, as an heir, he be bound to pay impost, it must be taken out of his inheritance. The capital in the hands of the heir is therefore no longer so considerable as it was in the hands of the deceased. Similar observations may be made on the expenses of proceedings at law, bonds, securities, &c. In all these cases, the tax paid by the contributor, is withdrawn from the mass of capital usefully employed, and is so much capital devoted to consumption, and actually disappears. This happens also in cases where the profits are small and the impost con-

siderable; many contributors cannot in that case discharge the taxes without breaking in upon their capitals.

*The major part of the taxes are however taken from incomes?*

Yes: for if the taxes dry up too completely the sources of production, they would diminish more and more every day the products with which alone they could be paid.

*If there be some of them which break into the capital of individuals, how happens it that the means of production are not destroyed in the long run?*

Because at the same time that some individuals break into their capitals, those of others are increased by saving.

*Do not the taxes serve, on the other hand, to multiply products by compelling the contributors to produce, in order to be able to pay them?*

The hope of enjoying the products one has created is a much stronger incitement to production than the idea of satisfying the tax gatherer. But if the impost should excite the desire of producing more, it does not afford the means. In order to extend production, it is necessary to increase capital, which is the more impossible, as the necessity of paying the tax prevents the saving, which alone creates capital. In short, if the necessity of paying the taxes should excite efforts which augment production, there will not result from

it any increase of the general riches; since what is raised by the impost, is consumed, and does not serve to increase any saving. Thus it may be seen, that great taxes are destructive of public prosperity instead of being favourable to it.

*Which are the principal kinds of taxes levied for this purpose?*

Sometimes they are exacted from the contributors at so much per head, as in the capitation tax. Sometimes, as in the land tax, they take a part of the revenue arising from the lands; which are valued, either after the actual rent or after the extent and fertility of the soil. Sometimes the rent of a house, the number of its doors and windows, and of the servants and horses kept by the contributor, serve as a basis for the amount of his contribution. Sometimes, his profits are valued according to the industry he carries on: from hence the impost on licences (*patentes.*) All these contributions bear the name of *direct taxes*, because they are demanded, *directly*, of the contributor in person.

*Are not all taxes demanded directly from the contributor?*

They are sometimes demanded, not from the payer, but are included in the price of the merchandize on which the impost is laid, and without the receiver knowing even the name of the contributor. For this reason they are called *indirect taxes*.

*When and in what manner are taxes levied on merchandize?*



They are sometimes levied at the instant in which they are produced, like the salt in France, or the gold and silver mines in Mexico. A portion of the value of these merchandizes is levied at the moment of their extraction. Sometimes a duty is levied at the moment of their transportation from one place to another, as in the instance of import duties; and in the "Octroi," which is paid in France at the entrance of towns: sometimes at the moment of consumption, as for stamps and admissions to the theatres.

*Does the amount of the impost remain at the expense of those who pay it?*

No: they endeavour to reimburse themselves at least in part from those who purchase the products in the creation of which the contributors have assisted.

*Do the contributors always succeed in thus shifting the burden from themselves?*

They seldom succeed completely; because they cannot do so without raising the price of their products; and a rise of price always diminishes the consumption of a product by putting it out of the reach of some of its consumers. The demand for this sort of product then diminishes, and its price falls. The price not then affording so liberal a remuneration for the productive services devoted to this object, the quantity of it is lessened. Thus when an import duty is laid on cotton, the manufacturers of cottons, and the trades-

men who sell them, cannot raise the price so high as to recover back the amount of the taxes; for that purpose it would be necessary, that the same quantity of cotton goods should be demanded and sold, and that the society should devote to the purchase of this particular article more values than it had heretofore devoted to it, which is not possible. The cotton goods become dearer; their producers gain less; and this kind of production declines.

*What consequence do you draw from this?*

That the impost is paid partly by the producers, whose profits, i. e. whose incomes it lessens; and partly by those consumers who continue to purchase notwithstanding the dearness, since they pay more for a product, which, in point of fact, is not more valuable.

*What other consequence do you draw from it?*

That the impost, in making the products dearer, does not augment even nominally the total value of productions; for the products diminish in quantity more than they augment in price.

*Does this effect take place with respect to any other merchandize than that on which the impost is levied?*

It takes place on all the merchandize which the contributor sells. Brewers and bakers sell their products dearer when a tax is laid on the wood or coals which they burn. A tax on meat and other eatables, at the gates of a city, renders all its manufactured products dearer.

*Can all producers make the consumers bear a portion of the imposts which they are compelled to pay?*

There are producers who cannot. An impost laid on an article of luxury bears only on those who consume it. If a tax be laid on lace, the wine merchant whose wife wears lace, cannot sell his wine dearer on that account; for he could not maintain a competition with his neighbour whose wife does not wear lace. A landholder cannot in general make his consumers bear any portion of the tax he is compelled to pay.\*

*In order not to deceive ourselves as to the effect of taxes, how ought we to consider them?*

As a cause of the destruction of part of the products of society. This destruction takes place at the expense of those who are unable to evade or shift it from themselves. The producers and consumers pay the

\* So long as the tax does not absorb the whole of the net profit, or rent of land, it is worth while to cultivate it: consequently the impost does not diminish the quantity of the territorial products which come to market; and this is never a cause of dearness. When the impost is excessive, it surpasses the net produce of the worst lands, and hinders the improvement of others. Thus territorial products become more rare: still this circumstance does not raise the price in a durable manner; because the population is not long before it gets down to the level of the territorial products; if less are offered, less are wanted. For this reason, in those countries which produce little corn, it is not dearer than in those that produce much. It is even cheaper, for reasons which cannot be developed here.

value of the products thus destroyed ; the first, in not selling their products at a price sufficient to cover the taxes ; the second, in paying more for them than they are worth, but in proportions which vary with every article and every class of individuals.

We may also consider the impost as an augmentation of the charges of production. It is an expense sustained by the producers and consumers ; but which, while it renders the products dearer, does not augment the incomes of the producers, as its amount is not divided among them. Their expenses augment as consumers without their incomes increasing as producers : they are not so rich.

*What is to be understood by a subject of taxation ?*

By those words, is often meant, the merchandize which serves as a basis for the tax. Brandy, in this sense, is a " subject of taxation," by means of the duties which are levied on this liquor. But the expression is not correct. Brandy is only a basis for the demand of a value ; a merchandize which the government uses as a means of raising money. The true subject of taxation is, in this case, the income of the individuals who manufacture and consume the brandy. Thus the subject of taxation increases, when these incomes, whatever be their source, are augmented.

*What do you conclude from that ?*

That every thing which tends to increase the riches of a nation, extends and multiplies the subject of taxation. It is from this cause, that as a country prospers, the amount of the taxes increases, without increasing the rate of them ; and diminishes, when it declines.

*Are we justified in considering the amount of the taxes as part of the income of a nation ?*

Never, for they are values not created but transferred. They have formed a part of the incomes of individuals, which they have not consumed.

*Has not the government other sources of revenue ?*

Sometimes the government retains the exclusive exercise of a certain industry, and causes it to be paid for beyond its value ; as the carriage of letters. In this case, the tax does not amount to the whole of the charge for postage, but only to that part which exceeds what it would cost if this service was left open to free competition.

The profits which government sometimes makes on lotteries is of the same kind ; but is much less justifiable on many accounts.

## CHAPTER XV.

*On Public Loans.*

*WITH what view do governments borrow money?*

To provide for extraordinary expenses which the ordinary revenues are not sufficient to discharge.

*How do they pay the interest of the loans they contract?*

They pay it either by laying on a new tax, or by economising, from the ordinary expenses, a sum sufficient to pay the annual interest.

*Loans, then, are a means of consuming a principal, of which the interest is paid by a portion of the taxes?*

Yes.

*Who are the lenders?*

Individuals who have capitals at their disposal.

*Since government represents the society, and society is composed of individuals, it is then the society which lends to itself?*

Yes: it is a part of the individuals who lend to the whole of the individuals; that is to say, to the society or to its government.

*What effect is produced by public loans on the public riches? Do they augment or diminish them?*

The loan in itself neither increases nor diminishes them: it is a value which passes from the hands of individuals to the hands of the government, a simple transfer. But as the principle of the loan, or, if you will, the capital lent, is generally consumed in consequence of this transfer, public loans produce an unproductive consumption, a destruction of capital.

*Would not a capital thus lent have been equally consumed if it had remained in the hands of individuals?*

No: the individuals who lent the capital, wished to lay it out, not to consume it. If it had not been lent to government, it would have been lent to those who would have made use of it; or they would have employed it themselves; thus the capital would have been consumed reproductively instead of unproductively.

*Is the total income of a nation increased or diminished by public loans?*

It is diminished; because all the capital which is consumed, carries with it the income which it would otherwise have gained.

*But in this case, the individual who lends, does not*

*lose any income, since the government pays him interest for his capital; and if he does not lose, who does?*

Those who lose are the contributors who pay the increased taxes, with which the public creditor is paid his interest.

*But if the creditor receives on the one hand an income which the contributor pays on the other, it appears to me that there is no portion of income lost, and that the state has profited by the principal of the loan which it has consumed.*

You are in an error; and to convince you of it, we will examine how this operation is effected. An individual lends to the state a thousand pounds. Consequently, he draws this value from an employment in which it was already, or in which it would have been engaged. Supposing that this employment would have afforded five per cent. there is an income of fifty pounds taken from the society. It is nevertheless paid to the creditor; but how is it paid? At the expense of a contributor; of a landed proprietor, who would have used for his own purpose these fifty pounds which the government takes from him to pay the creditor. Instead of two incomes which there was in society, that of the thousand pounds lent to government (which either had been, or might have been, placed elsewhere) and the income of the funds, which had produced to the landholder the fifty pounds of contribution, which



he has been compelled to pay to satisfy the creditor. In lieu of these two incomes, there remains but one, namely, the last, which is transferred from the contributor to the creditor.

*Why is there only one income of fifty pounds, where there had been formerly two?*

Because there had been, beside the funds of the contributor, another fund of one thousand pounds, producing fifty pounds, which has been lent and consumed, and which, consequently, produces nothing.\*

*What are the principal forms under which a government pays the interest of its loans?*

Sometimes it pays a perpetual interest on the capital lent, which it does not bind itself to repay: the lenders have in this case no other means of recovering their capital, than to sell their debt to other individuals, who desire to place themselves in the situation of the former.

Sometimes it borrows, by way of annuity, and pays the lender a life interest.

Sometimes it borrows on condition of repayment, and it stipulates a pure and simple repayment, in a certain number of years, by instalments; or a reimbursement of the principal sum at periods which are sometimes determined by lot.

\* See in my *Treatise of Political Economy*, 2d edit. book iii. c. 9. a synoptical table of the progress of these values.

Sometimes it negotiates bills on its agents, the receivers of contributions. The loss which it suffers by discount represents the interest on the advances it receives.

Sometimes it sells public offices, and thus pays interest for the money furnished. The incumbent can never get back his principal without selling his office. The price of offices is often paid under the name of security.

All these modes of borrowing have the effect of withdrawing from productive employment capitals which are consumed in the public service.

*Has not the government the means of paying its debts, even those of which it has promised to pay the interest perpetually?*

Yes; by means of what is called a *sinking fund*?

*What is a sinking fund?*

When a tax is laid upon the people to pay the interest of a loan, it is laid a little heavier than is necessary to pay this interest; this excess is confided to what are called commissioners for the management of the *sinking fund*, and who employ it every year to buy up at the market price a part of the interest or annuities paid by the state. As the same interest always continues to be paid, the sinking fund devotes in the year following, to the purchase of these interests, not only the portion of the tax which is devoted to

this use in the first instance, but also the interest which it has already bought up. This manner of extinguishing the public debt by its progressively increasing action, would extinguish it with sufficient rapidity if these sinking funds were never diverted from this object, and if the debts were not kept up by a perpetual addition of new loans, which bring annually into the market more interest than the sinking fund buys up.

## CHAPTER XVI.

*On Property, and the Nature of Riches.*

*CAN riches exist where there is no property ?*

No : for riches being composed of the value of the things which we possess, there can be no riches where no things are possessed ; that is, no property.

*Into how many classes can things possessed be arranged ?*

Into two grand classes : that which constitutes stock, and that which constitutes income.

*What do you observe relative to the riches which constitute income ?*

That having been created without affecting our stock, they may be consumed without encroaching upon it ; and that if we do not consume them unproductively, they will increase our stock.

*Do you not sub-divide that which constitutes our stock ?*

Yes : our stock may consist,

1st. Of land and other natural agents, of which we are acknowledged proprietors ;

2nd. Of capital, or values produced, which we devote to reproduction ;

3rd. Of faculties, or talents, natural and acquired, which we employ for the same purpose.

*What do you observe relatively to the riches which constitute our stock ?*

That we can alienate the property of the first two kinds of stock (our lands and our capitals) but not that of the third kind (our industrious talents). That we can let out to use all the three kinds. That the last is a life property, which perishes with us.

*What have you further to observe respecting them ?*

That not being applicable to the satisfying of our wants, or of procuring enjoyments, because they are appropriated to reproduction, they are of no value, except for the faculty which they have of contributing to the production of some other consumable values. The demand which there exists for consumable values, that is, for products, establishes a demand for the stock which is capable of producing, that is, for land, capital, and industrious talents ; this demand establishes their value : and this value makes a part of the riches of those to whom they belong.

*Why have not a great number of natural agents ne-*

*cessary to production, as the heat of the sun, the air of the atmosphere; why have not these a value?*

Because there is no demand for their productive faculties; and there is no demand for them, because when these faculties are present they exceed all wants, and are accessible to all mankind: and when they are not present, no person can provide them, because no one can appropriate them.

*What results from this fact in relation to the value of products?*

That when nature lends, gratuitously, her powers to the creation of products, the charges are less than when we must pay for assistance; and that we obtain consequently, products at a cheaper rate. It is for that reason that the grapes of the south do not cost so much as those of the north, which are raised in hot-houses.

*You have said that riches are proportioned to the value of the things we possess, that is, that they are so much the greater as the values we possess are greater; have you any thing to add to this subject?*

Riches are proportioned to the values we possess, or rather are only those values themselves: but these values are great or small in comparison with the price of the things which may be obtained for them. In other words, if with a certain sum in land, in capital, and in income, I can obtain the things I am in want

of at half the price I have hitherto obtained them, by that alone, my riches are doubled.

Thus a nation that does not possess in nominal value more than one half what another nation possesses, will nevertheless be as rich, if she can procure all the products of which she is in want, at half the price the other nation is obliged to pay.

The very height of riches, however few values one might possess, would be to be able to procure for nothing all the objects we wished to consume.

We should be at the lowest ebb of poverty, however immense might be the values we possessed, if the value of the things we wanted to consume exceeded the price which we were able to pay for them.

*In what does the dearness and cheapness of things consist?*

We will examine that in the next chapter.

## CHAPTER XVII.

*On the Real and Nominal Price.*

*GIVE* me some just ideas on the price of things.

If you wish to form just ideas on this subject, you must never confound the *nominal price* with the *real price* of things.

*What do you call the nominal price of things?*

The price we pay for a thing in money or in coin.

*What do you call its real price?*

The value we have given to obtain the money with which we purchase this thing.

*Give me an example.*

A potter is in want of a loaf of bread, which sells for a shilling: he is obliged, in order to obtain it, to sell a vase which is worth a shilling. If the price of the loaf should rise to two shillings; and if the potter be obliged to sell two vases in order to obtain these two shillings, which he must pay for the loaf, the dearness of the bread is *real*. If the potter can obtain



these two shillings by the sale of a single vase, the dearness of the bread is only *nominal*. He has in both cases exchanged only one vase against one loaf, whatever may have been the denomination of the intermediate value. It is the value of the money which is depreciated: that of the bread has remained the same.

*Is it not a real dearness to a man whose income arises from lands which are let, or from a capital lent at interest, when the loaf has risen from one to two shillings?*

No: that which is real is the depreciation which has taken place in the value of the merchandise in which his income is stipulated to be paid: that is, in the fall of the money. He who pays the income, by acquiring this merchandise at less expense, gains in this case what the other loses.

*You have said that if, when I am obliged to give two shillings to buy a loaf, I be able to obtain these two shillings, on the same terms that I before obtained one, the loaf has not become dearer; but if to obtain two shillings, that is, the price of one loaf, I be obliged to give two vases instead of one, then the bread will have really become dearer?*

No; not if the vases, as well as the money, have fallen to half their value.

*How can I tell whether they have fallen to half their value or not?*

They have fallen, if they can be obtained for half the expenses of production: that is, if means have been

found to create, at the same charge of production (which consists, as we know, of the workmanship, interest of capital, and profit) two vases instead of one.

*It is then the lowering the charges of production which causes the real fall in the price of products?*

Just so. Then whatever may be the value with which a product is purchased, this product, which has fallen one half, is obtained for one half less expense of production.

*Explain this by an example.*

If, by means of a knitting frame, I can make a pair of stockings for three shillings, instead of expending six shillings on them, he who raises wheat, can obtain a pair of stockings for one half the quantity of wheat which he had before been accustomed to give for them. That is, if he were before obliged to sell thirty-six pounds of wheat in order to obtain a pair of stockings, he would now sell but eighteen. But the eighteen pounds have required on his part only one half the expenses of production which the thirty-six pounds would have required.

It is the same whatever is the production with which we are occupied. It may be said, that when an article really falls in price, not only those who produce it, but every body else, obtains it at the price of the reduced charge of production.

*You have said, besides, that the riches of society are composed of the sum total of the values which it possesses:*

*it appears to me to follow, that the fall of a product, stockings, for example, by diminishing the sum of the values belonging to society, diminishes the mass of its riches.*

The sum of the riches of society does not fall on that account. Two pairs of stockings are produced instead of one; and two pairs, at three shillings, are worth as much as one pair at six shillings. The income of society remains the same; for the maker gains as much on two pairs, at three shillings, as he did on one pair at six shillings.

But, when the income remains the same, and the products fall, the society is really enriched. If the same fall takes place on all products at once, which is not absolutely impossible, society by obtaining all the objects of its consumption at half price, without having lost any part of its income, would really be twice as rich as before, and could buy twice as many things.

This does not generally happen: but it has happened to a great number of products, which have fallen from the price they were formerly at, some a tenth, some a fourth, a half, three-fourths, as silver; and even in a greater proportion, as silks, and probably many other articles.

*To what cause is this to be attributed?*

To many causes; but principally to the progress of intelligence and industry. It is to their progress that we owe, both the discovery of countries in which there is a greater abundance of products, and also a means of

transporting them less hazardous and more economical. To that progress also we are indebted for processes more simple and more expeditious, the use of machinery, and in general a better adaptation of the productive faculties of nature.

*Are there any products which have really become dearer?*

There are some; but very few; and only those the demand for which has increased in consequence of the progress of civilization, without the means of production having increased in the same proportion; such as butcher's meat and poultry, and almost all the useful animals which are raised at less expense in less civilized countries.

*Are there not variations in the value, which are not the consequence of the charges of production?*

The errors, the fears, or the passions of men, or unforeseen events, cause disorder and confusion in values which are merely relative: that is, when any merchandise rises or falls with respect to others, in consequence of circumstances foreign to its production. Late frosts increase the price of the last year's wines, whatever may have been the charges of their production.

*Does such a dearness increase the national wealth?*

No: for in exchanging another product for one which has become dearer, one must give *more*, to receive *less*: he who buys, ~~loses~~ on his merchandise, precisely as much as the seller gains on his goods.

When the wine doubles its price, he, who, to purchase a cask of wine is obliged to sell six bushels of wheat instead of three, which should have purchased a cask of wine, is poorer by all that the wine merchant is richer.

Thus these kinds of variation, which sometimes overturn private fortunes, do not affect the general riches.\*

\* The changes in values which take from a man that property which he did not deserve to lose, to give it to another, who did not deserve to gain it, are nevertheless mischievous to the general prosperity. They inflict more evil on him who loses, than they confer benefit on him who gains: they disappoint the wisest calculations: they discourage the most useful speculations: they divert capitals which were in full productive activity, &c. &c.

## CHAPTER XVIII.

*On Money.*

*IF money be nothing but merchandise, why is coined silver of greater value than the same weight of silver uncoined?*

For the same reasons that a silver tea-pot is worth more than the same weight of silver in an ingot.

*The fashion that the mint-master gives to the silver, is then of the same kind as that given by the silver-smith?*

Precisely of the same kind.

*What utility does the fashion of the mint-master give to the silver?*

The impression on the money announces the weight and quality of the coin; that is, the quantity of fine metal and of alloy therein; consequently, it saves those who receive it the expense of weighing and assaying it.

*Why do governments reserve to themselves the exclusive right of coining money?*

In order to prevent the abuses which individuals might create in this manufacture, by not making it of the same fineness and weight which the impression indicates. And sometimes they reserve that right, in order to obtain the profit of it, which makes part of their revenue.

*Cannot the government, by virtue of this exclusive privilege of coining money, raise the value of money much beyond the expenses of manufacturing this merchandise?*

It can do so, by reducing greatly the quantity of pieces coined, or the amount of the money.

*What would happen then?*

The money-merchandise becoming more scarce in proportion to the quantity of other merchandise in circulation, that is, which we are disposed to sell or to buy; this money-merchandise would be more in demand relatively to all other merchandise. We should give *less* money in exchange for *more* of other goods; in other words, goods would fall in price.

*Should we not feel in commerce some inconvenience arising from the scarcity of money?*

If that effect took place, the inconvenience would not be lasting; because the total *real* value of the money would not be diminished by it. There would

be fewer pieces; but each of the pieces would be worth more; or, in other words, other goods would nominally fall in price, and their sum total would still bear exactly the same proportion with the sum total of the money.

*What inconvenience would be felt in this case?*

The ingots and utensils of gold and silver, being a different kind of merchandise from money, although made of the same material, would fall in price like all other merchandise. This would make a great disproportion between these metals in money and in ingots. There would be a considerable gain in converting them into money, which is an inducement to counterfeit and fabricate false money.

*You have just shewn in what case money-merchandise rises in value with respect to other merchandise; in what case does it fall with respect to such merchandise?*

When the quantity of the money is augmented relatively to all other merchandise, then *more* money is offered for *less* merchandise: the money would fall; in other words, the other merchandise would become *nominally* dearer.

*You say nominally; but is it not really, when it is not the name of the money which is changed, and we actually give a greater weight of metal?*

The value of the metal is, in this case, *really* less;



but the value of the other merchandise, not having really changed, the variation of their price is only nominal. With the same quantity of corn, we purchase the same quantity of stuff. A bushel of corn, instead of being worth six shillings, is worth twelve; but a yard of cotton, instead of costing two shillings, costs four: thus, to buy three yards of stuff, we are still obliged to sell a bushel of corn as before; and a bushel of corn, though worth double the quantity of money, is still only equal to the value of the same quantity of stuff.

This is what happened when the discovery of the mines of South America threw into circulation an immense quantity of gold and silver, in comparison to what there had been before. To obtain the same quantity of corn, we must now give nearly three times as much silver as before the discovery of these mines.

*America has then thrown into circulation three times as much silver as there was before?*

She has circulated much more. But commerce, population, and riches, having greatly augmented since this discovery, the necessity for gold and silver, as well for the purposes of money as for furniture and ornaments, has greatly augmented also; and has prevented the precious metals from suffering a depreciation in proportion to their abundance. They have

been produced in ten times the quantity; but have been three times more in demand.

*What happens when, under the same denomination of money, a guinea, for example, the government gives less metal than it gave before?*

The value of the money, which had fallen *really* with respect to other merchandise, then falls *nomi-*

*nally.*  
*again this by an example.*  
*Explain this by an example.*

When the piece, called *six livres tournois*, does not contain more silver than that which was before called three *livres tournois*, we do not obtain for six *livres* more merchandise than we before obtained for three *livres*; that is, the same quantity of merchandise costs the same weight of silver. The value of the ingot of silver has scarcely varied from the year 1636 to the present time: with an ounce of silver we can buy the same quantity of those goods, whose value appears to have undergone the least variation. The *setier* of corn sold commonly for twelve *livres tournois*: and the same *setier* sold in 1789 for twenty-four *livres*; but twenty-four *livres* in 1789, did not contain a greater weight of silver, than in 1636 there was in twelve *livres*.\*

*1636 1789*

\* The marc of silver, of the standard of the mint (of Paris), was worth about twenty-five *livres* in 1636; in 1789, fifty *livres tournois*. In England,

*What effect does this produce on the interests of individuals?*

With respect to debts contracted previously by the government, if it pay them in money which is really worth less, it becomes bankrupt by all that there is less in the value of the new, than there had been in the old money.

And when it authorizes individuals to discharge their former debts in the new money, it authorizes them to commit a bankruptcy similar to its own.

With regard to the bargains made by individuals after the change in the money, this change produces no inconvenience. The bargains are made according to the real value of the new money.

*Does a nation, whose money is carried into other countries, lose in consequence of this operation?*

No: for the individuals who send it, take care to obtain at least an equal value in return.

*Does the nation gain by such an exportation?*

Yes: when she takes care not to coin money gra-

where no alteration had been made in the weight or fineness of the money, scarcely any variation took place in the price of corn: the average of seven years previous to 1636, was about 6s. 1 3-4d; and for seven years previous to 1790, was 5s. 10 3-4d. per bushel.—Tr.

tuitously, and never to manufacture this kind of merchandise, unless she is sufficiently indemnified for the employment of her capital, and the wages of her industry.

*What relation is there between the value of gold and silver?*

Their relative values vary continually, and in different places, like the relative values of any other merchandise whatever. The value of the gold is raised in regard to that of silver, if gold be more demanded or less offered; hence the *agio* we are obliged sometimes to pay for the purchase of gold coin with silver money.

*Does the same variation exist between copper and silver monies?*

Not commonly; because we do not receive copper money pure, nor that of copper mixt with silver, which is called *billon*, at the rate of its intrinsic value, but in consequence of the facility which it affords for obtaining a piece of silver. If a hundred sous, which are paid me in copper, be intrinsically worth no more than four francs, what does it signify to me, that I receive them for five francs, because I am sure to get for them, whenever I please, a piece of five francs? But when copper money becomes too abundant, and we can no longer obtain for it at pleasure the

quantity of silver that it represents, its value is altered, and it can be no longer disposed of without loss.

*Repeat to me summarily the essential principles which relate to money.*

The numerous exchanges, and other transactions which cannot be dispensed with in a populous and civilized society, render absolutely necessary the use of an intermediate merchandise, which is money.

This merchandise is commonly of silver, manufactured for that purpose.



The value of this merchandise is established, like all other metals, in direct proportion to the demand for it, or to the necessity we have for it; and in inverse proportion to the quantity offered, or to the quantity which is actually in circulation.

The metal coined into money is a merchandise, totally different from the metal fashioned into any other thing. An ounce of metal in money may equal in value two ounces of metal in an ingot; because it is not in the power of every body to convert the ingot into money: but an ounce of metal in an ingot cannot be worth much more than an ounce of metal in money, because any body can convert the money into an ingot.

Whatever be the name given to any piece of money, whether it is called three livres or six livres, it is not really worth, as it regards other merchandise,

more than the value of the metal and the fashion ; but this fashion may be paid for too dearly, as it is exclusive, and as government keeps to itself the right of coining money.\*

\* It was not possible, in an elementary work like this, to include any but the most important principles, and which were essential to the interest of the public. The subject is treated at length in the *Treatise on Political Economy*.



## CHAPTER XIX.

*On Signs representing Money.*

*WHY do you not call money a sign representative of merchandises ?*

Because it is no more a sign representative of merchandise, than any one merchandise is the sign of another. A cloth merchant might as well say, that the cloth in his warehouse is the sign which represents bread and meat ; because, after an exchange or two, he might get bread and meat for his cloth.

*What do you call signs representative of money ?*

Titles, documents, or vouchers, which have no intrinsic value, but which acquire one by the right which they give to a certain quantity of money ; such as bills of exchange, bonds, bank notes, &c.

*What do you observe, respecting bills of exchange ?*

1. That they do not give the right to receive a sum of money till the end of a certain term, which diminishes their value by all the amount of the interest

and of the risk which the bearer runs, of not being paid when they become due. On this account, they cannot be generally sold for the full amount that they give the right to receive. Commonly the *discount* on them is lost.

2. That they are sometimes payable abroad, and consequently in foreign money. In order to sell them, this foreign money must be valued in the national money: it is this valuation which is called the *course of exchange*. The exchange is at *par*, when the quantity of fine gold or silver, paid for the purchase of a foreign bill of exchange, is precisely equal to the quantity of these metals, which the bill of exchange gives the right of receiving abroad.

*What do you observe respecting bank notes?*

That they circulate among the public for the entire value which they represent, when we are certain, by means of the note, to receive that value whenever we think proper.

*What assurance has the public that the notes of a bank will be punctually paid?*

A well-administered bank never issues a note without receiving for it a value in exchange. This value is commonly money, or ingots, or bills of exchange. That part of the deposit, which is in money, is at all times ready to discharge them. That part which is in ingots, requires only the time necessary to sell them. That part which is in bills of exchange, only requires



one to wait, at the worst, till they become due, before their value can be used to discharge the notes. So that, if the bills of exchange bear the names of many solvent persons, and if the times of payment are not at too great a distance, the bearers of the notes run no other risk than a trifling delay.

*But if these bills of exchange be paid when due, by notes of the bank instead of money . . . . .*

Then those notes are in fact discharged.

*Bank notes can then supply the place of money?*

*Yes*, to a certain point; but only in places where an office is constantly open to exchange them for money; for they are no longer worth the full sum of money, the instant they cease to be exchangeable for money at pleasure.

*What is a paper money?*

It is a title which gives no right to any real reimbursement, but to which public authority attributes a certain value: a title which is received at that value in the payments which are made to the government, and which it authorizes individuals to give in payment for the discharge of engagements which they have contracted with each other.

*What is it that keeps up the value of paper money?*

Sometimes rigorous measures taken against those who refuse to sell for paper money; sometimes the uses to which the government admits it, such as the payment of taxes, and of debts previously contracted,

sometimes, and almost always, it is the absence of all other money-merchandise; so that the public, which has nothing else to substitute for the ordinary use of money, is obliged to apply to it from the absolute necessity there is for this kind of merchandise. Often it is all these things united which give any value to paper money. These means would ever give it a very considerable value, if the facility which there is of multiplying it at will, did not always, sooner or later, bring it into disrepute.

*One cannot then, by multiplying paper money, multiply at will the riches of a country?*

No.

*Explain to me why.*

Because the paper money can only replace a part of the riches of a country, that part which consists of coin; and the money itself, were it even gold or silver, forms but a small part of the riches of any country when compared with the value of all the things in it; land, houses, furniture, buildings of every kind, merchandise, and even industrious talents.

*You say, were it even gold or silver. It appears to me, that in augmenting the mass of money of gold or silver, the real riches of a country are increased.*

The quantity of sales and purchases in a country, require a certain monetary value devoted to that circulation. When the quantity of money is increased, without being necessary for the circulation of a coun-

try, the real value of the money declines, whatever may be its nominal value: and losing in value as much as it increases in quantity, the total riches are no greater. If the quantity of silver money were to be doubled, we should be obliged to pay two ounces of silver for what we before bought for one; consequently, two millions of *nominal* money in silver would not be of more value than one million was formerly.

It is the same with paper money. If the quantity of this money had been increased tenfold, we could not obtain with ten notes of an hundred pounds more than had been before obtained with one note. Whatever name is given to this sum, it can never have in the whole more than a certain value; and this value, truly effective, whatever may be the material of which the money is made, is always determined by the wants of the circulation, and the state of civilization, of riches, and of industry, in a country.

## CHAPTER XX.

*On Markets.*

*WHAT do you mean by markets?*

Before answering this question, I beg you to remark, that those who engage in production, are seldom occupied with more than one product, or at most a small number of products. A tanner generally produces nothing but leather; a clothier, cloth; one merchant deals in wine; another imports foreign goods; one cultivator raises the vine; another corn; a third, cattle.

*What consequences do you draw from that?*

That none of them can enjoy the greatest part of the various articles for which he has occasion, except by means of exchanging the greater part of his own productions for those which he desires to consume: so that the greater part of the consumptions of society take place only in consequence of an exchange.

But when we are able easily to exchange our own

productions for those which we want, we are said to have found ready markets for our products.

*On what does the ready sale of any particular article depend?*

On the vivacity of the demand for it.

*On what does the vivacity of the demand depend?*

On two motives, which are—1st. The utility of the product, that is, the necessity the consumer has for it:—2d. The quantity of other products he is able to give in exchange.

*I conceive the first motive. As to the second, it appears to me that it is the quantity of money that the buyer possesses, which induces him to buy or not.*

That is also true: but the quantity of money which he has, depends on the quantity of product with which he has been able to buy this money.

*Could he not obtain the money otherwise, than by having acquired it by products?*

No.

*If he had received the money from his tenants . . . ?*

His tenants had received it ~~from~~ the sale of part of the products to which the earth had contributed.

*If he had received the interest of a capital lent—?*

The undertaker who employed that capital had received the money which he paid, on the sale of a part of the products to which his capital had concurred.

*If the purchaser had obtained this money by gift or inheritance——?*

The giver, or he from whom the giver had obtained it, had it in exchange for some product.

In every case, the money, with which any product is purchased, must have been produced by the sale of another product; and the purchase may be considered as an exchange in which the purchaser *gives* that which he has produced, (or that which another has produced for him,) and in which he *receives* the thing bought.

*What do you conclude from this?*

That the more the purchasers produce, the more they have to purchase with; and that the productions of the one procure purchasers to the other.

*It appears to me, that if the buyers only purchased by means of their products, they have generally more products than money to offer in payment.*

Every producer asks for money in exchange for his products, only for the purpose of employing that money again immediately in the purchase of other products; for we do not consume money: and it is not sought after in ordinary cases to conceal it: thus, when a producer desires to exchange his product for money, he may be considered as already asking for the merchandise which he proposes to buy with this money. It is thus that the producers, though they have all of them the air of demanding money for their goods, do

in reality demand merchandise for their merchandise.

*Then the more merchandise there is produced, the more animated is the demand for merchandise?*

Without doubt. It is for this reason, that countries, which are but little civilized, present few markets, and those for products but little varied; while in populous, industrious, and productive districts, the sales are repeated and considerable.

*It is not necessary then, in order that markets should be extended and multiplied, to look for them in foreign countries?*

No; it is sufficient that other products should be multiplied in our own country.

*What is it that multiplies foreign markets?*

The riches of neighbouring nations, and the activity of their production.

*What consequence do you draw from this?*

That each of them is interested in the prosperity of his neighbour, and every nation in the prosperity of all others: for it is only those who produce much that can readily give you any thing in exchange for your products: or, which comes to the same thing, that can give you the value of them in money.

*What other consequence follows from this?*

That riches are not exclusive; that, so far from that which another man, or another people gains, being a loss to you, their gains are favourable to you; that

it is only necessary for you to produce, not that which they produce easier than you, but that which they cannot fail to demand from you by means of their products; and that wars entered into for commerce, will appear so much the more senseless as we become better informed.



## CHAPTER XXI.

*On Regulations or Restraints of Industry.*

*WHAT regulations are commonly made relating to industry?*

The laws and regulations made by governments on this subject, have for their object either to determine on what products we may or may not employ ourselves; or to prescribe the manner in which the operations of industry shall be carried on.

*What examples are there of the manner in which a government determines the nature of the products in which we may engage?*

In agriculture, when it prohibits a particular culture, as tobacco; or when it gives extraordinary encouragement to our crops, such as corn.

In manufactures, when it favours certain manufactures, such as silks; and prohibits or restrains others, such as cottons.

In commerce, when it favours by treaties, communications with certain countries, and interdicts it with others; or when it gives privileges to trade in certain articles, and prohibits it in others.

*What is the effect of such regulations?*

To direct the efforts of industry towards productions less suitable to the wants of the nation, and less lucrative to their producers.

*On what evidence do you suppose that the favoured productions are less suitable to the wants of the nation, and less lucrative?*

By this alone, that these productions are not sufficiently paid for to be able to support themselves without such encouragement.

*In what way do governments interfere in the manner in which products ought to be created?*

In manufactures, public authority sometimes prescribes the number of those who are to be employed in them, and the conditions they must comply with, as when it establishes corporations, freedoms, and companies: or when it fixes the material which must be employed, the number of threads which the warp and weft of a stuff must contain, and subjects them to particular marks. In commerce, it sometimes prescribes the route by which the merchandise must pass, the port at which it must be landed, &c.

*What is the object of corporations and freedoms?*

It is to prevent incapable or inexpert workmen from deceiving the consumers by delivering to them an article of inferior quality to that which it represents.

*In what cases are the precautions taken by government to prevent such abuses, really useful?*

When the verification is impossible, or at least very difficult to the purchasers; as in the case of apothecaries' drugs. The care which a government takes to ascertain the capacity and honesty of apothecaries, and even of physicians, is then incontestibly useful. The same may be said of that control by which it puts a stamp on all articles of gold or silver.

*What is the inconvenience of corporations and freedoms?*

The establishment, in favour of producers united in corporations, of a monopoly, that is, the exclusive trade in what they produce; a monopoly of which the workmen on the one hand, and the consumers on the other, are the victims.

*Why the workmen?*

Because the corporation, in limiting the number of undertakers, and in subjecting them to certain formalities, limits the free competition of those who might employ the workmen.

*But if the workmen on their parts agree together to demand certain wages?*

It is then the workmen who form an unauthorized

corporation, just as prejudicial as those which are authorised.

*How do corporations establish a monopoly against the consumers?*

The production not being open to the competition of all producers without distinction, the products are not permitted to fall to the rate at which they might have been afforded by the charges of production; in which are comprised, as we know, the profits of the different producers.

*What inconvenience arises from the profits being raised beyond what they would have been, if left to free competition? These profits forming part of the income of the nation, is not the income augmented by this monopoly?*

That which the producers gain beyond the rate of free competition, is an excess of price lost by the consumer, at the same time that it is gained by the producer. It is not a value created, but displaced. It is a portion of riches which goes out of one purse into another; and which diminishes the general riches on the one hand, as much as it increases them on the other.

*But this loss is trivial to the consumer, while it is of importance to the producer.*

It is little on each individual purchase. But when repeated on all the articles we purchase, it becomes

considerable at the end of the year. And the expenses of individuals being thus greater in proportion to their incomes, it is the same as if their incomes were less with respect to their consumption. They are poorer.

## CHAPTER XXII.

*On Importations, Duties, and Prohibitions.*

*WHAT* does the word importation signify?

The purchasing abroad and introducing into a country foreign merchandise.

*What* do you mean by prohibitions?

Forbidding certain merchandise to be introduced into a country. Sometimes without prohibiting them entirely, they are made to pay duties on importation, which diminish the quantity imported.

*What* results from an absolute prohibition?

An absolute prohibition forces the capital and industry which would have been devoted to this kind of commercial production, to apply itself to some production less advantageous.

*Why* less advantageous?

Because we should not engage in it but for the impossibility of directing our industry in the other mode.

The prohibition would be superfluous, if the prohibited production\* were not the most advantageous.

*What happens, when, instead of an absolute prohibition, a duty is only laid on the product imported?*

The evil is then only partial, and consists in a dearness equal to the amount of the duty. The consumer pays for the product more than it is worth.

*What does it signify if the consumer pay dearer for any thing, since the producer gains by it?*

The producer does not profit by ; for what it sells for more, goes in charges of production which are lost to every body ; or in contributions consumed for the service of the state.

*Why do you say that the charges of production are lost to every body? It appears to me, that such of these charges as are composed of the profits paid to producers, are not charges lost, since the producers profit by them.*

The producers are people who sell the service of their land, their capital and their industrious talents,

\* It must not be forgotten, that, by the word *production*, we understand the action of *commercial* as well as of all other industry. Rice is, to France or England, a product of commercial industry as much as wheat is a product of its agricultural industry.

whose gains are not the greater when all these services afford a product less abundant but dearer.

When any regulations render it necessary, in order to create a pound of sugar, to employ more of the services of the land, capital, and industry, the sugar is dearer without the producers being greater gainers. If they receive more values in payment, they have also furnished more values in services.

*Do not the prohibitions and the duties, by compelling the creation of a product in the interior of a country, create the profits which are made in such a production?*

They only cause the profits which would have been made on a commercial production, to be replaced by other profits, probably less lucrative, made on a manufactured production.

*Is not that a good? Are not our capitals better employed in putting into activity our own national industry than that of foreigners?*

Yes: but when we make the consumers, that is, the nation, pay dearer for certain products, simply to support a greater number of national producers, it is just as if a part of the nation were compelled to devote a portion of its income to maintain workshops of charity. Perhaps no population is truly desirable but that, which industry, left to itself, can naturally support.

*You have just considered the import duties in their in-*



*fluence on the income, on the riches of a nation : and you have proved, that without augmenting the income of a nation, they cause it to pay dearer for the objects it consumes ; which is equivalent to a real diminution of its income. But if the state be in want of these duties for the public expenses, are they more mischievous than any other kind of impost ?*

No ; they are an impost on commercial production which procures us products from without ; as the land tax is an impost on the products which come to us from the earth ; as the personal contributions and licences are imposts on the interior manufactures. The effect of all these imposts is to increase the price of all products without augmenting the income of those who consume them. They are all useful in providing for the public expenses, from which the nation derives advantage. But they never encourage production, nor augment the income of a country.

*However favourable the suppression of the taxes which bear on industry and consumers might be, would it not be attended with some danger ?*

Yes, when the suppression is sudden. The laws, and, in general, the whole legislation of a country, have long since induced the particular employment of certain capitals in the productions in which they are actually engaged, and from which they cannot be withdrawn without losing a great part, and sometimes

nearly the whole, of their value. For example, if on the faith of security from laws which had for a long time prohibited cotton goods, the manufacturers had laid out large sums in machinery fit for the manufacture of cotton goods only; and if by a new law, foreign cottons might all at once be introduced at a cheaper rate; this law, though in fact favourable to the income of a country, since it is enabled to procure the same products at less expense, would be unfavourable to capitals; because it would reduce the value of the capitals actually engaged in the production of cotton goods.

Besides, a part of the capital engaged in any kind of production is composed of the talents of the persons employed in this production; for the advances which apprenticeships require are a capital: and this capital is lost from the moment that the apprenticeship becomes useless. A new apprenticeship is necessary; that is, a new capital must be laid out. The loss of this kind of capital is the more painful; as it falls on the working class, who, in general, are little able to bear it.

And even in those cases in which a change in the legislation does not cause a total loss of capital, it always produces some evil. A building, by its arrangement and its situation, is convenient for a certain kind of industry. It loses part of its advantages, if its

destination must be changed. The simple change of the habitudes, the dependencies, and the connexions of producers, exposes them to serious losses. It is only with great circumspection, that even the most desirable ameliorations ought to be introduced; otherwise we are in danger of overturning many fortunes, and destroying the happiness of many families.

## CHAPTER XXIII.

*On Exportation.*

*WHAT* does the word exportation signify?

It signifies the selling and sending the indigenous productions of a country to foreign countries.

*Is it beneficial to a country to sell abroad its indigenous products?*

No doubt it is; for that multiplies its affairs, and its lucrative relations, which are always beneficial; and also it procures in return merchandise which we may seek for in vain in our own country, or which would cost much more.

*Does not a nation gain more by selling to strangers than to its own people?*

No; an internal market, when it produces the same profits as an external one, is quite as valuable to the nation, and is a better sign of increasing prosperity than exportation itself. In fact, if your fellow country-

men buy your goods, it is a proof that they produce something with which they can pay for them.

*When a stranger travels into another country, and spends his money there, does not that country gain all the money he leaves behind?*

The country gains, in that case, the value of the money which it has received from the traveller less than the value of the things which have been delivered to him in exchange for his money : for the value of what is given to him is as real as the value of the money received. The expenditure of a stranger produces an effect similar to an exportation of merchandise which is paid for in money.

The profits made on this production are gained, and these profits are generally advantageous ; because a traveller cannot dispute the prices of what is sold to him as rigorously as the foreign merchant who purchases the merchandise of a country.

*Is it beneficial to expend money in order to attract foreigners?*

What is spent with this view diminishes by so much the profit of the sales which are made to them ; exactly as the premiums and rewards which are given to encourage exportation, are so much taken from the profits which result from it, and sometimes even exceed them.

*Why do most nations and most governments (which act in this case agreeably to the desires of those nations)*

*endeavour by every means to increase the quantity of merchandise which they export to strangers, and to limit the quantity of those which they purchase from them?*

It is because they are unacquainted with the true source of riches.

*What is, according to them, the source of riches?*

The mines of gold and silver; and, as these are not in our country, they think that they cannot become rich without selling to foreigners merchandise of their own production, and compelling them to pay for them in the precious metals.

*On what do they found this opinion?*

On a merchant not gaining any thing on his merchandise until it is sent out of his warehouse, at which time he exchanges it for gold or silver money.

*Why does a nation, in regard to other nations, differ from a merchant in regard to his customers?*

A merchant like a nation, sells his products only to repurchase others, which are either necessary for his consumption, or fit for the continuation of his commerce. But a merchant does not find in his customer, precisely the man who can furnish him with the goods or materials which he wants, and at the most advantageous price. It is only with the money of the buyer that he can himself buy what he wants, and in the quantities that are convenient to him.

It is not the same between one nation and another.

The merchants, who are the agents of this communication, by the variety and the facility of their operations, are enabled to bring back in return for what they send out, merchandise, which, if not useful to the dealer, whose products they have exported, will at least be so to some other. The last, in paying for it, will provide the means of paying the first.

The interest of merchants, in all these operations, is to obtain in return such merchandise as is most in demand, because it will sell the best.

*Would it not be still better that a neighbouring nation should pay us in money rather than in goods?*

You do not desire this money, but in order to use it in the purchase of goods of which you are in want.

*That is true; but when I have the money, I am at liberty to employ it in the purchase of whatever I think proper.*

A foreign nation which pays you in merchandise, gives you only such merchandise as you are willing to receive; for you are at liberty to purchase in return whatever you please.

*But when she pays us in merchandise, this merchandise is consumed, and we lose the value of it; a loss which we should not have suffered, if she had paid us in money.*

The loss you suffer does not arise from the importation, but from the consumption, of the merchandise. If at the close of an *external* commercial operation, there be a value consumed under the form of *cham-*

*paign*, the loss is not greater than when, at the close of an *internal* commercial operation, the same value has been consumed in *cider*.

*The cider would at least have been a product of the national industry.*

The foreign goods are equally products of the national industry, since they are products of its commerce.

*How does foreign commerce procure new values, new riches, since we must always give foreigners a merchandise of equal value to that which they give us?*

An example will make you understand this. A merchant sends stuffs to Brazil. He obtains in that country, in exchange for his stuffs, a greater value than he gave for them in Europe, because they have gained by the carriage. This value which he has gained, he there exchanges for cotton, which he brings back to Europe, the value of which is also augmented by the carriage. When these operations are finished, although the merchant has exchanged, in each place, his merchandise at the current price; that is, value for value; still, as the value of the different products has increased while they were in his hands, he has, without robbing the stranger of any value, brought back to his own country a value superior to that which he had exported; which is equivalent to a value created in the country.



*Every augmentation of riches, even in external commerce, is then the fruit of an internal production?*

Yes, with the exception of plunder, in exchange for which nothing is given. But besides spoliation being criminal, because it is contrary to justice, it is odious, and consequently dangerous, and the advantages which it procures are uncertain, temporary, and scarcely ever profitable.

*Why do you say, scarcely ever profitable?*

Because when we seize upon goods created by others, we rob them at the same time of the means of continuing to create new ones : and we can only enjoy them for once, as when we cut down a tree to get at its fruit. The goods thus obtained are, besides, of every little profit ; because they are seldom obtained when wanted, or when they could be used to advantage, but must be taken when they can be got. They may be carried off ; but the carriage itself constitutes a great part, and sometimes the whole of their value. They are consumed ; and generally the greater part of them, on the spot ; they are wasted rather than used, and their consumption often creates more evil than good.

## CHAPTER XXIV.

*On Population.*

*WHAT* are the causes which increase or diminish the population of a country?

In general a country is so much the more populous as it produces more values or riches for the maintenance of its inhabitants; and so much the less so, as it produces less riches.

*Why* do not you say more of the commodities proper for the food of men?

Because there are commodities, which, without being alimentary, are necessary to life, as clothes and lodging; and because with those which are not alimentary, we can procure, by means of commerce and exchange, those which are. It is sufficient for a country to produce values to enable it to exist. The nature of

the values will immediately accommodate itself to its wants; for the commodities of which it stands in the greatest need, are those for which it will pay best; and the good price they will then obtain will cause them to become abundant.

*But when war or bad laws prevent the arrival of articles of the first necessity, such as those which serve for subsistence, will not the population suffer greatly?*

It will suffer the same as when crops fail in bad years.

*Without supposing any scourge on the part of men or of nature, if the number of births exceed what the products of a nation can nourish, what will be the consequence?*

It will necessarily follow, that part of those born, will perish of want, either in childhood or at a riper age. This evil exists at all times, more or less; because the human species, like all other organised beings, has more means of increase than it has of maintenance. Want does not instantly kill: but it gradually wastes. Few people die for the want of food, but for want of food sufficiently abundant or sufficiently wholesome; for want of medicine in illness; for want of cleanliness; for want of rest; for want of dry and warm lodging; and for want of those attentions which we cannot do without in infirmity and old age. From the moment that any one of these objects becomes necessary to

them, and they cannot obtain it, they languish for a greater or less period, and sink at the first shock.

*Who first feel the want of the necessaries of life?*

The scarcity of one or other of these means of existence, first raises the price of it. It thus gets out of the reach, first of the most indigent: and as the scarcity and dearness increase, the greater is the number of those who suffer from its privation.

*Do not wars, epidemics, and, in general, those plagues which cut off great numbers of men, enable those who are left to enjoy a greater quantity of those commodities of which they are in want?*

The scourges, in destroying men, destroy at the same time the means of production. And we do not see that, in countries thinly populated, the wants of the inhabitants are more easily satisfied. It is the abundance of productions, and not the scarcity of consumers, which procures a plentiful supply of whatever our necessities require; and the most populous countries are in general the best supplied.

*What is it that induces men to assemble together in villages, towns, or cities?*

The nature of their occupations. Those who cultivate the earth, spread themselves all over the country, in order to be near their employment, and to have a small distance to carry their crops at harvest time. Those who carry on manufactories, place themselves

in towns, where they find at hand the materials, utensils, and the artisans of which they are frequently in want. Those who engage in commerce place themselves either in the sea-ports, where the merchandise arrives more easily, or on the roads by which it is distributed through various provinces or countries. Those who produce by means of their lands, but without employing them themselves, being able to expend their incomes in any place whatever, live where they please, but generally in cities, where they find greater resources and amusements of every kind. It is the same with those whose profits are founded on immaterial products; which, not being transportable, are therefore consumed chiefly in places where a number of persons are collected together. It is for this reason, that we meet with so many physicians, advocates, and public functionaries in great cities.

*Are not great cities a burden to a nation, since they must be provisioned by the country?*

By no means: for the inhabitants of cities have incomes equally real with the inhabitants of the country. They do not live at the expense of the latter; as they do not receive from them any value without giving them another value in exchange. And the country cannot have markets more certain or more extensive than the cities, to which they present in their turn,

when well cultivated and they are able to purchase much, important markets for the products of manufacture and commerce. Thus there is not a more certain indication of the riches and great revenues of a country, than numerous and extensive cities.

## CHAPTER XXV.

*On Colonies.*

*WHAT* do you mean by Colonies?

Establishments which the inhabitants of one country form in another land, in order to live there more at ease.

*Are there different kinds of colonies?*

They may either be dependent or independent of the metropolis. The metropolis is the nation from which the colony went forth.

*What do you mean by colonies dependent on the metropolis, or mother country?*

I understand those which are subject to the same government, and governed by laws which it imposes on them.

*What effect has this dependence on the relative riches of the colonies and the metropolis?*

That the metropolis can compel the colony to purchase from her every thing it may have occasion for;

that this monopoly, or this exclusive privilege, enables the producers of the metropolis to make the colonists pay more for the merchandise than it is worth.

*The metropolis, then, gains more from the colony than if she were independent?*

Yes; but all that the tradesmen and merchants of the metropolis sell too dear, is paid for too dear by the colonial consumers. It is a value which has gone from the purse of one individual to that of another, both citizens or subjects of the same country. These values appear a great deal in the hands of those who gain them, because they are but few; and small to those who pay them, because they are divided amongst many individuals: but the loss is not the less to the colony, which is so much the poorer by it.

*Are not the colonies indemnified in some other manner for the usurious gains which are made from them?*

They make in their turn an usurious gain on the consumptions of the metropolis, which is not permitted to purchase from any other than them, the colonial product of which it is in want. On the one side and on the other, it is a combination, or conspiracy of the producers against the consumers.

*Are there any other inconveniences attending dependent colonies?*

Their administration is generally corrupt and expensive, because it is superintended from too great a distance: and the metropolis is obliged to keep up



garrisons, and military and naval forces, either to enable it to hold, or to defend them. And these expenses increase the burdens, either of the people of the colony, or of those of the metropolis, without taking into account the wars which are always brought on by such an order of things.

*Do these evils take place when the colonies are independent?*

Never. They establish a government for themselves which costs them very little. They are no expense to the metropolis; and the one and the other, the metropolis and the colony, enjoy the advantages which two civilized nations derive from their reciprocal communications.

FINIS.

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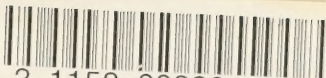
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