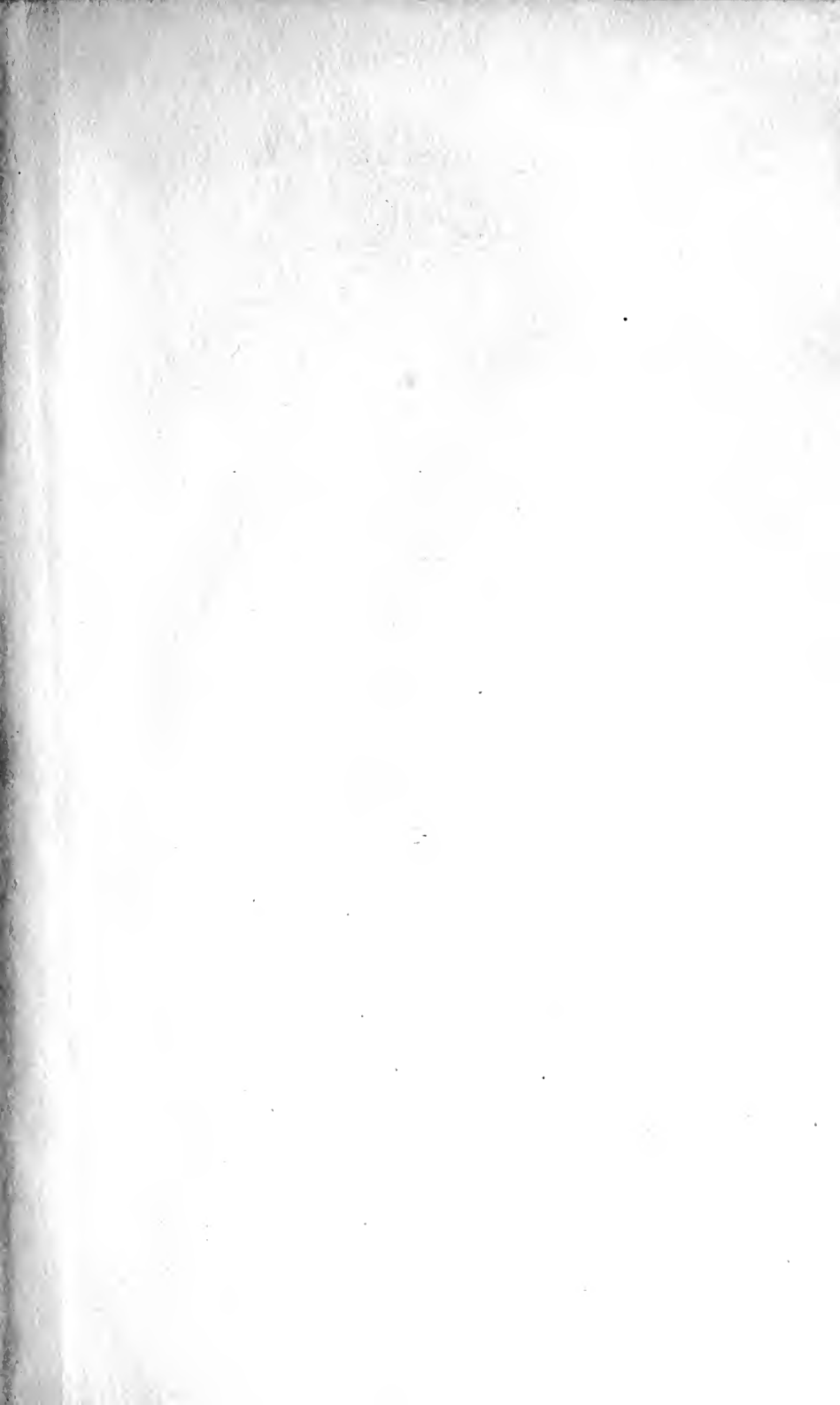


UNIVERSITY OF TORONTO



3 1761 01627191 8

Digitized by the Internet Archive
in 2007 with funding from
Microsoft Corporation





Ec.H
TG918e

87

AN ESSAY

ON

THE EXTERNAL CORN TRADE.

BY

Robert
R. TORRENS, Esq. M.P. F.R.S.

FOURTH EDITION.

LONDON:

PRINTED FOR

LONGMAN, REES, ORME, BROWN, AND GREEN,
PATERNOSTER ROW.

1827.

7718
17/11/90

LONDON:

PRINTED BY T. BREITELI, RUPERT STREET, HAYMARKET.

ADVERTISEMENT

TO THE FOURTH EDITION.

This edition differs from the third in nothing except in the addition of a new Section, explaining the Effects of Free Trade upon the Value of Money.

Mr. Tooke has shown, in the most satisfactory manner, that when the quantity of money remains the same, taxation cannot raise general prices. It follows, as a necessary consequence, that that advance in general prices which experience proves to be a consequence of taxation, must be accompanied by an increase in the quantity of money.

The manner in which taxation increases the quantity of money, I have, in this edition of the Essay on the Corn Trade, endeavoured to explain.

While investigating the principles which regulate the value of money when the material of

which it is composed is a foreign product, I received much assistance from a very curious and elaborate Critique by Mr. Pennington, upon some doctrines connected with this subject, which had been advanced by Mr. Ricardo and Mr. Mill. With Mr. Pennington's subsequent speculations I have not had an opportunity of becoming acquainted; and I am therefore unable to say to what extent the conclusions at which I have arrived may coincide with those of that very able Economist.

FEBRUARY 3rd, 1827.

TO
MAJOR-GENERAL SIR HENRY TORRENS,
Knight Commander
OF THE
MOST HONOURABLE MILITARY ORDER OF THE BATH,
AS A TESTIMONY
OF
THE RESPECT AND THE ATTACHMENT
CALLED FORTH BY THAT
DISTINGUISHED TALENT, & UNDEVIATING RECTITUDE,
IN THE DISCHARGE OF OFFICIAL DUTIES;
WHICH
THE PUBLIC VOICE ACKNOWLEDGES;
AND BY THAT
URBANITY OF MANNERS & BENEVOLENCE OF HEART,
WHICH
ALL WHO APPROACH HIM, FEEL;
The following Work
IS INSCRIBED,

By HIS FRIEND,

THE AUTHOR.

MISSOURI BOTANICAL GARDEN

GEORGE ENGELMANN PAPERS

MISSOURI BOTANICAL GARDEN

1847

MISSOURI BOTANICAL GARDEN

MISSOURI BOTANICAL GARDEN

MISSOURI BOTANICAL GARDEN

MISSOURI BOTANICAL GARDEN

MISSOURI BOTANICAL GARDEN

1

PREFACE.

THE Essay on the External Corn Trade having been, for a considerable time, out of print, and a new edition being called for, the Author has availed himself of the opportunity thus afforded for revising the work, and for explaining the manner in which the Corn Laws have contributed to create the revulsion and embarrassment which have recently occurred.

Since the publication of the first edition of this work, the Author has had the satisfaction of seeing the doctrines therein unfolded, sanctioned and confirmed by the authority of the principal writers who have, subsequently, directed their attention to the important subject of the Corn Laws.

It was stated in the first edition of this work, that when a tax is imposed on any domestic article, a duty of equal amount should be imposed on the importation of the similar foreign article, and a bounty, also of equal amount, should be granted on the exportation of the one, and the re-exportation of the other. This was considered, in the first instance, as a somewhat startling proposition, and as one savouring, not of the enlightened doctrines of free trade, but rather of the exploded system of legislative restriction and encouragement. The principle, however, was adopted by Mr. Ricardo, in his valuable Treatise on the Protection of Agriculture, who explained and enforced it with his usual ability. It is now generally admitted that this principle, instead of being opposed to the doctrine of free trade, is part and parcel of that doctrine, inasmuch as it tends to restore that natural equilibrium between the dif-

ferent branches of industry, which equilibrium taxation occasionally disturbs.

In the earlier edition of the *Essay on the Corn Trade*, it was shewn, the Author believes for the first time, that a permanently high scale of general prices, from whatever cause arising, cannot depress domestic industry by encouraging the importation of cheaper foreign articles; and that commodities, the cost of producing which is greater in foreign countries than at home, may, nevertheless, be imported, provided the comparative disadvantage of the foreign capitalist in producing the imported article, be less than the comparative advantage of the domestic capitalist in producing the articles exported in exchange. These principles Mr. Ricardo adopted into his very valuable work upon *Political Economy and Taxation*; and they form, in some measure, the ground-work of his chapters upon foreign trade, and of his doctrines on the in-

fluence of taxation upon the export and import of commodities.

To this edition have been added some facts and reasonings originally published by the Author in 1816, in a Letter addressed to the Earl of Liverpool on Agricultural Distress. These principally relate to the refutation, by a comparison of the prices of corn and of silver, of the opinion that the fluctuations in the price of agricultural produce which occurred during, and subsequent to the war, were occasioned by variations in the value of the currency; and to the statement of the doctrine, that redundant supply reduces prices in a ratio greater than that of the excess. It is a gratifying confirmation of the correctness of these principles, that, although he had not then seen the publication in which they at first appeared, one of our ablest writers upon questions of political economy, by an original process of his own, arrived at similar conclusions. Mr. Tooke,

in his work "On High and Low Prices," one of the most valuable contributions which have of late years been made to the science, has established these principles by an ample induction from curious and valuable facts, and has explained in a masterly manner their extensive influence on the varying phenomena of the market.

In the First Edition of the Essay on the Corn Trade, which was written in 1814, and published early in the following year, before the Author was acquainted with the very able and original disquisitions of Mr. Malthus and Mr. Ricardo, it was stated, that the difference between the returns to capital upon the worst, and upon the best lands under tillage appears in the form of rent; and that when we increase the cost of obtaining subsistence, a greater portion of the produce of labour will be required for wages, and a less proportion will remain for profits. With respect to the

first of these principles, the Author has found nothing very material to modify or correct; but, with respect to the second, the doctrine was stated incidentally, and without the Author's being aware of the very important consequences to which it leads. The chief corrections and additions which it has appeared necessary to make in the last and present editions of this work, relate, therefore, to the doctrine of profits.

Though the very profound disquisitions of Mr. Ricardo were the occasions which originally suggested the Author's inquiries into the causes which determine the rate of profit upon capital, yet, in prosecuting these inquiries, he has arrived at conclusions very different from those which Mr. Ricardo has endeavoured to establish. To the principles of that eminent economist, that the whole produce of industry is divided between wages and profits, and that profits rise or fall only as wages fall or rise, the Author

has never been able to assent ; and the more attentively he has considered the subject the more thoroughly has he been convinced, that these principles have had their origin in a hasty and premature generalisation, bestowing universality upon one leading particular, and attributing to the exclusive agency of a single cause, effects resulting from the combined operation of many.

On a former occasion, the Author ventured to predict, that, at no distant period, controversy amongst the professors of political economy would cease, and unanimity prevail respecting the fundamental principles of the science. He thinks he can already perceive the unequivocal signs of the approaching fulfilment of this prediction. Since it was hazarded, two works have appeared, each of which, in its own peculiar line, is eminently calculated to correct the errors which previously pre-

veiled. These publications are, “A critical Dissertation on the Nature, Causes, and Measures of Value, by an anonymous author;” and “Thoughts and Details on High and Low Prices,” by Mr. Tooke.

The Dissertation on Value is a masterly specimen of perspicuous and accurate logic; and furnishes an unerring test for the detection of that vague and ambiguous language in which some of our most eminent economists have indulged, and which has mainly contributed to retard the progress of the science.

The work on High and Low Prices, is also excellent in its kind. It is practical, rather than theoretical. It establishes its conclusions by an extensive induction from various and important facts; and, independently of its intrinsic merits, it derives an additional value from the circumstance, that its investigations are conducted in a manner which

presents a striking and corrective contrast to the premature generalisations, and pure abstractions, of the Ricardo school.

The influence of these writers in checking the tendency to a species of sectarian dogmatism, and in bringing controverted questions to a satisfactory conclusion, is already perceptible. In his recent work upon Political Economy, Mr. M'Culloch has, with laudable candour, corrected, in an essential degree, his former opinions on the subject of profit; and has admitted, that Mr. Ricardo's principles are tenable, only when we pervert from their established acceptation the terms in which these principles are expressed. This is the same thing as admitting, that the Ricardo doctrine of profit is erroneous. Arbitrary alterations in the meaning of terms are not discoveries in science.

To be consistent with himself, Mr. M'Culloch must also admit, that the Ricardo theory of value is indefensible. Upon his own

shewing, that theory admits of no species of proof, except that which is obtained by a most arbitrary and unjustifiable extension of the meaning of the term, labour. If the process of fermentation in a cask, and the progress of vegetation in a tree, are *labour*, then may we demonstrate that labour is the cause of value. By the same *novum organum* we may demonstrate, that the three angles of a triangle are equal to four right angles ; for all that is necessary to render this demonstration as perfect as the former is, that we should alter the meaning of words, and employ the term *four* to signify the number commonly expressed by the term *two*. This is a most convenient species of logic, by which we may, with equal facility, prove every proposition to be true, and every proposition to be false.

Mr. Mill appears more reluctant than Mr. M'Culloch to modify and correct the pure Ricardo doctrines which he maintains.

Yet, from his manner of defending these doctrines, it is evident, that he is not far from admitting that they are essentially untenable. In the last edition of his *Elements of Political Economy*, he contends, that a self-moving machine, and a fermenting cask, perform labour; he admits, that the produce of capital, which he formerly asserted was *all* divided between wages and profit, is in reality divided between wages, profit, and that *third* quantity which is necessary to replace capital; and the doctrine, that profits rise or fall, as wages fall and rise, he gives up, in all cases, except in those in which the terms are used, not according to their accustomed acceptance, but with a reference to proportions. It may be easily shewn, however, that the doctrine that profits depend on wages is equally untenable, whether the terms, alteration of wages, alteration of profits, are employed with a reference to pro-

portions, or whether they are used in relation to quantities.

Let us suppose, that a capitalist advances to a labourer 20 quarters of corn as wages, and 20 quarters as seed ; and let the produce returned to the capitalist at the end of the year be 60 quarters. In this case, if we deduct from the whole produce, as Mr. Mill contends we ought, what is necessary to replace the seed, 40 quarters will remain to be divided between wages and profit ; and as, by the supposition, wages are 20, profits must be 20 also ; that is, as the whole advances of the capitalist for wages and seed was 40 quarters, and as he has 20 quarters remaining over and above the replacement of these advances, the rate of his profit will be 50 per cent.

Now, let us vary our supposition, and assume, that while the quantity of labour employed, and the quantity of produce ob-

tained, remain exactly as before, an improvement takes place in cultivation, which enables the farmer to crop his field with 10 quarters of seed, instead of with 20 quarters. In this case, when from the whole produce of 60 quarters, the 10 quarters required to replace capital, in Mr. Mill's sense of the term, are deducted, 50 quarters will remain to be divided between wages and profit. Let these 50 be equally divided, as the 40 quarters formerly were, between the labourer and capitalist, each getting 25 quarters, and then the shares or proportions will remain exactly as before. But though the proportions, or proportional wages remain unchanged, yet profits will have risen from 50 to upwards of 70 per cent. The capitalist, after replacing his expenditure of 25 quarters for wages, and 10 quarters for seed, will have a surplus of 25 quarters remaining, while, in the former case, after replacing an expenditure of 20 quarters for wages, and 20 quarters for seed,

he had a surplus of only 20 quarters remaining.

Thus we find, by a short and simple, but strictly demonstrative process, that even when we adopt Mr. Mill's language of shares and proportions, profits do not depend upon wages. When he again revises his chapter upon profits, he will discover that the position to which he has retired is just as untenable as that which he has abandoned; and he will be disposed to assent to those correct principles of value and of profit which are arrived at, not by hasty generalisations of a single influential fact, but by a careful induction from the several circumstances, which, after a complete analysis, are found to contribute to the production of the phenomena to be accounted for and explained.

February 17th, 1826.

CONTENTS.

Part the First.

ON THE GENERAL PRINCIPLES OF THE TRADE IN CORN.

	Page
CHAP. I.— <i>On the Principles of the internal Corn Trade</i>	1
CHAP. II.— <i>On the Principles of the ex- ternal Corn Trade</i>	25
CHAP. III.— <i>On the Influence of the ex- ternal Trade in Corn on the Subsistence, Wealth, and Prosperity of the Country which permanently exports Grain . . .</i>	38
CHAP. IV.— <i>On the Influence of the ex- ternal Trade in Corn on the Subsistence, Wealth, and Prosperity of the Country which permanently imports Grain . . .</i>	46

CHAP. V.— <i>On the Influence of the Corn Trade on the Value of Commodities</i> . . .	55
§ 1. <i>On Value</i>	55
§ 2. <i>Quantity of producing Labour, the Regulator of Value, when Men work on their own Account</i>	57
§ 3. <i>Amount of producing Capital the Regulator of Value, when Capitalists become a distinct Class</i>	58
§ 4. <i>Effect of Monopoly in regulating Value</i> . . .	63
§ 5. <i>Erroneous Views of Dr. Smith respecting the Value of Corn</i>	66
§ 6. <i>Erroneous Doctrine of the French Economists respecting the Value of raw Produce</i> . . .	71
§ 7. <i>Influence of free Trade on the relative Value of raw Produce and wrought Goods</i> . . .	79
CHAP. VI.— <i>On the Influence of the Corn Trade on the Wages of Labour</i>	83
CHAP. VII.— <i>On the Influence of a free Trade in Corn, upon the Profits of Capital</i> . . .	94
§ 1. <i>Circumstances which determine the Rate of Profit before the Divisions of Employment are established</i>	95

	Page
§ 2. <i>Circumstances which determine the aggregate Profit of the Community after the Divisions of Employment are established</i>	100
§ 3. <i>The Causes which regulate individual Profit when the Divisions of Employment have been established</i>	103
§ 4. <i>As the Value of raw Produce rises, agricultural Profits fall</i>	110
§ 5. <i>Influence of a free Trade in Corn in increasing the Rate of Profit upon Capital</i>	117
§ 6. <i>Refutation of the Doctrine of Mr. Malthus, that the high Value of the Articles composing Wages is beneficial to the Labourer</i>	124

CHAP. VIII.—*On the Influence of the Corn Trade on the Rent of Land; and on the Interest of Landed Proprietors* 130

§ 1. <i>Origin of Rent</i>	130
§ 2. <i>Errors of Mr. Ricardo and his Followers on the Subject of Rent</i>	137
§ 3. <i>Error of Mr. Malthus respecting the Nature of Rent</i>	150
§ 4. <i>Effect of a free Importation of Corn upon the Interests of landed Proprietors</i>	156

Part the Second.

ON THE EXCEPTIONS AND LIMITATIONS TO WHICH THE GENERAL PRINCIPLES OF THE EXTERNAL CORN TRADE ARE LIABLE.

Page

CHAP. I.—*On the Question, Are the Principles respecting a free external Trade in Corn liable to any Limitations in their Application to the particular Case of a Country, which infringes on the Liberty of Commerce in other Articles* 174

CHAP. II.—*On the Limitations to which the general Principles of the external Trade in Corn are liable, in their Application to the particular Case of a Country in which Restrictions upon Import have already induced an artificial Scale of Prices, and given a forced Extension to Agriculture .* 199

CHAP. III.—*On the Question, Is the general Principle of a free external Trade in*

<i>Corn liable to Limitation in its Application to the particular Case of a Country which is more heavily taxed than other growing Countries?</i>	217
---	-----

Part the Third.

THE APPLICATION OF THE PRINCIPLES OF THE EXTERNAL CORN TRADE TO THE ACTUAL CIRCUMSTANCES OF THESE COUNTRIES.

CHAP. I.— <i>On the Fluctuations in the Supply and Price of Corn which have been experienced under the existing System of Restraint and Protection</i>	267
--	-----

CHAP. II.— <i>Examination of some of the Measures which have been proposed for correcting the Evils of sudden and considerable Fluctuations in the Supply and Price of Corn</i>	295
---	-----

CHAP. III.—*On the Manner in which our Restrictions on the Importation of foreign agricultural Produce contributed to bring on the present commercial Crisis* 317

CHAP. IV.—*On the Measures which, in revising the Corn Laws, it would be expedient for the Legislature to adopt.* 351

§ 1. *Importation of agricultural Produce* 351

§ 2. *Popular Objections against the Adoption of free Trade, answered* 355

§ 3. *Comparative Effects of free and of restricted Trade* 372

§ 4. *Effects of free Trade on the Value of Money* 394

§ 5. *On the specific Measures which, in revising the Corn Laws, the Legislature should adopt* 428

AN ESSAY, &c.

Part the First.

ON THE GENERAL PRINCIPLES OF THE
TRADE IN CORN.

CHAP. I.

On the Principles of the internal Corn Trade.

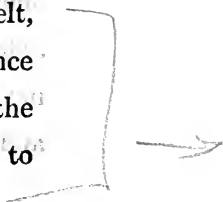
THE inequality of the seasons, with respect to scarcity and plenty, is one of those obvious facts which force themselves upon the attention of all. Whoever looks abroad upon the face of the country, perceives, that, under a precisely similar course of culture, the same piece of ground will, in one year, present an overflowing harvest, and, in another, scarcely repay the expense of tillage.

Now, this inequality, in the productiveness of the seasons, is greater in a small, than it is in a large district. A single field may, in some years, give a produce, double, treble, or perhaps quadruple to that, which, under the same course of husbandry, it may yield in others; but an extensive farm, and much less, an agricultural parish composed of many farms, could scarcely, in its fertility from year to year, exhibit so striking an irregularity. The irregularity would be still less, if we took the average produce of a county; and less yet, if we took the average produce of the whole kingdom. Other things remaining the same, in proportion as the territory which supplies subsistence is extended, the inequality in the productiveness of the seasons will be diminished.

This principle is so obvious, that illustration is scarcely requisite. The seasons most unfavourable to the crop of corn, are those of excessive drought and of excessive rain. But as corn grows equally upon high and low lands,—on those which are disposed to be too wet, as well as upon those which are disposed to be too dry, the drought or the rain, which is hurtful to one part

of the country, is favourable to some other; and though, both in the wet, and in the dry season, the crop is a good deal less than it would be in one more properly tempered, yet, in both, what is lost in one part of the country, is, in some measure, compensated by what is gained in another; and thus, the general crop of the kingdom will never vary so much from year to year, as the particular crop of a county, a parish, or a farm.

On the principle, that the inequality in the productiveness of any district diminishes, in proportion as that district is enlarged, it is demonstrable, that, in order to correct the evils arising from the uncertainty of the seasons, and to obviate the alternate recurrence of superfluity and of famine, an agricultural country should extend perfect freedom to the internal trade in corn. In years when the general crop has been deficient, the inhabitants of those particular districts, in which the irregularity of the seasons has been little felt, might, perhaps, complain, that their abundance should be withdrawn by the speculations of the corn dealer; and that they should be exposed to



an artificial scarcity when nature had lavished plenty. The following considerations will shew, that this complaint could be dictated only by a short-sighted selfishness, as ignorant of its own true interest, as regardless of the general good.

1. The allowing of a free circulation of corn throughout all the districts of the kingdom, and thus, in a year of scanty harvest, compensating the deficiency of one quarter, by the comparative abundance of another, and equalizing the pressure, as much as the state of the roads, and the means of communication, will admit, not only mitigates the general suffering of the country, but even to those particular districts, in which the crop may have succeeded, but which the freedom in the internal trade has rendered partakers in the general distress, gives, in the assurance of future relief, ample compensation for present pressure. Those very districts which have, this year, an abundant crop, may, next year, have one that is deficient; and that free circulation of corn which now deprives them of part of their abundance, and puts them upon thrift and saving, may, a few

months hence, supply their necessities from those very quarters which they now relieve.

Thus, in a country where a free internal trade in corn is permitted, each district receives, in its turn, the most important benefits; and, should the country be of considerable extent, and its means of communication ample, though it might occasionally be visited by dearth, yet, the pressure falling equally on all, and the favoured districts in some measure compensating the failure of crop in others, the hardships of dearth could scarcely, even in the most deficient years, be heightened into the miseries of famine.

2. This will appear still more evident, when we consider the further effects which an unshackled domestic trade in corn has, both on the distribution, and on the production, of this important article. The public good requires that the supply of subsistence should be equalised, not only through all the districts of the country, but, also, throughout all the periods of the year. When the supply of grain is inadequate to subsist the people abundantly until the return of the next harvest, economy in the consumption of food is the only

means by which they can escape a famine. If they put themselves, in time, upon the necessary degree of saving; if, for example, they consume daily, an ounce or two less food than ordinary, they may pass on to the next harvest, without suffering any very serious inconvenience; but if, on the contrary, they were to feast, with their usual profuseness, for eleven months, and leave the whole deficiency to fall on the few last weeks of the year, multitudes must perish of famine.

Now, an unrestricted domestic trade in corn forces the people upon that timely economy in the consumption of food, which, partly from an improvident disregard of the future, and partly from ignorance of their danger, they might otherwise fail to adopt; for, when the operations of the corn dealer are unimpeded, he, on the prospect of a deficient crop, and while grain as yet continues cheap, buys up corn, under the expectation that it must soon bring a higher price; and thus, before it is too late, advertises the deficiency of food to the people.

Nor need the people ever apprehend, that the corn dealer, when the trade is left free and open, can have an interest in buying up grain too largely,

and in putting them to unnecessary distress. When there is a real scarcity, it is the interest of the great body of consumers that the price of corn should be raised sufficiently high, to cause such a degree of economy in consumption as may enable the supply to last throughout the year. It is also the interest of the corn dealer to raise the price thus high; and it never can be his interest to raise it higher. If, by raising prices too high, he discourages consumption so much, that the supply of the season is likely not to be used until some time after the next crop begins to come in, he runs the hazard, not only of losing a considerable part of his corn from natural causes, but of being obliged to sell what remains for much less than he might have obtained for it several months before. If, by not raising the price sufficiently high, he discourages consumption so little, that the supply of the season is likely to be exhausted before the next harvest, he not only loses a part of the profit which he might have made, but he exposes the people to suffer, before the end of the season, instead of the hardships of a dearth, the horrors of a famine. It is the interest of the people, that

the daily, weekly, and monthly consumption, should be proportioned, as exactly as possible, to the supply of the season. The interest of inland corn dealers is the same. By supplying the people, as nearly as they can judge, in this proportion, they are likely to sell their corn at the highest price, and with the greatest profit; and their knowledge of the state of the crop, and of the daily, weekly, and monthly sales, enables them to judge, with more or less accuracy, how far the markets are really supplied in this manner. Without intending to promote the interest of the public, corn dealers are necessarily led, by a regard to their own interest, to act in the manner most beneficial to the great body of consumers. They perform, towards the population of a country, functions precisely similar to those which are performed by the prudent captain of a ship, who, foreseeing that provisions are likely to run short, puts his crew upon short allowance.

3. But it is not only by equalising the supply of subsistence throughout all the districts of the country, and periods of the year, that the unrestricted operations of the inland corn trade mitigate the

evils arising from irregular seasons, and obviate the alternate recurrence of superfluity and famine. As the growers of corn always cultivate, as nearly as possible, to such an extent, that, in average years, the supply will equal the demand, it necessarily follows, that, in deficient years, the supply must fall short of the demand, and, in abundant years, exceed it. Hence, where the internal trade in corn is left free, intelligent and opulent merchants will not limit their speculations to equalising, throughout the country and the year, the supply of a single season, but will aim at correcting, in some measure, the irregularities which take place from year to year. These irregularities have limits which they rarely pass. If two or three years of abundance have occurred in succession, there is a strong probability that the next may be a deficient, or, at least, an average year. This probability will enter into the calculations of the skilful and wealthy corn dealer. When two or three abundant years have thrown superfluous corn upon the market, its price becomes extremely low; and the capital that should be employed in buying it up, and preserving it in stores and gra-

naries, until the recurrence of a deficient crop again elevated prices, would obtain extraordinary profits. The expectation of obtaining these, would induce the dealer to keep on hand as much of the old crop as possible. The more capital he could employ in this way, and the more accurately he observed the cycles of plenty and of dearth which the seasons generally perform, the more he would enrich himself, and benefit the public.

Nor need the public be at all apprehensive, lest his avarice should prompt him to keep up corn beyond what the irregularity in the annual supply might render expedient. In this, as in the former instance, the interest of the dealer and of the consumer exactly coincide. Should the dealer hoard his corn beyond what was necessary to equalise the supply of one year with another, he would not only lose a considerable portion of his stock, from natural causes, but, on the return of a good harvest, would be obliged to dispose of what remained at a lower rate than he could before have done; and should he, on the contrary, neglect to take the precautions pointed out by the inequality in the seasons, he would at once expose the country to inconve-

nience which might have been avoided, and miss the wealth which he might have realised. The more carefully he watches the course of the seasons, and calculates the periods which abundant and deficient years perform, the more rapidly he may enrich himself, and the more effectually supply the deficiency of one season with the superfluity of another.

In this manner, as society advances, as capital accumulates, and as the principles of economical science become understood, new resources are developed for warding off those terrible visitations of want and famine, to which, in ruder periods, nations are so frequently exposed. Not only in times of deficient crop does the establishment of perfect freedom in the internal corn trade compensate, in some measure, the wants of one district by the comparative plenty of another, and render the pressure tolerable, by laying it equally on all ; but this most beneficial measure of internal economy causes, whenever any deficiency occurs, the markets to be fed with such regulated and apportioned supplies, that a too rapid consumption is interdicted, and the stock on hand made to last

until the returning harvest brings relief. And further,—it carries on the lavish bounty of one year, to correct the stinted kindness of another ; until, in a country possessed of abundant capital, and having ample means of communication, the supply of subsistence may be equalised through considerable periods, and dearth rendered a rare, and famine an almost impossible, occurrence.

4. As corn is an article in more general use, and, therefore, more abundant than any other ; and as the carriage of a commodity so bulky is attended with considerable expense, wherever internal intercourse is left free, capital to a great amount will invest itself in the corn trade. This capital will be principally directed to the erection of store-houses, to the filling of them with grain, and to the preservation of it in them, until a favourable market can be obtained. Indeed, in all we have said, respecting the various operations of the corn trade, the existence of stores, for the accumulation of corn, has been implied. To equalise the supply of grain throughout the several districts of a country ; to feed the markets in a manner so regulated and apportioned, as to make the quantity of corn

upon hand last throughout the year ; and, above all, to carry on a portion of the produce of an abundant harvest to meet the probable recurrence of a deficient crop, require, that a very large proportion of the mercantile capital of the country should be employed in collecting grain, and in maintaining proper buildings for its preservation.

Thus, then, by the simple expedient of leaving the internal trade in corn free, all the functions of public granaries are performed ; and not only so, but are performed at infinitely less expense, and far more effectually, than they could be by such complicated and difficult establishments. No country would consent to raise the revenue that it would require to maintain public stores, and to lay up in them, in order to meet the vicissitudes and exigencies of the seasons, quantities of grain, equal to those which, for the self-same purpose, private dealers can, with advantage to themselves, accumulate.

But, suppose it otherwise ; suppose that the necessary revenue is raised, and the public granaries erected and filled ; still, the state factors

who should be put in charge of them, however they might be controuled, and however rewarded, would never attain the vigilance and skill of private individuals watching over their own property; and perpetually stimulated by self-interest to attend to every fluctuation of supply. The mismanagement would be without a remedy, and the waste enormous. Whatever expense a country might consent to incur, in order to preserve, in public granaries, a surplus of subsistence for deficient seasons, she could not attain this desirable end half so effectually, as by the simple wisdom of refraining from all interference, and leaving individuals at perfect liberty to embark their capital in the internal corn trade. The only granaries by means of which, in an extensive country, the recurrence of famine can be obviated, are those which, under a system of perfect freedom, the merchant and the factor find it their interest to erect.

Though, under a system of free trade, the store-houses of private traders perform, with infinitely less expense, and far greater effect, the functions of public granaries, yet they have, at

all times, been viewed with peculiar jealousy and alarm by the people whom they save. When the supply of any article, particularly if it be one of the first necessity, is diminished below the demand, its value rises, not merely in the ratio of this diminution, but in a ratio considerably higher; for example, if there be, in any market, a demand for a thousand quarters of corn, while the supply is diminished to nine hundred, then these nine hundred quarters will bring a larger sum than a thousand would have brought. Some obscure notion of this principle, which, indeed, is a fundamental one in political economy, has ever led the consumers of corn to suppose that, though the internal dealer, in his various operations of equalising the supply through all the districts of the country, and periods of the year, and of preserving the superfluity of one season to meet the probable deficiency of another, may, to a certain extent, have an interest identical with that of the people; yet that he may, after all these legitimate objects are obtained, have a further interest, diametrically opposite to theirs; and, by keeping up corn until it perishes upon his hands, may secure a greater

sum for the part that remains, than he could have obtained by allowing the whole to come to market.

The error here involved, arises from applying a principle that can be thus acted upon, only with respect to commodities, the supplying of which is vested in exclusive companies, to an article of universal consumption, in an open market. It would be plainly impossible to establish, amongst the innumerable corn dealers scattered over an extensive country, such an intimate and confidential union as would induce each to let a given portion of his stock perish, in order to make a greater profit of what remained. But we will admit this absurd and impossible supposition, which is the foundation of the popular reasoning against the storing of corn; we will admit that the nefarious compact has taken place, and that, throughout the country, all the parties act upon it with good faith. The first consequence of all this would be, that in the corn trade, the profits of stock would rise considerably above the customary level. But, from the unalterable laws of competition, and from capital ever seeking the

most beneficial occupation, new adventurers would now flock into the corn trade; and the second consequence of the combination would be its own destruction.

In vain would it be to urge, that the new adventurers might join the combination; for, if they did so, the rate of profit, in the corn trade, would still continue above the level, and the prospect of extraordinary gains would perpetually attract other speculators, until the whole commercial capital of the country would be thrown into the competition. Where Government refrains from all interference, and competition is left free, it is impossible that, in any particular business, the profits upon capital can be sustained above the general rate; nor, as will hereafter appear, is it in the nature of things, that a combination of all the capitalists in the country, or in the world, could, even supposing it to be established, injure the consumer by raising the rate of profit above the level determined by the quality of the soil under cultivation, the efficacy of labour, and the rate of wages. While the effectual demand, or the power of purchasing all commodities, remains the same,

the consumers who give a greater portion of their income for any one article, will have less to bestow on others. Hence, finding that as they succeeded in raising the price of one commodity, the demand for something else would, at the same time, and in the same proportion, be reduced, the combining capitalists would speedily relinquish their preposterous and absurd design.

No individual corn-dealer can have an interest in keeping up corn to an extent injurious to the public ; because the competition of all the other dealers in the country would immediately bring down to the general level, any artificial elevation of price which he might induce in the particular market he supplied. No combination of all the corn-dealers throughout the country, even if its existence were possible, could, for any length of time, keep up prices, even in years of scarcity, beyond what the state of the crops rendered desirable ; because, as soon as the corn-dealers began, by such means, to acquire exorbitant gains, the competition of all other mercantile capitalists would effectually prevent the profits of the corn trade from continuing above that ordinary and level rate,

which, according to the circumstances of the country, is due to mercantile stock. Nay, no universal combination amongst the capitalists of the world could so raise the general rate of mercantile profit, as to render the interest of the corn-dealer different from that of the people; because the means of purchasing, possessed by the consumer, constituting the only funds from which the profits of the dealer and merchant can be drawn, such combination (to say nothing of the impossibility of its existence), as it drew from the purchaser higher prices and larger profits, in one article, would infallibly diminish, in an equal degree, the profits before obtained upon some other; and thus, immediately counteract and destroy itself.

The suspicion and alarm with which the public view a large accumulation of stock, in the hands of the corn merchant, are entirely without foundation. Such accumulation is a source of safety, not of danger. Extensive stores of grain, and great capitals vested in the corn trade, so far from leading to any destruction of subsistence, in order to increase the profits on what remains, have, besides

their operation in distributing, in the most advantageous manner, the supply actually in existence, the happiest influence upon future production, and ensure greater abundance in the years to come.

5. Whenever a country is sufficiently advanced in opulence, to render the business of the corn-dealer distinct from that of the farmer, very considerable improvements begin to be realised in agriculture. Exempt from the care of retailing his produce to the consumer, the cultivator, without interrupting his time, or distracting his attention, now gives himself exclusively to the concerns of his farm. From this division of employment, as is ever the case, he acquires increased skill and knowledge in his particular calling; and his fields become more productive, from this undivided application of what may be called his *moral capital*. The whole of his stock, too, a great part of which might formerly have lain for weeks and months, nay, perhaps for the whole year, unproductive in his barns and stack yards, may now be immediately directed to bringing in new grounds, or to giving superior cultivation to the old. Nay, he may frequently be able to employ in production, not only his whole,

but much more than his whole stock; for the merchant has now acquired a species of property in the soil; it becomes his interest to encourage the farmer; and he is willing, therefore, to advance to him the price of his produce, long before it is brought into existence.

Thus, when no pernicious controul interdicts the division of employment, the great capitals directed to the corn trade become so many aids and backs to agriculture, enabling the farmer to cultivate on a more extended scale, or sustaining him against accidental failures. But this is not all: every operation of the corn merchant, whether it be to equalise the supply through the districts of the country, and periods of the year, or to carry on the superfluity of one season to meet the probable deficiency of another, has the effect of giving steadiness to the demand for agricultural produce.

Now, this steadiness given to the demand for his produce, affords the best possible protection and encouragement to the farmer. Though, in the neighbouring towns, no consumers could be found, yet, the corn merchant, acquainted with

the wants of distant parts of the country, where the crops have been less favourable, would be ready to take his corn off his hands. Though, at the present period, all the markets throughout the country might be abundantly supplied, yet the dealer, whose business it was to calculate how far the corn on hand was equal to the annual consumption, would be willing to purchase, in order to be prepared for renewed demands, at later periods of the year. Nay, though the stock on hand should be more than sufficient for the consumption of the season, still, the factor might be ready to receive the farmer's corn, under the probability that ensuing harvests would be less abundant.

Thus, in proportion to the extent of the capital employed in the corn trade, is the farmer's certainty of finding, at all times, a ready sale for his produce. The certainty of a market, with the greater steadiness of price conferred upon his produce, enables him to calculate, more accurately, the amount of the rent he can afford to pay, and the quantity of stock he can beneficially invest in the soil. All the risks attending cultivation are

diminished, and improvement advances with a steady, uninterrupted pace. It is in this manner that great accumulations of grain, and commanding capitals vested in the corn trade, instead of leading to a destruction of subsistence, powerfully conduce to its increase.

Having now unfolded, as fully as is necessary to our present purpose, the leading doctrines of the internal corn trade, and obviated, as we passed, some of the popular objections against this most important branch of traffic, we shall dismiss the present preliminary part of our subject, with a brief recapitulation of the principles contained in the foregoing pages.

An unrestricted internal trade in corn performs five distinct operations, which, by regulating the distribution, and by augmenting the quantity of subsistence, rectify the irregularity of the seasons, and obviate the alternate recurrence of superfluity and of famine. This traffic, in the first place, equalises, in a deficient year, the supply of corn throughout the country, and renders the pressure tolerable, by laying it impartially on all: secondly, when the average supply of

food, through the different districts, is less than the average consumption, it feeds the markets so gradually, and frugally, that the people, put timely upon short allowance, are, towards the end of the season, saved from famine: thirdly, when an overflowing harvest gives a supply of food beyond the consumption of the season, it carries on the superfluity to meet the probable deficiency of a future year: fourthly, it performs, with infinitely less expense, and far more effectually, the functions of public granaries; and, fifthly, it relieves the farmer from the distracted attention, and interruption, and waste of time, which would impede his operations, if he personally distributed his produce to the consumer; enables him to invest his whole, and often more than his whole capital, in the important business of production; imparts a steadiness to prices, which, in a great measure, removes the risks attending cultivation; and thus, by ensuring a certain market, promotes, in the most efficient manner, the production of corn.

CHAP. II.

On the Principles of the external Corn Trade.

As the territory which supplies subsistence is enlarged, the irregularity in the productiveness of the seasons will be diminished. This is a general principle, equally applicable to the districts of a country, and to the countries of the world; and the statement of it is sufficient to suggest the close analogy which exists between the various operations of the internal, and of the foreign trade in corn.

1. If, within the limits of a single state, the same season is never universally unfavourable; but, in the worst years, the comparative abundance of one district may be made, in some measure, to compensate the failure in others, with how much greater force must the principle apply to all the states of Europe, and to all the quarters of the globe. It has probably never yet occurred, that, in the same year, the harvest has failed in all

countries. In seasons when England does not produce an average crop, France may have an abundant one; and if, both in England and in France, the crops should be deficient, in Germany and in Poland they may be in excess. Even should Europe, as has been sometimes known, fail of producing an average supply, in Asia, in Africa, or in America, the deficiency might be made good.

Hence, on the very same principle that we should give freedom to the internal trade in corn, we should also give it to the external trade. The merchant who equalises the supply of subsistence through all the countries of the world, performs, though on a grander scale, and in a more accurate manner, functions precisely analogous to those performed by the dealer, who equalises it through all the districts of a country. The irregularity of the seasons, in any territory, is in an inverse ratio to its extent. The produce of all the commercial countries of the world varies, from year to year, in a much less proportion than the produce of any single country; and, consequently, the commerce which equalises subsist-

ence throughout the countries of the world, must render the supply more steady than the trade which distributes it equally through the provinces of a country.

For example: if, in England, the most unfavourable harvest which generally occurs, reduces the crop, one district with another, a tenth below an average crop; while, in the whole of Europe, the most unfavourable season that usually occurs, reduces the crop, one country with another, only a twentieth below the average; it is evident that, with respect to giving steadiness to the supply of corn, the free external trade, which equalised it throughout Europe, and thus gave us our usual consumption within a twentieth, would possess twice the advantages of a free internal trade, which, only equalising the supply throughout England, left our usual consumption deficient by a tenth. A free internal trade between the districts of a considerable agricultural country, obviates famine; but, a free external trade between all growing countries, would render it next to impossible that we should be visited even by a dearth.

2. This will appear still more evident, if we trace, through its other operations, the close analogy which the foreign bears to the home trade in corn. It is of the greatest advantage to the consumer, that subsistence should be equalised, not only through all districts, but also through all periods; and that the monthly, weekly, and daily consumption should be apportioned, as nearly as possible, to the supply of the season. In whatever degree the crops may have failed of their average, this operation of the corn trade puts the people, in a corresponding degree, upon short allowance; and thus saves them, at the end of the year, from the miseries of want. But, in her general results, Nature rectifies particular irregularities; and the crops, throughout all commercial countries, never fail of their usual average, in so great a degree as the crops of a single country. Therefore, when the foreign trade is free, the consumers, though crops should fail of their general average throughout the world, which is an extremely improbable occurrence, will not, by its operations, be put upon so reduced an allowance as would be necessary to their safety, if the external trade were

restricted, and, which is a very probable occurrence, crops failed of their average at home.

But the foreign has an advantage over the home trade, not only in having a smaller proportional failure in the average supply to equalise throughout the year, but also, in allowing this operation to be performed with more exactness. The merchant, who, in case of his miscalculating the extent to which crops had failed of their average, and of his keeping up corn beyond what the real deficiency of the seasons rendered necessary, ran little risk of his superfluous accumulations perishing on his hands, but could, at his option, throw it into any more favourable foreign market, would buy up corn, with increased confidence, in the beginning, in order to be enabled to meet, with a profit to himself, the wants of the latter end of the season. Hence he would more effectually secure the country against want; though he might, if the operation of free external trade rested here, sometimes put the people upon unnecessary thrift in the consumption of food.

The operation however would not rest here : if, from the security which they thus obtained in pur-

chasing up corn, merchants should be tempted to stint any particular market in a greater degree than the failure of an average supply, throughout the growing countries, rendered necessary, they would, in that particular market, give prices an unnatural elevation, and thus invite the competition of other merchants; and corn would flow in from other quarters, and from other countries, to relieve the consumer from the unnecessary and unequal pressure. In commerce, competition is as the principle of gravitation, which, the instant restraint is removed, draws all things to their proper level. The foreign corn trade, when it operates unimpeded by pernicious regulations, not merely enables the dealer to equalise, throughout the year, instead of the uncertain supply of a single country, the regular and nearly uniform supply of all;—not merely gives him confidence and spirit in these important functions;—but, at the same time, fully secures the public against the effects of his occasionally over-trading, and stinting the market unduly.

3. But the security and confidence which free external trade confers upon the dealer, would, in

the operation of carrying on the superfluity of one season to meet the deficiency of another, be far greater, and far more beneficial to the public, than it could be in the operation of equalising the supply throughout the year. When the external trade is subjected to restrictions, the corn-dealer, who, in any particular country, performs the important office of preserving the superfluity of one year to meet the deficiencies of another, incurs very considerable risk. For, though a succession of abundant years, glutting the markets with grain, and leaving on the farmer's hands produce, for which there can be, at present, no consumption, may probably be succeeded by deficient years, requiring, to make them good, all the surplus that can now be saved; yet, the succession of such deficient years is but a probability, in speculating on which, the merchant, however accurately he may have observed the general succession of events, will often find his calculations falsified by a particular result. Now, when his calculations are thus falsified; when, after a course of abundant crops, deficient ones do not immediately succeed, the merchant who

had bought up, in the years of plenty, to sell with a profit, in the years of dearth, will sustain a considerable loss; and may, perhaps, be ruined. But where a free external trade exists, such things cannot be.

The irregularities in the particular operations of nature, rectify each other, and interfere not with the uniformity of her general results. An unusual succession of abundant years may often occur in a single country, but probably, never yet occurred at the same time throughout all countries. The merchant who might buy up the superfluity occasioned by two or three overflowing crops in England, and who should find, contrary to his expectations, and the usual course of things, that the approaching year promised also to be abundant, would, under a free external trade, be certain that somewhere else, deficiencies would occur, and be secure of finding, in some other country, in France, Spain, or Italy,—in Europe, Asia, or Africa, that vent for his stock which could not be obtained at home. Thus all the risks which might have deterred the timid from attempting to carry on the superfluity of one year,

to meet the deficiency of another, would be diminished, and capital would flow with sufficient abundance into a channel of commerce, so effectual in distributing to the consumer a certain and uniform supply of food.

4. As its more extended operations, and its increased security, drew larger capitals to the corn trade, the stock in the hands of the various dealers concerned in it would become more considerable, and their accumulations would more effectually supersede the necessity, and perform the functions, of public granaries. Thus again, the effects of the foreign, would be strictly analogous to those of the domestic trade in corn. The irregularities of the seasons, with respect to the production of corn, lay the foundation for so extensive and so beneficial a commerce in this article, bulky and of universal consumption as it is, that, were all restrictions, internal and external, removed, it would, in its various operations, employ capital to an incalculable amount. To equalise the supply, not only through all the districts of countries, but through all the countries of the commercial world ; and effectually

to carry forward the superfluity of some years, to meet the deficiency of others, would require stores and granaries almost immeasurable. The accumulation of grain, which it would be the interest of dealers, in every country, to keep up, would be so immense, that not only unforeseen, or unprecedented irregularities in the seasons, but even temporary interruptions of that free intercourse itself, from which these most important benefits result, might be immediately provided for. The accumulations of corn, occasioned by an unfettered commerce, would be more efficacious in obviating famine than the granaries of Pharaoh.

5. But it is not only by equalising subsistence more perfectly throughout all the regions of the world, and in laying up and preserving the superfluity of one year for the wants of another, that the external trade in corn, when exempt from pernicious restraint, corrects the irregularity of the seasons, and secures the earth from famine. Its operations, again analogous to those of the internal trade, exert the happiest influence upon production. Every increase of capital which it draws to the purchase, the preservation, and the

distribution of grain, is an additional back and support to the farmer; and every operation that gives steadiness to prices, diminishes the risks of cultivation. As Dr. Smith most justly observes, next to the trade of the farmer, no trade encourages the growth of corn so much as that of the corn merchant: and, if his trade were unfettered, it would not be easy to calculate the impulse which agriculture would receive through all the growing countries of the world.

Thus, every view which we take of this important subject tends to a more clear perception of the analogy between the operations of the internal, and those of the external trade in corn; and to impress us with the magnitude of the benefit which unrestricted commerce, in this article, is calculated to confer. By equalising subsistence throughout all the countries which engage, actively or passively, in commerce; by distributing the supply, in regular proportion, through all the periods of the year; by carrying forward the superfluities of abundant seasons, to meet the wants of deficient ones; by occasioning the establishment of stores and granaries; and by giving

security to agriculture, and, consequently, a new impulse to production, it seems that an unfettered foreign trade in corn, might render famine impossible, and make even dearth an extremely improbable occurrence. The inequality in the productiveness of the seasons diminishes as territory extends. The deficiency of crop, in one country, is compensated by abundance in other countries; and the quantity of human sustenance, which, under any given state of agricultural improvement, our earth produces, may be considered as not liable to any very considerable variations from year to year. Hence, were perfect freedom granted to the external trade in corn, and all its operations effectually carried on, the supply and the price of grain, except as they might be influenced by the expense of carriage, and by the gradual progress of cultivation, would not only be equal throughout all commercial countries, but would continue steady, and almost stationary, *for periods of years*. Neither famines nor dearths would occur in the future history of the world.

These reasonings upon the external trade in corn, receive the fullest sanction from experience.

Holland, we are told, by the simple expedient of leaving this branch of commerce free, obtained, at all times, a supply of corn equal to her demand. Though her territory was inadequate to her subsistence, and though her population depended, almost entirely, upon foreign supply, yet she was exempt from those sudden and considerable fluctuations in the price of bread, which often prove so calamitous in countries which possess every territorial advantage, but whose economical system has less of wisdom. Nay, Holland not only enjoyed ample supply, and steady price; but such were the benefits derived from unrestricted external trade in corn, that they extended beyond herself. She possessed, at all times, supplies of grain beyond her consumption; and, though not a corn country, became a kind of granary for other countries. The grain kept in store by her merchants always exceeded her own annual wants so far as to enable her to supply the occasional deficiencies of the neighbouring countries; and the price of corn in Holland represented, pretty accurately, its average price in Europe.

CHAP. III.

*On the Influence of the external Trade in Corn
on the Subsistence, Wealth, and Prosperity of
the Country which permanently exports Grain.*

IN the preceding chapter we considered the foreign trade in corn; as, by equalising food through different countries, and different periods, by establishing granaries, and by giving encouragement to agriculture, it rectifies the irregularities of the seasons, and ensures, at all times, a steady and an abundant supply of human sustenance. In the present, and in the succeeding chapter, we will take a less general view of the question, and consider the foreign trade, not as it alternately removes redundancy, supplies deficiency, and regulates the supply of food throughout the world; but, as it affects the subsistence, wealth, and prosperity, of those particular countries which permanently export, or permanently import grain.

When overflowing harvests have, in one country, reduced the price of corn, while, in some neighbouring country, deficient harvests have raised it, then corn will flow from the one into the other. This, however, would be a merely temporary adjustment of supply, and could not give the former the character of an exporting, nor the latter the character of an importing, country. But when, in average years, the price of corn is comparatively lower in one country than it is, in such years, in another; or while this other country has comparatively lower prices in something else, then the one will permanently export, and the other permanently import, subsistence. For example: while Poland can raise corn comparatively cheaper than England, or England prepare cloth comparatively cheaper than Poland, the latter, unless some violent interference should prevent it, will become an exporting, and the former an importing, country.

Now, the country which permanently exports a part of its subsistence, is secured, in the most effectual manner, against the visitations of want; and enjoys all the benefits, which, in the last

chapter, were shewn to result from the external trade in corn. Prejudice and passion, indeed, have often decided otherwise. When the inhabitants of an agricultural country see a considerable part of its produce sent to supply foreign wants, they are very apt to conclude, that the foreign corn trade, however beneficial it may be to others, is injurious to themselves, and tends to inflict an artificial scarcity, when Nature had blessed them with abundance. But this conclusion, however obvious it may appear, and however frequently it may have been drawn, is entirely erroneous. The foreign demand creates the surplus it removes. When the exportation of corn is restricted, the farmer will cultivate to such an extent only that, in average years, the supply will equal the home consumption, and the consumer will not obtain corn more abundantly than before. On the contrary, he will be in a much more precarious condition than if free exportation were allowed. For as, in an exporting country, the price of corn must be comparatively lower than its price elsewhere, such a country, in the event of a deficient year, cannot be relieved by importation, until prices have

run up very considerably above their customary and average rate. If Poland, where corn is naturally so cheap, were to prohibit exportation, and, consequently, to grow only her own supply, in an unfavourable harvest her people might be visited by famine, before the markets would be sufficiently high to enable the merchants of France, or England, where the article is naturally so much dearer, to send her corn with an adequate profit. Hence, a country in which the comparative cost of producing corn is very low, is, if she restrain exportation, of all others the most likely to suffer from the irregularity of the seasons. If, on the contrary, she leaves the external trade in corn unfettered, cultivation is carried to an extent, far beyond what is necessary to supply home consumption; and a great surplus is created, from which, on the recurrence of deficient years, all the wants of her population may be made good.—The irregularities of the seasons are almost unfelt; and those sudden gluts, and critical suspensions of supply, which prove at once so injurious to the grower, and so calamitous to the consumer, are unknown. A people, clamouring against the per-

manent exportation of corn, is, in fact, a people clamouring for their own occasional starvation.

But, though it cannot be controverted, that an unrestricted exportation of corn, giving occasion to a more extended cultivation than is necessary for home consumption, is all-powerful to correct the inconvenience of unequal seasons, and to insure to a people an ample, and steady supply of subsistence, yet such commerce has frequently been represented as injurious to wealth and population. When a people exchange the produce of their soil, for the wrought goods of some neighbouring country, it has been supposed, that the raw materials and subsistence which they thus send abroad, might, to the great increase of the national opulence and prosperity, give employment to manufacturers at home.

The slightest examination of the laws which regulate the interchange of commodities between nations, is sufficient to shew, that, for this supposition there is no foundation. When labour and capital are employed in cultivating the earth, and exchanging its produce for the manufactured goods of other countries, it is because these goods, thus

obtained are better, or more abundant, than those which the same quantities of labour and capital could have fabricated at home. This interchange, therefore, of produce against manufactures, effects a clear addition to the wealth of the nation. If a thousand labourers, and ten thousand pounds' worth of capital stock, can, when employed upon the soil, raise a quantity of produce which will exchange for a thousand yards of foreign cloth, while the same labour and capital, employed in manufacturing at home, could furnish only nine hundred, then, it is evident, that, by directing this labour and capital to cultivation, and to exchanging produce against wrought goods, a hundred yards of cloth are gained, and the country enriched, not impoverished.

Again: a country which employs a portion of its capital in raising a surplus produce for exportation, cannot turn its produce to maintain manufactories at home, until a further accession of capital, sufficient for their establishment, has been previously accumulated. If, in order to maintain a manufacturing population at home, capital be taken from the soil, then the industry of the country will diminish, in proportion as that of the

towns is increased; and the only difference will be, that a number of hands will be employed in fabricating goods, inferior in quantity, or quality, to those which the same number of hands formerly enabled the people to procure by exchange from foreign countries. It is only by the acquisition of additional capital, that, without breaking up the old, new channels of industry can be opened; and it is by an unrestricted commerce, leaving labour and stock to find their most beneficial employment, that production is best increased, and capital most rapidly accumulated. Hence, perfect liberty to export the produce of the soil, accelerates the period of manufacturing prosperity in an agricultural country. In such a country, when capital begins to exceed what, at the existing price of produce, can be beneficially vested in the soil, it will seek other employment, and invest itself in the working up of the raw material.

Now, as a country which raises, within itself, subsistence and raw materials, can procure them cheaper than countries that import them, charged with the expense of carriage; the home² manufacturers gradually established, in such a country, will, particularly in the fabrication of coarser

articles, on which the charge of importation is considerable, possess advantages which must more than counterbalance their deficiency in skill, and which will enable them to under-sell the foreign workman, and beat him out of the home-market. When the coarser manufactures have thus established themselves, skill will gradually be acquired, capital will continue to increase, and the more refined productions of industry will, by degrees, be introduced. When this is the case, the corn that had formerly been exported to feed foreign workmen, will be retained at home to supply the wants of a manufacturing population. Such a population rises up most rapidly under a system that rejects restraint. Perfect freedom in the foreign corn trade, not only secures the people of an exporting country against the irregularity of the seasons in supplying food, but, by allowing labour and stock to take the direction most profitable to them, is the best and most powerful means of increasing wealth and accumulating capital; and, consequently, of ultimately accelerating that manufacturing prosperity, to which ignorance has imagined it to be inimical.

CHAP. IV.

On the Influence of the external Corn Trade upon the Subsistence, Wealth, and Prosperity of the Country which permanently imports Grain.

IF, from the many benefits, whether relating to subsistence, to wealth, or to population, which are conferred by the export trade in corn, any person should conclude that the opposite species of intercourse would produce opposite effects, and that a permanent import trade in corn must be injurious, he would find himself miserably deceived. It is only by leaving the import trade perfectly free, that a country can escape the irregularities of the seasons in supplying food. In countries where the growing price of corn is so high as to cause, in average years, a part of their consumption to be brought from other countries, an unrestricted importation trade is necessary to prevent a ruinous

fluctuation in the markets. For the expense of carriage, on an article so bulky as corn, affords so great a protection to the home grower, that corn will not be permanently imported, except into a country where the expense of producing it is very considerably above the level of other countries; and if, in such a country, restrictions are laid upon import so as to force, in average years, an independent supply, then, in abundant years, superfluity will be created, but will find no vent until prices have sustained an extraordinary fall. Exportation can take place only from places where articles are relatively cheap, into those where they are relatively dear. If, in the country which, by restrictions upon import, forced an independent supply in average years, the average price of corn should be ten per cent. above the level of other countries; and if the cost of conveying the article to the foreign market should be ten per cent. more; then, in such a country, corn must, in an abundant year, fall twenty per cent. before the glut could begin to be removed by exportation. Though, in the event of deficient crops, foreign corn might be admitted so as not to let prices run much above those of

average years ; yet, between the prices of such years, and the very low comparative prices at which, in abundant ones, merchants could export with a profit, there would be perpetual, and even great fluctuations. The effect of these upon the grower would be distressing, and upon the consumer would be calamitous. As, in countries, where the relative cost of producing corn is so low that relief cannot be obtained from abroad, until the markets have acquired an extraordinary elevation, a free exportation trade is necessary to ensure the people against the irregularities of the seasons ; so, in a country where the price of produce is so high, that superfluity cannot be carried off until the markets have sustained an extraordinary fall, it is necessary, in order to attain the same desirable end, that there should be an unrestricted import trade.

But it is not only in correcting the irregularity of the seasons, and in securing, at all times, a steady supply of subsistence at a steady price, that, when the circumstances of the country naturally lead to it, the permanent importation of corn is beneficial. The advantages of commerce

are always reciprocal. As the country which permanently exports corn, does so only because she obtains in exchange a greater quantity of other goods than the labour and capital which raised the corn could have produced at home; so, the country that imports the corn, does so only because the labour and capital employed in fabricating the articles which purchase it, could not, if employed upon her own soil, raise so large a supply of corn as is thus obtained. If a thousand labourers, and a thousand pounds' worth of capital stock can, in England, fabricate a quantity of cottons which, when exchanged with some other country, will bring her a thousand quarters of wheat; while the same number of workmen, and the same amount of capital, employed in cultivating her soil, will raise only nine hundred quarters of equal goodness; then it is evident that, by manufacturing the cottons, and importing the corn, she adds a hundred quarters to her wealth.

Nor would such an importation of corn, allowing labour and capital to take their most beneficial direction, be ultimately injurious to the interests of agriculture. On the contrary, that direction

of national industry which is most beneficial to national wealth, must, in the long run, be most friendly to agricultural improvement. As, in a country which cultivates cheaper than her neighbours, a free exportation of corn occasions an accumulation of capital, which, exceeding what can be beneficially employed upon the soil, flows out into other channels, and occasions the establishment of manufactures; so, in a country which can manufacture at a cheaper rate than her neighbours, the free importation of corn will occasion a more rapid accumulation of capital, which, exceeding what can be beneficially directed to working up the raw material, will seek other employment, and extend cultivation throughout the country.

If, in any country, the customary rate of profit upon commercial and manufacturing stock be fifteen per cent., while the rate of profit upon the stock which might be turned to the extension of tillage would amount only to ten per cent., it is evident that tillage cannot be extended,—that tracts which would afford the speculator a profit of only ten per cent. will remain unreclaimed, and that

cultivation will be confined to such fertile districts as can yield to the capitalist the customary return. Even though these fertile districts should be insufficient to sustain the population, yet, while manufacturing and commercial profits continue to be higher than those which could be obtained by the cultivation of inferior lands, such lands will be neglected, and labour and capital will be directed to the more profitable occupation of fabricating commodities with which to purchase the necessary supply of corn from the foreign grower. Thus it is that, after her fertile soils have been brought under the plough, a country which has acquired advantages in manufactures, necessarily becomes, unless industry should be forced from its natural direction, a permanent importer of corn. In the progress of prosperity, however, this process is, in some measure, reversed; manufactures and commerce have a reaction on the soil, pour back upon it the labour and capital which they at first appeared to take away, and, at last, enable a territorial state to attain a much higher degree of agricultural improvement than that to which, without their powerful stimulus, she would have

been capable of attaining. For, in the progress of wealth and population, the increasing demand for, and value of, raw produce, reduces the rate of manufacturing and commercial profit, until it no longer exceeds what can be obtained by reclaiming inferior lands. Capitalists, therefore, cease to be induced, by the prospect of greater gains, to leave such lands neglected; nay, if the customary rate of manufacturing and commercial profit should be reduced to nine per cent. the lands lately left untilled, because they could bring a return of only ten per cent. would be eagerly sought after, and capital would flow from manufactures and commerce, and vest itself in agriculture. In the progress of wealth, the profits of stock, and the interest of money, are gradually lowered, while land acquires a higher relative value, and tracts, which can afford a return of nine, of eight, or even of seven per cent. are brought into tillage. At length cultivation ascends the hills and scales the mountains, and the country wears the aspect of a universal garden.

No artificial encouragement afforded to agriculture can be so efficient as that, which results

in this manner from the general opulence, and from the reaction of manufactures and commerce upon the soil. Bounties upon export, and restrictions upon import, might, indeed, give an increased relative value to land, and raise the price of its produce, until the cultivation of very inferior lands afforded, for a time at least, a profit sufficiently high to draw labour and capital from other occupations. But this forced and artificial encouragement, afforded to agriculture, would be dearly, much too dearly purchased. Corn is imported because the labour and capital, employed in this way, bring a larger supply than they could raise at home. If we restrict importation, or grant bounties, or in any way turn capital from its most beneficial occupation, we check the progress of wealth, and the further accumulation of capital; but it is the accumulation of capital which enhances the wages of labour, gives a spur to population, and increases in the home market the demand for corn. The demand regulates the supply. The country which gives a forced and artificial encouragement to agriculture, will have less wealth, less capital, less population, a less demand for corn, and, ulti-

mately, a less extended and perfect cultivation, than the country which, leaving things to their natural course, and permitting industry to take its most profitable direction, receives subsistence from whatever quarter it can be obtained at the cheapest rate, until capital, accumulating beyond what can be profitably employed in preparing articles for the foreign market, overflows, like fertilising waters, on the soil.

CHAP. V.

On the Influence of the Corn Trade on the Value of Commodities.

§ 1.—*On Value.*

WHEN the possessors of different articles of wealth are willing to give one for another, then, in the language of political economy, such articles are said to possess the quality of value in exchange, or, more simply, of value. The value of any article, therefore, is its power of purchasing other articles, or, to vary the expression, of commanding other articles in exchange.

From what has been said, it must be evident that the quality of value is not an absolute and independent quality, which may be possessed by any one article of wealth, considered singly and alone. On the contrary, the quality of value is a relative quality, which belongs only to those co-existing articles of wealth which are offered and received in exchange for each other. If each

individual produced, by his own exertions, all the commodities he consumed, or were the country divided into small societies, like the villages of Mr. Owen, working in common, and possessing a community of goods, their wealth, however abundantly supplied, would not have the quality of value.

When commodities are exchanged for each other in any given proportions; for instance, when a quarter of corn is exchanged for a yard of cloth, it becomes the business of the political economist to discover and to explain why the one passes as the equivalent of the other; that is, why this precise quantity of corn is given and received for this precise quantity of cloth. In other words, it is the business of the economist to give a satisfactory account of the causes which regulate value.

The general desire to give as little as possible for what we wish to obtain, and to get as much as we can for what we wish to dispose of, is a first and main cause in regulating value. This desire creates a constant competition amongst producers and consumers; and competition, sometimes acting in one way, and at other times in another

way, regulates the proportions in which commodities exchange. In order, therefore, to ascertain what, under any given circumstances, is the immediate cause of value, it is necessary to discover what, under such circumstances, is the particular point upon which competition turns.

§ 2.—*Quantity of producing Labour, the Regulator of Value, when Men work on their own Account.*

In those early stages of society in which each individual works upon his own account, the main point upon which competition turns, is the quantity of labour employed; and therefore the value of commodities will be as the quantities of labour required to obtain them. Under these circumstances, if, in the course of a day, one man can hunt down a deer, while it requires two men to hunt down a buffalo, then one buffalo will exchange for two deer. For as each party is desirous of obtaining what he wants on the easiest terms, neither would consent to receive in exchange for the produce of his labour less than that labour might immediately procure for him; and hence

the competition of the parties would cause the products of equal quantities of labour to be of equal value in exchange.

§ 3.—*Amount of producing Capital, the Regulator of Value, when Capitalists become a distinct Class.*

As society advances from its first and most simple form, and the class of capitalists becomes distinct from the class of labourers, competition turns upon another, and very different circumstance. In this state of society the competition of capitalists will have a constant tendency to equalise the rate of profit; and it is a necessary consequence of the equality of profits, that the products of equal capitals, employed for equal times, should be of equal value. But the products of equal capitals are scarcely ever the products of equal quantities of labour; and consequently, as the quantity of producing labour is no longer the circumstance on which competition turns, it ceases to be a regulating cause of value. An illustrative case will demonstrate this.

It is self-evident, that if a day's labour did not

produce something more than the subsistence of the labourer, capital could not be accumulated, and no surplus or profit could exist. That which the labourer produces, over and above the subsistence he consumes, varies in quantity, from differences in soil and in skill ; but, for the sake of precision, we will assume, as a datum, that the labour of one day produces subsistence for two days.

Under these circumstances, let us suppose that A and B work 100 days, each on his own account ; and that, besides supplying themselves with subsistence, each has, at the end of the hundred days, accumulated the produce of 50 days' labour, for the purpose of employing it, as capital, in setting other labourers at work. Let us further assume, that A's capital consists of wool, the produce of 10 days' labour, and of subsistence, the produce of 40 days' labour ; while B's capital is composed of silk, the produce of 40 days' labour, and of subsistence, the produce of 10 days' labour.

On the principle before stated, that when each person labours on his own account competition turns on quantity of labour, it follows that the capitals of

A and B, being each the produce of 50 days' pure labour, will be of equal value; and, on the principle also explained above, that, when capitalists and labourers are distinct, competition turns upon the equalisation of profits, it follows that the wrought woollens and the wrought silks, fabricated by the advance of the equal capitals of A and B, will possess equal value in exchange.

But though the wrought woollens and silks would be of equal value, they would be the products of very unequal quantities of labour. For as, by the supposition, the labour of one produces subsistence for two, A, with his capital, consisting of subsistence, produced by 40 days' labour, and wool produced by 10 days' labour, would employ for a day, 80 immediate labourers, upon a material which had cost 10 days' previous labour; while B, with his capital, consisting of subsistence, the produce of 10 days' labour, and of silk, the produce of 40, would employ, for a day, 20 immediate labourers, upon a material which had cost him 40 days' previous labour. Thus the whole labour, immediate and previous, worked up in A's woollens, would amount to 90

days; while the whole labour, immediate and previous, worked up in B's silks, would amount to no more than 60. That which cost 90 would be equal in value to that which cost 60 days' labour.

Were the quantity of labour which produces subsistence equal to the quantity to which this subsistence will supply wages, then the products of equal capitals would also be the products of equal quantities of labour. In this case A, with his capital consisting of subsistence produced by 40, and of wool produced by 10, would obtain his wrought woollens by employing 40 immediate labourers, upon a material which had cost 10 previous labour; while B, with his capital, consisting of subsistence produced by 10, and silk produced by 40, would obtain his wrought silks by employing 10 immediate labour, upon a material which had cost 40; and the woollens and the silks, while equal to each other in value, because the products of equal capitals, would each be the product of 50 days' labour.

But the above is an impossible case, which, in practice, never can exist. There must always

be some profit, otherwise subsistence and material would not be advanced; and, if there be any profit, the labour which produces subsistence must be less than the labour to which that subsistence will furnish wages; and, consequently, whenever equal capitals contain subsistence in different proportions, the products of equal capitals will be the products of unequal quantities of labour. But, as competition equalises profit, the value of commodities must be as the value of their producing capitals; and, while the value of the producing capitals remains the same, no increase or diminution in the quantity of producing labour, can cause a change in the value of the commodities produced.

As it is competition, equalising the rate of profit, which regulates value, the principle that the value of commodities is as the amounts of their producing capitals, requires some modification, whenever the capitals employed are of unequal durability. If profits are at twenty per cent., and if the whole of A's capital be consumed in production, then his finished article must be equal to the value of his capital, increased by twenty per cent.; while, if B's capital be only half

consumed, the value of his finished article will be equal to the value of *half* his capital, increased by twenty per cent. upon his *whole* capital. In order to embrace the numerous cases of inequality in the durability of capital, we should render our language more general; and, in saying that when equal capitals are employed for equal times, the results will be of equal value, we should include, under the term results, not only the finished article, but the residue of the capital. This extension of the meaning of the term cannot lead to ambiguity.

§ 4.—*Effect of Monopoly in regulating Value.*

Generalised in the way above stated, the principle, that equal capitals, employed for equal times, have equivalent results, embraces every case respecting the regulation of value, in which the competition of capitalists equalises profits. But there are many cases in which the profits cannot be equalised, because the competition of capitalists is suspended, either wholly or in part. The suspension of competition amongst producing capitalists is termed monopoly; and, in all cases

of monopoly, value will be regulated by principles somewhat different from those above stated.

When any one set of capitalists possess peculiar advantages in skill, situation, or connection, the value of the commodities which they bring to market will not be regulated by the amount of capital employed in producing them, under such peculiar advantages; but, on the contrary, will be regulated by the expenditure which must be incurred in producing them in those ordinary cases, under which competition operates unchecked.

No limits can be assigned to the value of those articles of luxury, the supply of which cannot be increased in proportion to the demand. The case is different with respect to the necessaries of life. To the value of these, there are natural limits which cannot be permanently passed. The value of those things which constitute a day's subsistence can never, for any length of time, exceed the value of those things which are produced by a day's labour; for if it did, the capitalist, instead of obtaining a profit, would suffer a loss, and labour could not be advantageously employed. It necessarily follows from this principle, or rather

it is the same principle, differently expressed, that the value of the articles produced by a day's labour, cannot be permanently lower than the value of the articles constituting a day's subsistence; for if it did, the labourer, instead of earning a profit for his employer, could not replace what he expended while at work. These principles are of great practical importance.

From this analysis it appears, that it is only articles of luxury, whose value can be indefinitely increased by monopoly; that there is a maximum, beyond which the value of subsistence, in relation to other things, cannot rise; and that, conversely, there is a minimum, below which, in relation to subsistence, the value of the other products of industry cannot fall. It also appears, that with the exception of those rare articles of luxury, the quantity of which cannot be increased with the demand, the value of all commodities is regulated by the amount of capital required to produce them, under the most unfavourable circumstances to which it may be necessary to resort, in order to keep the supply level with the demand.

§ 5.—*Erroneous Views of Dr. Smith respecting the Value of Corn.*

Adam Smith has said*, that the nature of things has stamped upon corn a real value which is always equal to the quantity of labour which it can maintain, and which competition cannot lower, nor monopoly advance. This is a fundamental error. The value of every commodity, not the subject of monopoly, is determined by the cost of production; and as the cost of producing corn may increase or diminish, without occasioning a proportional increase or diminution in the cost of producing other things, a given quantity of corn may purchase a greater or a less quantity of other articles; or, in other words, corn may rise or fall in value.

Supposing that, in order to raise three hundred quarters of corn, it required an advance of (one hundred and) fifty quarters as seed, fifty quarters as the food of the labourers employed, together with fifty yards of cloth, as their clothing; and that in order to fabricate three hundred yards

* Book IV. c. 5.

of cloth, it required an advance of material equivalent to fifty quarters, with fifty quarters as food, and fifty yards as clothing; then three hundred quarters of corn would be worth three hundred yards of cloth. But supposing, that while three hundred yards of cloth can be fabricated by this advance of one hundred quarters as material and food, and fifty yards as clothing, the land under cultivation is so inferior in quality, that to raise three hundred quarters of corn requires an advance of one hundred quarters as seed, one hundred quarters as the food, and one hundred yards as the clothing of the greater number of labourers employed; then three hundred quarters of corn would be equal in productive cost, and consequently in exchangeable value, to six hundred yards of cloth. The same principle applies to every other article, the quantity of which human industry can increase. If, while it requires a double quantity of capital to raise the same quantity of corn, the cost of production remains stationary, not only with respect to cloth, but also with respect to the general mass of commodities, then corn, as com-

pared with the general mass of commodities, will acquire a double value.

We may lay it down as a universal maxim, that whatever increases the cost of production in agricultural industry, without increasing contemporaneously, and proportionally, the cost of production in manufacturing industry, will raise the value of raw produce as compared with wrought goods; or, in other words, will cause the same quantity of corn to exchange for a greater quantity of cloth, or of other fabrics.

The conclusions to which the principle we are combating necessarily leads, also demonstrate its incorrectness. If the value of corn be invariable, then whatever occasions a relative increase in its productive cost, will destroy that equality in the rate of profit, which the law of competition has a perpetual tendency to establish. When the raising of three hundred quarters of corn requires the expenditure of any given amount of capital; and the fabricating of three hundred yards of cloth requires the expenditure of the same given amount of capital; then, if three hundred quarters of corn, and three hundred yards

of cloth, possess in the market the same value, or power of purchasing, the rate of return upon agricultural and manufacturing capital will be precisely equal, and the capitalist can have no inducement to transfer his stock from the one occupation to the other. But when, in consequence of the inferiority of the land under cultivation, or any other cause, the raising of three hundred quarters of corn requires the expenditure of a greater capital, then, if three hundred quarters of corn did not acquire a higher value than three hundred yards of cloth, fabricated with the expenditure of the same capital as before, it is self-evident that the rate of profit in manufactures would be much higher than in agriculture. The continuance of this state of things would be morally impossible. Influenced by the desire of bettering his condition, the farmer would transfer his capital from agriculture to manufactures. This would diminish the supply of raw produce in relation to the demand; and its value, or exchangeable power in the market, would consequently rise until the profits of capital became equal, and the prices of corn and of cloth proportional to the cost of their production.

Adam Smith's principle, that corn possesses an invariable value, could not be true unless every increase or diminution in the difficulty of raising raw produce were accompanied by a proportional increase or diminution in the difficulty of working up material. But this never is the case. The quantity of the several articles of capital which must be expended in preparing wrought goods, is neither increased nor diminished by an increase or diminution in the quantity of the several articles of capital which must be expended in raising raw produce. When we cultivate a more fertile soil, the food and material necessarily expended in the fabrication of our three hundred yards of cloth, are reduced in value, but are not diminished in quantity; while the food and material necessarily expended in raising three hundred quarters of corn, are reduced both in value and in quantity. Thus the cost of producing corn is diminished in a greater proportion than the cost of producing manufactured goods; and as the cost of production regulates exchangeable value, the exchangeable value of corn will fall, as compared with the exchangeable value of manufactured articles. On

the contrary, when we resort to inferior soils, the productive cost, and consequently the exchangeable value of corn, are raised, as compared with the productive cost and exchangeable value of wrought goods.—While the law of competition tends to equalise the rate of return upon capital, it will be impossible that corn should possess an invariable value.

§ 6.—*Erroneous Doctrine of the French Economists respecting the Value of raw Produce.*

The doctrine of Adam Smith, that the nature of things has stamped upon corn an invariable value, bears some analogy to the doctrine of the French Economists, that the labour of the manufacturer does not increase the value of the produce of the soil, but merely adds to the raw material the value of the subsistence which he consumes while carrying on his industry. If wrought goods possessed no greater value than that of the food and material expended in fabricating them, any given quantity of food and material would exchange for neither more nor less than that quantity of wrought goods which its expenditure

produced; and corn, and other raw produce, would possess an invariable value as compared with manufactured articles. Improvements in manufacturing industry, indeed, enabling us to work up the same quantity of material with a less expenditure of food, would cause a given quantity of cloth, or of any other fabric, to exchange for a less quantity of raw produce; because, in this case, the value of a less quantity of raw produce would be realised in it. But in any given state of manufacturing industry it would necessarily follow, that a given quantity of raw produce, and the wrought goods prepared from it, would possess the same identical value with respect to each other. A given quantity of food and material would not exchange for a less quantity of the manufactured article prepared from it, because a more fertile soil were cultivated; nor for a greater quantity of the manufactured article, because an inferior soil were cultivated. If the manufacturer does no more than add to the raw material the value of the subsistence which he consumes, then the value of the manufactured article must be identical with the sum of the values of the food and material;

and any given quantity of it must continue to be worth the same quantity of food and material, whatever may be the quality of the soil under cultivation, or the facility or difficulty with which raw produce is procured.

But the doctrine of the French Economists, that the manufacturer does not increase the value of the produce of the soil, but merely adds to the material the value of the subsistence which he consumes, is fundamentally erroneous. The value of wrought goods is always superior, by the rate of profit, to the sum of the values of the food and material by means of which they are prepared.

From the perpetually operating law of competition, the employment of equal capitals, for equal times, yields results of equal exchangeable value. If an agricultural capital, consisting of fifty quarters of corn as seed, and fifty quarters as food, can raise a produce of one hundred and fifty quarters; then a manufacturing capital, employed for the same period, and consisting of fifty quarters of corn as food, with raw material, equal in productive cost, and therefore in value to fifty

quarters, will fabricate a quantity of cloth equivalent to one hundred and fifty quarters of corn. In this case, the manufacturer, instead of having merely added to the raw material the value of the subsistence consumed in working it up, will have created an article more valuable, by fifty per cent., than the products of the soil from which it was prepared. If the value of his finished article did not exceed the values of the food and material by the advance of which it was prepared, then manufacturing capital would obtain no profit at all; while, by the supposition, agricultural capital was obtaining a profit of fifty per cent. But this is manifestly impossible. No capitalist would ever engage in manufacturing industry, unless the value of the finished article exceeded the values of the food and material advanced in preparing it; and no one would continue the manufacturing of any article unless the excess of its value, over and above the cost of its production, were sufficient to afford him a rate of profit equal to that which he might obtain by investing his stock in agricultural industry.

Hence it may be laid down, as a general prin-

eiple, that in whatever proportion the quantity of produce obtained from the soil exceeds the quantity employed in raising it, in that proportion the value of manufactured goods will exceed the values of the food and material expended in preparing them. If an agricultural capital, consisting of fifty quarters of corn as food, and fifty quarters as seed, instead of raising one hundred and fifty, raised only one hundred and twenty-five quarters,—then a manufacturing capital, consisting of fifty quarters as food, with material equivalent to fifty quarters more, instead of fabricating a finished article worth one hundred and fifty quarters, would fabricate one worth only one hundred and twenty-five quarters. When the productive powers of agricultural industry are high, then the value of manufactured articles will considerably exceed that of the food and material with which they are prepared; and when the productive powers of agricultural industry are lowered, then the value of manufactured goods is reduced, as compared with that of the agricultural produce expended on their production.

This effect would be produced even if the effective powers of manufacturing industry were to remain stationary, and the same quantity of food and material were always required to prepare a given quantity of wrought goods. But as wealth and population increase, the effective powers of manufacturing industry rise; and new divisions of employment, and improved machinery, enable the same quantity of material to be wrought up with a less expenditure of food. Hence, in the progress of society, there are two causes which diminish the value of wrought goods as compared with raw produce. While a given quantity of agricultural produce serves to fabricate a greater quantity of wrought goods, the value of this greater quantity of wrought goods does not exceed the value of the given quantity of raw material in so great a proportion as the value of the less quantity formerly exceeded it. If the soil under cultivation was so fertile that fifty quarters of corn laid out as subsistence, and fifty quarters as seed, caused a re-production of one hundred and fifty quarters—while manufacturing industry was

in such a state, that fifty quarters of corn advanced as subsistence, with material worth fifty quarters more, fabricated one hundred and fifty yards of cloth—then one hundred and fifty yards of cloth would be equivalent to one hundred and fifty quarters of corn. But if the soil resorted to be so inferior that fifty quarters of corn as food, and fifty as seed, can raise only one hundred and twenty-five quarters,—while manufacturing industry is so improved that twenty-five quarters of corn as food are sufficient to work up the material equivalent to fifty quarters, out of which one hundred and fifty yards of cloth are prepared—then one hundred and fifty yards of cloth, which were formerly worth one hundred and fifty quarters of corn, will be worth only ninety-three quarters. For, raising one hundred and twenty-five quarters of corn required a capital of one hundred quarters; and fabricating one hundred and fifty yards of cloth, required a capital equivalent to seventy-five quarters; and the law of competition determines that, times being equal, the values of products shall bear the same pro-

portion to each other as the values of the capitals employed in obtaining them.

But though, in the progress of society, the increasing demand for food, and the necessity of resorting to inferior soils for supplying it, with the successive improvements in machinery, and in the divisions of employment, are constantly operating to diminish the difference between the value of produce in the raw and in the manufactured state; yet the period never can arrive when the finished article shall possess no greater value than that possessed by the food and material with which it is prepared. No man will permanently engage his capital in production, except for the sake of a profit. The farmer will not expend one hundred quarters of corn in cultivation, if something more than one hundred quarters be not returned to him at the end of the harvest. But if one hundred quarters expended in cultivation yield a return of one hundred and one quarters, the law of competition requires, that one hundred quarters, or their equivalents expended in manufactures, shall give a finished article equal in value to one hundred and

one quarters.—As the extension of tillage must be arrested before the expenditure of agricultural capital ceases to occasion a reproduction greater in quantity than itself, so the progress of manufactures must be stayed before the employment of a given quantity of food and material ceases to return a finished article of greater value than itself.

Thus it appears, from abundant evidence, that the doctrine of the French Economists, that the manufacturer does no more than add to the raw material the value of the subsistence which he consumes while at work, is fundamentally erroneous, and cannot, in any possible state, either of agricultural or manufacturing industry, be conformable to fact.

§ 7.—*Influence of free Trade on the relative Value of raw Produce and wrought Goods.*

While in the progress of society these two causes, namely, the cultivation of inferior soils, and the improving powers of manufacturing industry, have a constant tendency to raise the value of raw produce in relation to wrought goods, a third cause comes into operation, and coun-

teracts their influence. This third cause is, commerce. It is the business of the merchant to transfer commodities from places where they are comparatively cheap, to places where they are comparatively dear. Hence, when trade is free, the price of an article in the situations most unfavourable for its production, will not exceed its price in the most favourable situations to a greater extent than is necessary to pay the expense of transport, with the customary rate of profit upon the capital employed in the transaction. In new and thinly peopled countries, where, as none but the best lands are cultivated, the powers of agriculture are high, but where, from the want of judicious divisions of employment and of extensive machinery, the powers of manufacturing industry are low, the introduction of cheap wrought goods has the effect of raising the value of raw produce as compared with that of wrought goods; but in all old and densely peopled countries, where domestic agriculture cannot be extended without resorting to inferior soils upon which its productive powers must diminish, but where, in consequence of minute divisions of employment,

large capitals, and extensive machinery for abridging labour, the productive powers of manufacturing industry are high, the importation of raw produce must necessarily counteract the tendency of such produce to rise in value as compared with wrought goods.

Of all the countries in the world, England exhibits the most striking practical example of the natural tendency of raw produce to rise in value as compared with wrought goods. Having, in proportion to the extent of her fertile land, started before her neighbours in wealth and population, she is obliged to extract supplies of food and material from soils inferior to those under cultivation in the surrounding countries; while from her coal mines, her capital and her machinery, the effective powers of her manufacturing industry have increased in a degree unequalled in the history of the world. The effects of these two causes in raising the value of raw produce in relation to wrought goods, or, what comes to the same thing, in lowering the value of wrought goods in relation to raw produce, commerce is not permitted to counteract. If intercourse were free, the price of

corn in the British market would exceed its price in the neighbouring growing countries, only by the sum sufficient to pay the expense of its carriage, together with the customary rate of profit upon the capital employed in the transaction. But our restrictive system excludes this natural check upon the comparative rise in the value of raw produce; and while, in all the main branches of manufacturing industry, our finished articles are considerably cheaper than in any other country, our food and material are dearer by a hundred per cent.—It becomes a momentous problem for the solution of the practical statesman, whether, under such circumstances, our manufacturing and commercial prosperity can be preserved.

CHAP. VI.

On the Influence of the Corn Trade on the Wages of Labour.

WHEN men cease to work upon their own account, they must receive from their employers, in exchange for their labour, such articles of wealth as may be necessary to preserve them in working condition, and to enable them to keep up the race of labourers. The articles of wealth which the labourer receives, in exchange for his labour, are denominated wages. When the quantity of necessaries and comforts which the labourer receives is large, wages are said to be high; when it is small, they are said to be low.

When money becomes the instrument of exchanging one thing for another, a distinction must be made between money wages, and commodity wages; or, in other words, between nominal and real wages. Real wages consist of the *quantity* of necessaries and comforts which the labourer

receives; nominal wages of the *sum of money* in which he is paid. If money always retained the same value, in relation to the necessaries and comforts of life, nominal wages would always be a correct measure of real wages: and both would rise or fall together, and in the same proportion. But the exchangeable power of money is liable to constant fluctuations, and therefore nominal wages often rise, while real wages fall; and fall, while real wages rise.

The minimum below which the real wages of labour cannot permanently fall, consists of that quantity of the necessaries of life which climate and custom render necessary to support the labourer while at work, and to enable him to bring up a family sufficient to preserve the supply of labour even with the demand. From the principles established in the preceding chapter, the reader will immediately perceive, that the value of this quantity of the necessaries of life is liable to considerable fluctuations. Of all the articles which enter into the labourer's subsistence, food is the most considerable and the most important; and we have seen that, in the progress of wealth

and population, food, as an article of agricultural produce, is constantly rising in value in relation to manufactured goods. Hence, in the progressive society, the value of the articles which the labourer receives as his wages, has a constant tendency to rise.

Let us suppose, in the first instance, that the real annual wages of the labourer consist of six quarters of corn, and three suits of clothing; and that a quarter of corn and a suit of clothing cost each £.3. This being the previous state of things, we will suppose further, that while the cost of producing the material of money, and all other commodities, remains unchanged, the cost of raising corn is doubled; and then the price of that part of the labourer's real annual wages which consists of corn, will rise from £.18 to £.36, and the price of his whole real wages from £.27 to £.45. Thus his money wages would rise upwards of sixty per cent.; and as, by the supposition, money retains its former worth with respect to every article except corn, the general value of the things constituting his real wages would rise upwards of sixty per cent. also.

If, during this process, the cost of producing ma-

manufactured goods were reduced one half, while the cost of producing the precious metals remained unchanged, then the money price of that part of the labourer's real wages which consisted of clothing, would fall from £.9 to £.4 10s. and the whole of his wages, when estimated in money, would fall from £.45 to £.40 10s. But notwithstanding this, the value of the articles constituting the labourer's real wages would be still further increased. By the supposition, money has acquired twice its former power in the market with respect to all wrought goods. While £.4 10s., the present price of the labourer's three suits of clothing, are worth the same quantity of all wrought goods which £.9 were worth before, £.36, which continue to be the price of his six quarters of corn, are worth double the quantity of all wrought goods. Any given quantity of his corn which the labourer can spare for the market, will purchase for him four times the quantity of every fabric of the manufacturer which it could have purchased before the expense of raising raw produce was increased, and that of preparing wrought goods diminished.

From the principles here stated, Mr. Malthus

has drawn the conclusion, that restrictions on the importation of foreign corn, forcing our inferior soils into cultivation, and raising the price of the first necessaries of life, are beneficial to the labouring classes, by giving them advantages in purchasing conveniences and luxuries*. This conclusion, as it appears to me, involves a fundamental and pernicious error. I shall therefore endeavour to shew its invalidity both in this, and in the succeeding chapter; lest the authority of Mr. Malthus's name, deservedly great in some other departments of political economy, should have the effect of giving it currency in public opinion.

The real wages of labour have a constant tendency to settle down to that quantity of the necessaries of life which climate and custom have rendered requisite to support the labourer while at work, and to enable him to bring up a family sufficient to preserve the supply of labour even with the demand for labour. Now, to all those amongst the labouring classes whose families ex-

* "Grounds of an Opinion on the Policy of restricting the Importation of Foreign Corn."—Page 24.

ceed, or even equal the number sufficient to keep up the supply of labour, it is a matter of perfect indifference whether the articles which constitute their real wages possess a high or a low exchangeable value. Every article which they can obtain in return for their labour is necessary to their own consumption; they have no surplus to bring to market, and therefore can obtain no advantage from the circumstance, that a given quantity of corn, or the price of a given quantity, will purchase a greater quantity of the conveniences and luxuries of life.

With respect to some others amongst the labouring classes, the fact will be different. As the real rate of wages must be adequate to the support of a family sufficiently numerous to keep the supply of labour even with the demand, it will be more than sufficient to support the labourer who is unmarried, or who has less than the average number of children. Such labourers will have a surplus quantity of food and clothing, or, what comes to the same thing, the price of a surplus quantity to bring to market; and to them, therefore, every rise in the value of the articles com-

posing wages will afford advantages in the purchase of the conveniences and necessaries of life. In whatever degree the wages of a single man may exceed what is necessary for his individual support, in that degree a rise in the value of the articles which constitute wages will be beneficial to him. If his real annual wages are three quarters of corn and three suits of clothing; if three quarters of corn be worth £.9, and three suits of clothing be worth £.9 also; and if one and a half quarters and one and a half suits be sufficient for his support; then the labourer will have one and a half quarters, and one and a half suits, or £.9 to bring to market for the purchase of other things. But if three quarters of corn instead of £.9 become worth £.18, while money retains its former value with respect to all other things, then the single labourer, instead of £.9, will have £.13 10s. to bring to market; and consequently, will be able to purchase not merely the same quantity of necessaries and conveniences as formerly, but half as much more.

It is quite demonstrable that, supposing the real wages of labour to remain undiminished, the

labourer who is unmarried, or who has less than the average number of children, must derive an advantage from every rise in the value of the articles of which his wages are composed. Upon an accurate investigation, however, this advantage will be found much less considerable than it might at first sight appear.—It affords the single labourer a greater number of immediate and individual comforts; but it in no way aids him in making provision for the wants of age, or for the support of a future family. It is the quantity, and not the value, of the necessaries of life, which is available for these purposes. If real wages be three quarters of corn, and three suits of clothing a year; if the unmarried labourer be able to subsist for that period on one and a half quarters and one and a half suits; and if, for the period of ten years, he lay up annually the other one and a half quarters, and one and a half suits, or the price of them, for his future wants; then in sickness or old age he will be able to support himself for that period without work. His food and clothing will not support him for a shorter period, because they may become less valuable in relation to money and

other things; nor for a longer period, because they may become of more value with respect to money and other articles.

Neither could the high value of the necessaries of life afford the labourer any aid in providing for the contingency of his having a greater number of children than the rate of wages could support. If originally a quarter of corn and a suit of clothing were worth £.3 each, if corn afterwards rose to £.6 the quarter, and if the single labourer were to save out of his yearly earnings one and a half quarters and one and a half suits for ten years, his capital, at the end of that period, would amount to £.135 instead of to £.90; and as money had not altered in value with respect to any thing but raw produce, this greater sum would purchase a greater quantity of conveniences and luxuries. But this greater sum would still be no more than the price of fifteen quarters of corn, and fifteen suits of clothing; and these quantities of the first necessaries of life could not by possibility support a more numerous family because they possessed a higher exchangeable value with respect to superfluities.

Thus, even under the supposition, that increased difficulty in producing the first necessaries of life has no tendency to diminish the demand for labour, and to lower the real rate of wages, the high value of corn is advantageous to none amongst the labouring classes, except those who are unmarried, or who have less than the average number of children. But, except in extraordinary conjunctures, the rate of wages will always be sufficient to place in easy circumstances the healthy and the strong whose families are under the average required to keep up the supply of labour. Want and misery fall upon the sick, the infirm, and those who have large families. To these the high exchangeable value of food cannot by possibility afford relief. The high exchangeable value of the necessaries of life can be advantageous only to those who have a surplus quantum to dispose of; and the aged, the infirm, and the members of numerous families, so far from having a surplus to dispose of, too frequently perish prematurely from a deficiency of wholesome sustenance.

But the supposition, that restrictions upon the importation of foreign agricultural produce,

forcing inferior soils into tillage, and increasing the value of the first necessities of life, have no tendency to diminish the demand for labour, and to lower the real rate of wages, is completely erroneous. It is the necessary effect of such restrictions to lower the rate of profit, and thereby to check the accumulation of the fund for the maintenance of labour. Instead of affording, as Mr. Malthus imagines, advantages to a certain portion of the labouring class, they inflict privation and distress upon the whole. The injurious operation of a restricted corn trade upon all those who live by wages, cannot, however, be accurately and completely ascertained until we have previously considered its influence upon profit.

CHAP. VII.

On the Influence of a Free Trade in Corn upon the Profits of Capital.

PROFIT is that net surplus which remains with the capitalist after the complete re-placement of all his advances. Thus, if a cultivator occupying a soil which paid no rent, were to expend one hundred quarters of corn in tillage, and at the end of the harvest were to obtain one hundred and fifty quarters, the surplus of fifty quarters over and above the re-placement of the capital advanced would be his profit.

The circumstances which determine the rate of profit are, the natural productiveness of the land (including under the term not only the exterior soil, but also fisheries) which is resorted to for obtaining the necessaries of life; the degree of skill with which labour is applied, whether in raising raw produce, or in preparing wrought goods; and the real rate of wages, or the quantity

of the products of labour which the capitalist expends in supporting his labourers.

I shall endeavour to explain distinctively the influence which each of these circumstances has in determining the rate of profit; and, in order to simplify the subject as much as possible, I will, in the first instance, take my illustrations from that early stage of society which precedes the division of employment, and the consequent interchange of commodities in the market.

§ 1.—*Circumstances which determine the Rate of Profit before the Divisions of Employment are established.*

Let us suppose that a patriarchal capitalist combines in his own person the different occupations of farmer and manufacturer, and employs throughout the year one hundred labourers, who at once cultivate the soil, and work up its produce. In this case it is evident that the rate of profit will be determined by the circumstances above enumerated. Under any given degree of skill in the application of labour, and amount of wages, profits will rise or fall as the fertility of the soil under cultivation is increased or diminished; under any

given degree of fertility and amount of wages, they will rise or fall, as labour is more or less skilfully applied; and under any given degree of fertility and skill, they will rise or fall, as the real rate of wages falls or rises.

For example, if the annual wages of a labourer be two quarters of corn and two suits of clothing, and if, in the actual state of agricultural and manufacturing skill, the land under cultivation be of such a quality that our capitalist's hundred labourers, by expending, in addition to their annual wages of two hundred quarters and two hundred suits, fifty quarters as seed, and material equivalent to fifty quarters more, can raise four hundred and fifty quarters of corn, and fabricate three hundred suits of clothing, then the surplus or profit obtained by the capitalist will be fifty per cent.; for, by the supposition, his advance of three hundred quarters of corn has procured him a reproduction of four hundred and fifty quarters, and his advance of two hundred suits of clothing a reproduction of three hundred suits. Each portion of his expenditure has, therefore, been replaced to him, with an increase of fifty per

cent. But, while the capitalist's advance to his one hundred agricultural and manufacturing labourers continued to be two hundred suits of clothing, with three hundred quarters of corn as food, seed, and material,—if the soil under cultivation were so inferior, that his return was three hundred suits of clothing, with only four hundred quarters of corn, then the surplus on that portion of his capital which consisted of raw produce, would be less than fifty per cent., and consequently the average profit upon his whole capital would be less than fifty per cent. On the other hand, if the quality of the soil under cultivation were so superior, that the capitalist's return was three hundred suits of clothing as before, with five hundred quarters of corn, then the quantity of raw produce reproduced would exceed the quantity expended by more than fifty per cent., and consequently the average rate of profit on the whole capital employed would be more than fifty per cent.

Other things remaining the same, the rate of profit will always be determined by the quality of

the soil resorted to for the supply of food, and of the materials for wrought necessities.

Again;—Let the natural powers of the soil remain unchanged, and let the capitalist continue to expend two hundred suits of clothing, and two hundred quarters of corn, as the wages of his one hundred labourers, with fifty quarters as seed, and fifty quarters as material; and then his profit upon his whole capital will be fifty per cent., provided the degree of skill in the application of agricultural and manufacturing labour be such as to give him a return of four hundred and fifty quarters of corn, and three hundred suits of clothing. But while his expenditure continues to be three hundred quarters and two hundred suits, if his labour were to be less skilfully employed, either in agriculture or in manufactures, and were to reproduce him a less quantity of corn than four hundred and fifty quarters, or a less quantity of clothes than three hundred suits,—then the average rate of profit upon his capital would be less than fifty per cent. If he obtained a reproduction of more than four hundred and fifty quarters, or more than three

hundred suits of clothing, the average rate of profit upon his whole capital would be more than fifty per cent.

While the quality of the land under cultivation, and the real rate of wages, remain the same, profits will rise or fall as the degree of skill in the application either of agricultural or of manufacturing labour is increased or diminished.

Once more :—Let the quality of the soil under cultivation, and the degree of skill with which labour is applied in agriculture and manufactures, be such, that our one hundred labourers, expending fifty quarters of corn as seed, and fifty as material, can raise four hundred and fifty quarters of corn, and fabricate three hundred suits of clothing ; and then our capitalist's profit will be fifty per cent., provided the hundred labourers receive as their wages two hundred quarters and two hundred suits. His profit will be less than fifty per cent. if they receive more than this real rate of wages, and will be more if they receive less.

Under any given degree of fertility in the soil resorted to for the supply of food, and of skill in the application of labour, whether in agriculture

or in manufactures, the rate of profit will fall or rise as the real rate of wages is increased or diminished.

Thus it is strictly demonstrable, that before the divisions of employment are established, and while the same capitalist, with the same set of labourers, at once cultivates the ground and manufactures its produce, his profit, or surplus of reproduction, over and above expenditure, will always be determined by the three circumstances which I have mentioned,—namely, the quality of the soil, the skill with which labour is applied, and the real amount of wages.

§ 2.—*Circumstances which determine the aggregate Profit of the Community after Divisions of Employment are established.*

The self-same causes which determine the proportion in which re-production shall exceed expenditure in that simple state of society in which the same capitalist carries on all the different branches of industry, also regulate the proportion in which re-production shall exceed expenditure in that more complex state of society in which the divisions of employment, and their consequences,

barter and sale, are established. This I will now proceed to demonstrate.

If one capitalist advances a hundred suits of clothing, a hundred quarters of corn as food, and fifty quarters as seed, to fifty agricultural labourers; and if another capitalist advances a hundred suits of clothing, a hundred quarters of corn as food, and fifty quarters, or the value of fifty quarters, as material; and if the return which these two capitalists obtain be four hundred and fifty quarters of corn, and three hundred suits of clothing, then it is self-evident that, in this little community, the aggregate surplus of reproduction above expenditure will be one hundred and fifty quarters, and one hundred suits, or fifty per cent. upon the whole capital employed. If an improvement in the quality of the soil, or in the skill with which agricultural labour is applied, cause five hundred quarters of corn to be produced with the same expenditure which formerly produced four hundred and fifty quarters, then the surplus upon the agricultural capital will be two hundred quarters; and as the surplus upon the manufacturing capital remains as before, the average profit upon the

whole capital employed in our little community will be more than fifty per cent. If, while the quality of the soil, or the skill in agriculture fall back to their original state, an improvement were to take place in manufactures, enabling our fifty manufacturers, with the same expenditure as before, to prepare three hundred and fifty, instead of three hundred suits of clothing, then again the surplus of production above expenditure would be more than fifty per cent.: and if the quality of the soil under cultivation, and the degree of skill with which labour was applied in agriculture and manufactures, should be such that the fifty agricultural and fifty manufacturing labourers, with seed and material equivalent to one hundred quarters of corn, raised and prepared four hundred and fifty quarters of corn, and three hundred suits of clothing, then the aggregate profit obtained by our two capitalists would be fifty per cent. upon the whole capital employed, provided the advance on account of wages had been two hundred quarters, and two hundred suits; but would be more than fifty per cent. if wages had been less, and less than fifty per cent.

if wages had been more than two hundred quarters, and two hundred suits.

Thus then it is strictly demonstrable, that when the divisions of employment are established in any community, the aggregate rate of profit, or, in other words, the proportion in which reproduction exceeds the expenditure necessary to obtain it, is regulated by the self-same circumstances which regulate it in that more simple stage of society when the capitalist combines in his own person a variety of callings, and employs the same set of labourers to raise and fabricate the several commodities he consumes.

§ 3.—*The Causes which regulate individual Profit, when the Divisions of Employment have been established.*

After the divisions of employment have been established, the particular profits of each individual capitalist will be regulated by a different principle from that which determines the aggregate profit of the community. For when the capitalist confines himself to one occupation, and advances the several different ingredients of capital, consisting

of wages, material, and implements, in order to produce a single commodity, his profit must depend, not so much upon the quantity, as upon the value of this commodity. Thus, if a farmer employs one hundred labourers, whose wages are two hundred quarters of corn and two hundred suits of clothing, and advances two hundred quarters as seed, with two hundred implements, and obtains a reproduction of twelve hundred quarters; this quantity of corn will yield him a profit of fifty per cent. so long only as two quarters of corn will exchange for one suit of clothing and one implement. As he advanced 400 quarters for food and seed, 600 quarters, or one half of his produce, will replace his part of the advance, with a profit of 50 per cent.; and as he advanced 200 suits and 200 implements, he will also obtain a profit of 50 per cent. on this portion of the advance, provided the other moiety of his produce exchange for 300 suits and 300 implements. If clothing and implements rose in value, and two quarters of corn ceased to be equivalent to one suit and one implement; then, under the circumstances supposed, the farmer's profit would be less than fifty per cent. : while, if

corn rose in relation to clothing and implements, his profit would exceed 50 per cent.

In agriculture, some of the things produced are generally homogeneous with some of the things expended in production; and, to whatever extent this may be the case, the exchangeable value of the production will have no influence on profit. In manufactures, however, it very frequently happens, that the advances and the reproduction are altogether heterogeneous, and that no part of the former can be directly replaced by the latter. In these branches of manufacture, therefore, the profit of the capitalist must depend entirely upon the proportion which the value of the whole of the reproduction bears to the value of the whole of the advance.

In the general industry of a country, commodities will be produced, homogeneous to those expended in production; and, therefore, the aggregate profit of the country will be determined by the proportion between the quantity of production and the quantity of expenditure which obtains it. But in the particular branches of industry, carried on by individual capitalists,

the commodities produced cease to be homogeneous with the commodities expended in production ; and therefore, the capitalist must replace his advances, not by directly appropriating a portion of his reproduction thereto, but by taking his commodity to market, and exchanging it for the several ingredients of capital employed in carrying on his business. Hence individual profits are regulated, not by the quantity, but by the value of the commodities produced.

After the divisions of employment are established, value has so important an influence in determining individual profit, that a correct theory of value is essentially necessary, in order to enable us to ascertain and to explain the causes by which profits are elevated or depressed. Profits can be elevated only by those causes which raise the value of the reproduction, without raising, in the same proportion, the value of the advance ; or which lower the value of the advance, without lowering, in the same proportion, the value of the reproduction : and profits can be depressed by those causes only which lower the value of the reproduction, in relation to that of the advance,

or raise the value of the advance, in relation to that of the reproduction. Until we understand the nature and causes of value, the principles which regulate profit cannot be understood. The misconceptions which have prevailed upon the fundamental question of value, are at the bottom of the obscurity and error in which the doctrine of profit has been hitherto involved.

It will be remembered, that when considering the causes which regulate value, it was demonstrated that when equal capitals are employed for equal times, the results (including under the term both the finished article and the residue of the capital) are of equal value in exchange. On this principle, the causes which regulate individual profits may be clearly and satisfactorily explained.

Let us assume that a farmer employs one hundred labourers, whose wages are two hundred quarters of corn and two hundred suits of clothing; that in addition to these wages he advances two hundred implements and two hundred quarters as seed, and that with three-fourths of this expenditure he raises seven hun-

dred and fifty quarters of corn, and with the other fourth a quantity of raw material equivalent to 250 quarters; and let us assume, further, that a manufacturer employs one hundred labourers, whose wages are two hundred quarters and two hundred suits; that in addition to those wages he advances two hundred implements, with a portion of raw material equivalent to two hundred quarters; and that with one half of this expenditure he fabricates five hundred suits of clothing, and with the other half, five hundred implements.

In this case the farmer's produce, consisting of 750 quarters of corn, and of raw material equivalent to 250 quarters, will be equal in productive cost, and, therefore, in value, to the manufacturer's fabrics, consisting of 500 suits of clothing, and 500 implements. Consequently, 250 quarters of corn, with raw material equivalent to 250 quarters, which constitute one half of the farmer's produce, will exchange for 250 suits of clothing, and 250 implements, which constitute one half of the manufacturer's fabrics; and when the exchange is effected, the capital

of each will be replaced, with a profit of twenty-five per cent. For, the farmer who had advanced 400 quarters, with 200 suits and 200 implements, will have 500 quarters, with 250 suits and 250 implements; while the manufacturer, who had advanced 200 quarters, 200 material, 200 suits, and 200 implements, will be in possession of 250 of each of these ingredients of capital.

Thus it appears, by evidence strictly demonstrative, that while commodities exchange in proportion to the cost of their production, the rate of profit will be raised by all those circumstances which increase the quantities reproduced, without increasing in an equal ratio the quantities expended on production; or which diminish the quantities expended in production, without diminishing, in the same degree, the quantities reproduced. On the very same principles, too, it is demonstrable, that the rate of profit will be lowered by all those circumstances which increase the expenditure, without, in the same proportion, increasing reproduction; or which diminish reproduction, without, in an equal degree, diminishing expenditure.

The main circumstances which, in this manner, regulate the rate of profit upon capital, are, as it has been before stated, the quality of the soil resorted to for the supply of food and material; the skill, energy, duration, and effect, with which labour is applied, either in agriculture or manufactures; and the state of wages.

These causes may act, either in conjunction with, or in opposition to, each other. Profits might continue to rise while inferior soils were resorted to, provided the operation of this cause were counteracted by improvement in agriculture or in manufactures, or by a fall in wages; and, on the other hand, the greatest fertility of soil might be accompanied with an extremely low rate of profit, if wages were very high, or if labour were unskilfully and ineffectually applied.

§ 4.—*As the Value of Raw Produce rises, agricultural Profits fall.*

When the cultivation of inferior soils increases the productive cost, and consequently the exchangeable value, of food, and the materials of wrought necessaries, it is quite obvious that manu-

facturing profits must fall. It is sometimes imagined, however, that these circumstances do not reduce agricultural profits; but that, on the contrary, the increased value of raw produce is beneficial to the farmer, in the same proportion in which it is prejudicial to the manufacturer. This is a fundamental error, and the prevalence of it frequently leads to the most mischievous practical results. In the long run, the interests of the capitalist who embarks in agriculture, are identical with the interests of the capitalist who embarks in manufactures. The same causes which raise or lower the rate of profit in one occupation, raise or lower it in all. A fall in the value of food and material, occasioned by a diminution in the expense of production, is as beneficial to the farmer as to all other capitalists; and a rise in their value from increased cost of production is as injurious.— These principles are so seldom acknowledged, and are of such vast practical importance, that I will endeavour to enforce them, even at the hazard of appearing prolix and tautological.

When the farmer, by expending fifty suits of clothing, and one hundred quarters of corn as food

and seed, can raise three hundred quarters ; and when the manufacturer, by expending fifty suits of clothing and one hundred quarters of corn as food and material, can fabricate one hundred and fifty suits of clothing ; then the rate of profit, both in agriculture and in manufactures, will be fifty per cent. ; because, as the three hundred quarters of corn and the one hundred and fifty suits of clothing are equal in productive cost, and therefore in exchangeable value, the whole expenditure which raises the farmer's three hundred quarters will be one hundred quarters for food and seed, and one hundred quarters for the purchase of fifty suits of clothing ; and the whole expenditure which prepares the manufacturer's one hundred and fifty suits of clothing, will be fifty suits for clothing his labourers, and fifty suits more for the purchase of their food and material.

Now, while the expense of preparing clothing remains unaltered, let the soil under cultivation become so inferior, that a capital consisting of fifty suits of clothing, with one hundred quarters of corn as food and material, will raise only two hundred and fifty quarters of corn ; and then two

hundred and fifty quarters of corn, and one hundred and fifty suits of clothing, being, by the supposition, equal in productive cost, will also be equal in exchangeable value. But this rise in the value of corn, instead of being beneficial, will be injurious to the farmer. Agricultural profit will fall from fifty to thirty-eight per cent. The capital advanced in raising the two hundred and fifty quarters of corn, will be one hundred quarters for food and seed, and eighty quarters for the purchase of fifty suits of clothing. The surplus of reproduction above expenditure, which was formerly one hundred quarters of corn upon a capital equivalent to two hundred quarters, will now be reduced to seventy quarters upon a capital consisting of one hundred and eighty quarters.

It may perhaps be objected, that if the increased value of corn did not completely indemnify the farmer for the increased cost of its production, he would not invest his capital in inferior soils, but would turn it into the more beneficial channels of manufactures or commerce; and that therefore the fact, that inferior soils are resorted to for cultivation, is a practical proof that the rate of agri-

cultural profit does not fall with the increased difficulty in raising corn.

To this I answer, that when all the best lands of a country have been already brought under cultivation, additional capitals cannot be employed in manufactures and commerce, unless additional supplies of food and material be obtained; and that, by the supposition, there is no possibility of obtaining these without resorting to lands of an inferior quality. The resorting to such soils is a matter of necessity, not of choice. Lands of a worse quality than those already under tillage are never resorted to, until their cultivation becomes the most beneficial species of occupation in which additional portions of capital can be employed. As additional quantities of manufactured articles cannot be prepared until additional supplies of food and material are previously procured, in the progress of wealth and population, an increased demand for raw produce is necessarily antecedent to an increased demand for wrought goods. Hence, in the first instance, the value of raw produce is raised, as compared with that of wrought goods; and this depresses manufacturing profit,

until the cultivation of inferior soils becomes the most beneficial occupation which the accumulating capital of the society can obtain. The fact, that inferior soils are resorted to, is no proof that agricultural profits do not fall, as the difficulty in obtaining raw produce is increased; on the contrary, this fact affords demonstrative evidence, that the increased difficulty in obtaining additional supplies of food and material has already so reduced the general rate of profit, that the cultivation of soils which yield a less proportional return upon capital is found to be the most beneficial occupation which remains for the increasing stock of the society.

It may be contended, perhaps, that as the value of corn must be regulated by the cost of producing it from the worst soils which the wants of a country may force into cultivation, all those farmers who occupy superior soils, and raise their produce at a moderate expense of labour and capital, will have their profits increased by every rise in the price of corn.

I answer, that the rise of profits here contemplated can be obtained only during the currency of

leases taken prior to the period at which prices rose. The rates of profit in the several occupations of stock, have a constant tendency to settle down to one common level. If the difficulty in obtaining additional supplies of raw produce had reduced the general rate of profit to ten per cent., and if two farms in equal extent and situation were to be let, one of which yielded one thousand two hundred quarters of corn, when a capital of one thousand quarters was expended on its cultivation, while the other yielded no more than one thousand one hundred and ten quarters, when the same capital of one thousand quarters was laid out upon it,—then a competition would arise amongst the class of capitalists for the possession of these farms, until the rent offered for the first amounted to ten quarters, and that offered for the second amounted to one hundred quarters. When the rent of the two farms was thus adjusted, according to their different degrees of fertility, the cultivator of the best could obtain no greater profit than the cultivator of the worst. In whatever degree the increased expense of production may reduce the rate of agricultural profit upon the most inferior

land which it is necessary to resort to, in the same degree a contemporaneous rise of rent will reduce the farmer's profit upon all the superior lands which are about to be re-let.

A rise in the value of raw produce, occasioned by the increased expense of raising it, will doubtless confer a temporary benefit upon the occupiers of fertile lands during the unexpired terms of their leases; but when these terms are expired, and new contracts are to be entered into with the land proprietor, the increased value of food and material must inflict upon them, in common with all other capitalists, a lasting and irreparable injury.

§ 5.—*Influence of a free Trade in Corn in increasing the Rate of Profit upon Capital.*

There are three causes then,—the quality of the soil under cultivation,—the degree of skill with which labour is applied,—and the quantity of the productions of labour absorbed as wages, which at all times determine the rate of profit. The two first, however, exert a much more powerful influence than the third. When a larger portion of the productions of labour fall to the share of labourers,

their numbers are always found to increase; and hence, as the supply of labour augments with the demand, wages scarcely ever retain an elevation sufficient to depress the rate of profit in any material degree. Neither can the return upon capital be permanently raised by the reduction of wages below their natural level; because, when the labouring classes do not obtain that quantity of the necessaries of life which climate and custom have rendered necessary to their healthful existence, distress diminishes their numbers, until the failing supply of labour restores its value in the market. Very different is the case with respect to the quality of the soil under cultivation, and the degree of skill with which labour is applied. These two causes exert a powerful and permanent influence upon the rate of profit; and it is only by a due consideration of the manner in which they operate in any given circumstances, that we can obtain a satisfactory solution of the difficult, but important problem, why a country at one period should advance rapidly in prosperity, and at another, should, without any external disaster, approach the limits of her prosperity, or verge sensibly to decay.

In new and thinly peopled countries, no lands, except those of the first quality and situation, will be resorted to for the supply of food and material; and consequently, the effective powers of agricultural industry will be extremely high. But as the division of employment is limited by the extent of the market, and can be perfectly established only amongst a dense population, it follows, that in new or thinly inhabited countries, the effective powers of manufacturing industry must be extremely low. Hence, in the progress of society, the two main causes which govern the rate of profit are as antagonist muscles, modifying and balancing each other. As an increasing population compels us on the one hand to resort to inferior soils, and thus raises the productive cost of raw produce, so it leads on the other hand to more accurate divisions of employment, and to the use of improved machinery, and thus lowers the productive cost of all wrought goods. But increased facility in producing wrought necessaries has the same effect in raising the rate of profit, which diminished facility in producing food and material has in lowering it. Hence it will frequently

happen, that a greater degree of skill and economy in the application of labour may completely counteract the effects of resorting to inferior soils; and that the rate of profit may rise, though the difficulty of obtaining food and material should increase. Under any given degree of skill and economy in the application of labour, however, the return upon capital will be determined by the quality of land under cultivation; and as inferior soils are resorted to, the rate of profit will constantly diminish, until that stationary state is attained, in which no additional capital can be employed, and all tendency to increased population must be checked by famine.

From the analysis which I have thus attempted to give of the principles which regulate the return upon capital, the influence of a free trade in corn upon the rate of profit may at once be traced. In old and advanced countries, the return upon capital is reduced in consequence of the low effective powers of agricultural industry, brought on by the necessity of resorting to inferior soils; while in new or thinly peopled countries, the return upon capital is less than it might otherwise

be, in consequence of the low effective powers of manufacturing industry, arising from the want of machinery, and of the divisions of employment. Now, in either country, the main cause which depresses the rate of profit may be removed by the operation of an unrestricted foreign trade.

If in America, where none but soils of the first quality are cultivated, one hundred labourers can raise the customary quantity of food received by three hundred and fifty; while, from the absence of machinery and of the divisions of employment, it requires two hundred labourers to prepare clothing for three hundred and fifty, then the profits of stock will be sixteen per cent., because a capital consisting of food and clothing for three hundred, employed in setting to work one hundred agricultural, and two hundred manufacturing labourers, occasions a reproduction of food and clothing for three hundred and fifty. In like manner, if in England, where inferior soils are resorted to, it requires the labour of two hundred to raise the customary quantity of food advanced to three hundred and fifty, while, from improved ma-

chinery and accurate divisions of employment, the labour of one hundred is sufficient to prepare the customary quantity of clothing for three hundred and fifty, then the rate of profit will be sixteen per cent. in this country also; since a capital of food and clothing for three hundred, employed in setting to work two hundred agricultural and one hundred manufacturing labourers, occasions a reproduction of food and clothing for three hundred and fifty.

Now, let us suppose that an unrestricted commercial intercourse is established between England and America; and, that in consequence, the American manufacturer, instead of continuing to employ his capital of food and clothing for two hundred in preparing clothing for three hundred and fifty, invests it in the soil, and, under the assumed powers of agricultural industry, raises food for seven hundred; while the English farmer, instead of keeping soils under cultivation from which his capital of food and clothing for two hundred, can raise food for no more than three hundred and fifty, embarks his stock in manufactures, and, under the assumed effective powers

of manufacturing industry, occasions the fabrication of clothing for seven hundred.

By this distribution of the capital and labour of the two countries, the rate of profit, both in England and in America, will be raised from sixteen to seventy-five* per cent. For, with the exception of what it might cost for freight and insurance, the capital expended would be exactly as before, namely:—food and clothing for three hundred American and three hundred English labourers, while the reproduction obtained would be swelled from food and clothing for seven hundred, to food and clothing for one thousand and fifty. And this, when the two classes of commodities were exchanged against each other, according to their productive cost, would afford, both to the English and to the American capitalist, the increased surplus which I have named.

Supposing, however, that England, for the sake of encouraging her domestic agriculture, were to exclude the raw produce of America; or that

* To avoid complicating the illustration, I have omitted to make allowance for the expense necessary to transfer the food and clothing from one country to the other.

America, with the view of protecting her domestic manufactures, were to prohibit the wrought goods of England; then, in either case, the interruption of the international division of employment would reduce the rate of profit, both in England and in America, from seventy-five to sixteen per cent. For, the production of food and clothing for three hundred and fifty would now, as before, require in the former country the expenditure of a capital of food and clothing for three hundred, giving employment to two hundred agricultural, and one hundred manufacturing labourers; and in the latter country, the advance of an equal quantity of capital, putting in motion two hundred manufacturing, and one hundred agricultural labourers.

§ 6.—*Further Refutation of the Doctrine of Mr. Malthus, that the high Value of the Articles composing Wages, is beneficial to the Labourer.*

Having now traced the principles which regulate profits, and explained the manner in which they are elevated by a free, and depressed by a restricted commerce, we are prepared to resume the considerations of Mr. Malthus's doctrine, that the exclusion of foreign corn, forcing inferior soils into

cultivation, and thereby raising the value of the articles which compose wages, is calculated to confer advantages upon the labouring classes.

It appeared, in the preceding chapter, that an increase in the value of the main articles which constitute the labourer's subsistence, would give single men, and those who had less than the average number of children, some advantages,—not in providing for the wants of age, or for the demands of a future family, but in purchasing superfluities and luxuries for present immediate enjoyment; provided the demand for labour, and the real rate of wages, were not reduced.

But restrictions on commerce, forcing inferior soils into cultivation, and thereby raising the value of food, would inevitably diminish the demand for labour, and reduce the real amount of wages. It is a principle capable of the most rigid and perfect demonstration, that increasing the productive cost and exchangeable value of food, and the materials of wrought necessaries, depresses the rate of profit. But when the rate of profit is depressed, the accumulation of capital is checked; and when the accumulation of capital is checked, the demand

for labour and the real rate of wages are reduced. Under a restrictive system, therefore, the diminished quantity of the necessaries of life received as wages, not only counterbalances to the single labourer all the advantage which their increased value might confer in the purchase of superfluities for immediate enjoyment, but prevents his having the same power of providing for the wants of age, and the demands of a future family, which he would have possessed, had the quantity of the things constituting wages been greater, and their value less.

Let us now examine the effects which duties upon the importation of corn, and the consequent high value of wages, must have upon the condition of the married labourer.

The real wages of labour must be sufficient to enable the labourer to bring up such a family as will preserve the supply of labour even with the demand for it. Should capital, and the demand for labour, be increasing at such a rate, that it required on the average four children to every marriage to supply the number of hands necessary to perform the work of the society, then the cus-

tomary rate of wages would consist of a quantity of food and clothing sufficient for the support of a family of four children. But were productive capital to increase with such rapidity, that the work of the society could not be performed unless each married pair were to bring up five children, then the ordinary wages of labour would become sufficient to support a family of five children. Whatever accelerates the accumulation of capital, and thereby increases the demand for labour, causes the labourer to receive as his wages a quantity of the necessaries of life adequate to the support of a larger family. But we have seen that an unrestricted importation of foreign agricultural produce, preventing the cultivation of inferior soils, and keeping down the price of food and necessary materials, raises the rate of profit, accelerates the accumulation of capital, and increases the demand for labour. Unrestricted importation, therefore, increases the real amount of wages, and enables the married labourer to support a larger family.

The converse propositions are also strictly

demonstrable. Whatever checks accumulation, and thereby diminishes the demand for labour, necessarily lowers wages, and deprives the labourer of the means of supporting so large a family as before. If, in the actual state of the intercourse between the sexes, each married labourer has on the average five children, while, by restrictions on the importation of corn, we lower profits and check accumulation to such an extent, that four children to every marriage are sufficient to keep the supply of labour even with the demand,—then one out of five must die of the diseases brought on by deficient and unwholesome sustenance. If, in our mania for growing an independent supply of corn, we were to force lands of a still inferior quality into cultivation, and thereby lower profits, and check accumulation, until three children to each marriage became sufficient to keep the supply of labour even with the demand, then two fifths of the children born to the labouring classes would be cut off by famine. Such are the benefits which restricted importation, and the consequent high price of provisions, are calculated

to confer on that great portion of the population which lives by wages! These restrictions have no influence in diminishing the number of births, and therefore they must, necessarily increase the number of deaths by the agency of misery and starvation.

CHAP. VIII.

On the Influence of the Corn Trade on the Rent of Land; and on the Interest of Landed Proprietors.

§ 1.—*Origin of Rent.*

RENT is that part of the produce which is given to the land proprietor for the use of the soil. In order to obtain an accurate knowledge of the influence of the external corn trade upon this branch of the national revenue, it is necessary that we should trace the origin of rent, and ascertain the principles which govern it.

During that early period of society in which there remains unappropriated an abundance of fertile and well situated land, which may be occupied at will, it is evident that nothing will be paid for the use of the soil. No person will give the fruits of his labour for that which he can obtain for nothing. In the case supposed, land, like light, air, and rain, and those laws of the physical world, the productive services of which

we employ in the formation of wealth, will possess no value in exchange, and cannot be a source of revenue to any person except the cultivator who actually expends his labour or his capital upon it.

As soon, however, as all the land of a country was appropriated, it would acquire, like every thing else which is useful to man, and which exists in scarcity, a certain value in exchange. If one person had the command of a portion of labour and capital, but possessed no land to work upon, while another person possessed land, but had not the means of tilling it, it would become their mutual and obvious interest to enter into some arrangement for cultivating the soil, and dividing its surplus produce. Under this arrangement, or compromise, that portion of the surplus produce which remained with the capitalist would be profit, and that other portion of it which was given to the proprietor for the use of the soil, would be rent.

But it is not at all necessary that all the land of a country should be appropriated, in order to occasion the separation of the surplus produce of the soil into the respective channels of profit and

rent. Whenever it happens, and it almost invariably does so, that the lands of a district possess different degrees of fertility, the appropriation of those of the first quality will have exactly the same effect in giving rise to rent, as the appropriation of the whole. If no land remains for the individual who may have acquired the command of labour and capital, except that from which the expenditure of one hundred quarters of corn will raise one hundred and ten quarters, then it would be his obvious interest to pay five quarters for the use of a farm from which the expenditure of one hundred quarters could raise one hundred and twenty quarters. And if the proprietor of this more fertile farm happened not to have the strength, or the stock, to work it for himself, it would also be his obvious interest to let it out to the capitalist for a portion of the surplus produce. Hence, as soon as all the lands of first rate quality have become private property, the concurring interests of capitalists and of proprietors will occasion the separation of the surplus produce of the soil into profit and rent.

The appropriation of the whole, or even of the

best land, would cause rent to appear, whether the divisions of employment were, or were not established, and whether or not the surplus produce of the soil was brought to market, and thereby acquired a value in exchange. Though there should be no division of employment, no exchange of commodities, and consequently no exchangeable value, still it would be the interest of the person who had acquired the command of labour and capital, to give five quarters of corn for the use of a fertile farm which yielded one hundred and twenty quarters of corn on the expenditure of one hundred quarters, rather than resort to an inferior farm from which the expenditure of one hundred quarters raised only one hundred and ten quarters; and it would still be the interest of the proprietor who wanted the vigour or the stock to cultivate for himself, to let out his farm for the largest portion of the surplus produce which he could prevail upon the capitalist to give.

But though exchangeable value, and price, are not absolutely essential to the existence of rent, yet, in practice, they are found to have a powerful effect upon it. When the divisions of employment

have been once thoroughly introduced, the greater part of every man's wants is supplied by the produce of other men's labour; and the greater part of every man's capital is replaced, not by the articles which he himself actually produces, but by those which are produced by other capitalists, and which he obtains by means of barter and exchange. Hence the amount of the return which the capitalist obtains, does not depend wholly upon the productive powers of the industry which he immediately carries on, but also on the productive powers of all the other branches of industry from which any of the ingredients of his capital are derived. A diminution in the cost of raising raw produce raises manufacturing profits, and an improvement in manufacturing skill raises the rate of profit in agriculture. The same causes also influence rent.

When society is in a progressive state, an additional accumulation of capital is effected in the first instance; this additional capital then increases the demand for labour, and by raising wages, enables the labourer to increase the population by bringing up a larger family; and, lastly,

a growing population creates an additional demand for the necessaries of life. But an additional demand for food and material must always precede an additional demand for clothing and furniture; and hence the value of raw produce, as compared with wrought goods, will rise above the level marked by the cost of production; while the value of wrought goods, as compared with raw produce, will sink below this level. This will elevate agricultural, and depress manufacturing profit; and by consequence give the moveable capital of the society a tendency to pour itself upon the soil.

Under these circumstances, if there remained to be taken in, abundance of fertile lands, from which additional supplies of food and material might be obtained with the same expense of production as before, raw produce would speedily sink to its former level with respect to wrought goods; and in this manner agricultural and manufacturing profits would be equalised. But if no new land remained to be taken in, or none of a quality capable of yielding additional supplies of food at the same productive cost as before, then raw material could not fall to its former level with respect to wrought goods; and, consequently, the

capitals invested in agriculture would continue to yield a greater surplus than those invested in manufactures. Persons possessed of circulating or moveable capital would therefore be anxious to transfer it to the soil; and their competition to obtain farms would cause them to bid against each other, until all the difference between the return obtained from agriculture, and the return obtained from manufactures, was offered to the land proprietor in the shape of rent.

From what has been said in the preceding paragraphs it follows, that there are three causes necessary to the appearance of rent.

1st, That power in human industry by which it replaces, with a surplus, the wealth expended in carrying it on.

2nd, That inequality in the effective powers of industry, and in the difference between the productive cost and value of commodities which renders the surplus of reproduction above expenditure greater in one occupation than in another.

3rd, The law of competition, equalising the rate of surplus or profit in the different investments of capital.

The operation of these three causes in giving

rise to rent, requires no elucidation. It is self-evident, that if agricultural industry did not reproduce a greater quantity of wealth than that which is expended in carrying it on, nothing could ever be given to a proprietor for the use of land; that if the surplus of reproduction above expenditure were not greater in some occupations than in others, no person would have an inducement to offer a premium for the privilege of investing his stock in any particular situation, or employment; and, that if individuals had not the inclination and the power to transfer their capital to the most beneficial branches of business, rent would not appear as profits fell, and the diminution of the surplus, in one employment of stock, would not compel the capitalist to acquiesce in the diminution of his surplus in another.

§ 2.—*Errors of Mr. Ricardo and his followers on the subject of Rent.*

The principles of rent which I have endeavoured to unfold, are, in several important particulars, essentially different from the recent doctrines which have been advanced by some political economists of great and deserved celebrity. I agree

with Mr. Ricardo (*Principles of Political Economy*, page 491), that "rent is that portion of the produce of the earth which is given to the landlord for the use of the soil;" but I cannot agree with him when he says (page 571), that "rent is the difference of produce obtained with equal capitals, and with equal labour, on the same, or on different qualities of land."

Neither the gradations of soil, nor the successive applications of capital to land, with decreasing returns, are in any way essential either to the appearance or to the rise of rents. If all soils were of one uniform quality, and if land, after having been adequately stocked, could yield no additional produce on additional capital being laid out upon it, still the rise in the value of raw produce, and the consequent fall in manufacturing and commercial profits, would cause a portion of the surplus produce of the soil to assume the form of rent. Upon a careful examination of the facts, we shall discover, that resorting to inferior soils, and applying additional capital to land with a decreasing return, instead of being the causes which create and elevate rents, are the limiting circumstances which prevent rent from rising so high as

it otherwise would rise. I will proceed to demonstrate this :—

Let us suppose that the whole of the lands of first quality are appropriated, that the population is so limited, that the cultivation of these lands is sufficient to supply the demand for food and material, and that the rate of profit, both in agriculture and manufactures, is fifty per cent.

This being the previous state of things, we will suppose, further, that population and capital gradually increase, and that the consequent increasing demand for food raises the value of agricultural produce, in relation to wrought goods, until manufacturing profit falls from fifty to forty per cent., while no inferior soils can be resorted to, and while additional capital, applied to the land already under tillage, cannot create an additional quantity of produce sufficient to replace itself.

Under these circumstances, it is self-evident, that the persons who possess disposable capital would have an interest in giving the proprietors of land, for the use of the soil, nine per cent. out of the fifty per cent. which cultivation yielded; because, after making this deduction for rent, the capitalist would have one per cent. more than if he en-

gaged in manufactures or trade. Many proprietors, and particularly those whose possessions were extensive, would prefer the receipt of rent to the care and anxiety of cultivating their own estates, and thus the relation between landlord and tenant would be formed.

Should population and capital have still a tendency to increase, the growing demand for food might raise the value of raw produce in relation to wrought goods, until manufacturing and commercial profits fell to thirty, to twenty, to ten, and to five per cent., which I assume to be the lowest rate of return, for the sake of which the capitalist will engage in business. It is perfectly self-evident, that during this process, it may be the interest of those who possess disposable capital to give to the proprietors, for the use of the soil, twenty, thirty, forty, and forty-five per cent. out of the surplus of fifty* per cent. yielded by agricultural industry. Thus, profits might fall to their minimum, and rents rise to their maximum, though no soil of an inferior

* The rise in the value of raw produce in relation to wrought goods, would render the surplus upon agricultural industry much more than fifty per cent. This, however, is sufficient for our illustration.

quality were resorted to; and though no additional capital were applied to the land with a diminished return.

We will now take a different case, and suppose, that while the increasing demand for food raises the value of raw produce in relation to wrought goods, until manufacturing profits fall from fifty to forty per cent., there are extensive tracts of unappropriated land of second-rate quality, capable of yielding to the cultivator a return of forty per cent. upon his capital. It is self-evident, that the appropriation and culture of these tracts, could not have the effect of creating or of elevating rent. Resorting to these lands of second-rate quality would have a tendency directly the reverse, and would render it impossible for rent to rise beyond ten per cent. upon the capital employed on the first quality of land. Though population and capital should continue to increase; and, though the growing demand for food should periodically enhance the value of raw produce in relation to wrought goods, until manufacturing profit fell below, and agricultural profit rose above, forty per cent.; yet so long as there

remained to be reclaimed any land capable of returning forty per cent. to the cultivator, the disposable capital of the community would be poured out upon it; the supply of raw produce would be periodically increased, and its value reduced, until manufacturing profits rose up, and agricultural profits fell back, to forty per cent.; and, consequently, no motive could possibly exist to induce the person possessing disposable capital, to offer the proprietors of the first quality of land a rent exceeding ten per cent. upon the capital employed in cultivation.

As soon as it is found that the tracts of second-rate quality are inadequate to supply the increasing demand for food and material, the value of raw produce, in relation to wrought articles, will permanently rise, and the rate of manufacturing profit permanently fall below forty per cent. When this occurs, it will become the interest of those who possess disposable capital to offer the proprietors of the lands of second-rate quality, a portion of the produce for the use of the soil. Should the rise in the value of raw produce cause manufacturing profits to fall to thirty per cent., then

disposable capital would flow upon the unappropriated lands of third-rate quality, which, by the supposition, are capable of yielding thirty per cent. to the cultivator. Here, it is self-evident, that the cultivation of the lands of third-rate quality is the consequent, and not the antecedent, of the creation and of the rise of rent upon the lands of second-rate quality.

It is unnecessary to detain the reader by pursuing the illustration further. In every increase in the demand for food, beyond what the quality of the land actually under cultivation can supply, the necessary effect of resorting to soils of an inferior grade, is, not to cause rent to rise, but to prevent it from rising higher.

Mr. Ricardo contends, that rent is the difference between the quantity of produce obtained by a given capital from lands of superior quality, and the quantity of produce obtained by the same given capital from the worst quality of land resorted to. Thus, if there be three qualities of land under cultivation, from which the same given quantity of the ingredients of capital raises respec-

tively 100, 90, and 80 quarters of corn, then the rent upon the first quality of land will be 20 quarters; that upon the second quality will be 10 quarters; while the third and last quality will pay no rent at all. The same principle is maintained by Mr. M'Culloch and Mr. Mill; and constitutes, indeed, the distinguishing doctrine of the Ricardo School on the important subject of rent.

This doctrine is erroneous. Rent is not the difference in the quantities of produce obtained by equal capitals from lands of different degrees of fertility. Should three qualities of soil be under tillage, and should the same identical quantity of the ingredients of capital raise from the first 100 quarters of corn, from the second 90, and from the last 80; then the last quality of soil yielding the 80 quarters, instead of paying no rent at all, may pay a higher rent than the first quality which yields 100 quarters. This I will now demonstrate.

We will suppose, that the land of third-rate quality is in the immediate vicinity of a large manufacturing and commercial town, and that

to raise from it a produce of eighty quarters of corn, requires an expenditure of thirty quarters as food and seed, with a quantity of clothing, implements, and furniture, equivalent to thirty quarters. In this case, the surplus of return above expenditure, will be thirty-three per cent.

Now, let us suppose again, that the land of first-rate quality is in a remote, interior situation ; and that to raise from it a produce of one hundred quarters, requires an expenditure of ^{thirty} ~~seventy~~ quarters as food and seed, with a quantity of clothing, implements, and furniture, which is exactly equal to the quantity of these things expended in raising eighty quarters from the inferior land ; but which, in consequence of the low comparative value of raw produce, and high comparative value of wrought goods, in this remote and thinly peopled district, is here equivalent not to thirty, but to fifty quarters of corn. In this case, the whole expenditure is, by the supposition, equivalent to eighty quarters ; the whole return is one hundred quarters ; consequently, the surplus of return above expenditure is only twenty-five per cent. But, in the preceding case, we saw, that upon the most inferior soil

under cultivation, the surplus of return above expenditure amounted to thirty-three per cent. Hence it necessarily follows, that the law of competition, in equalising the rate of profit, will cause the worst land under cultivation to pay a rent greater by eight per cent. upon the capital employed, than that paid by the best land under cultivation. If the best land yielded the cultivator no more than the customary rate of profit on his capital, and consequently paid no rent at all, then the worst land under cultivation would pay a rent equivalent to eight per cent. upon the capital employed in its cultivation.

In his able and very valuable work upon Political Economy, Mr. M'Culloch admits, that lands situated in the immediate vicinity of a great manufacturing town, will pay a higher *money* rent than lands situated in a remote interior district; but he contends, that the former will not pay a higher *corn* or *produce* rent than the latter. The argument of Mr. M'Culloch on this important point had best be stated in his own words:—

“ If all the lands in the empire were equally well situated, or were equally contiguous to mar-

kets, the corn rents, and the money rents, of those of equal fertility, would be every where equal. But the difference of situation occasions very great differences in the money rents paid for lands of equal fertility. Thus, suppose two farmers employ *equal quantities* of capital, as five thousand quarters each, in the cultivation of farms of equal goodness, the one situated in the immediate vicinity of London, and the other in Yorkshire; and suppose, farther, that London is the market to which the produce of both farms must be sent, and that the cost of conveying corn from Yorkshire to London is five shillings a quarter: under these circumstances, if the gross produce of each farm was one thousand quarters, of which the landlord received *one-fifth* part, or two hundred quarters, as rent, the money rent of the farm near London would be £.50 a-year more than the money rent of the farm in Yorkshire. For, as the quantity of corn raised near London is not adequate to supply the effectual demand, its price in that city must suffice to pay those who bring any portion of the necessary supplies from the greatest distance, as well for the expenses of carriage as for those of production: and the farmer in the immediate vici-

nity, who gets this increased price for his produce, will have to pay a proportional increase of money rent; just as the occupier of good land has to pay an increase of corn or produce rent, as soon as inferior lands are taken into cultivation.

“ It has been said, however, that the Middlesex farmer must not only pay a higher money rent, but that he must also pay a higher corn rent: for, if he does not, it is contended that a quantity of corn will remain to him as profits equal to that which remains to the Yorkshire farmer; and as the value of corn in Middlesex is greater than in Yorkshire, his profits will also be proportionally greater, which cannot be the case. But the circumstance of their paying equal corn rents would not really cause any discrepancy in their profits. I have supposed that both farmers employ *equal quantities* of capital: but it must be kept in view, that, to whatever extent the value of raw produce in Middlesex may exceed its value in Yorkshire, the *value* of the capital belonging to the Middlesex farmer must be increased to the same extent: and hence it follows, that the increased value or price of the produce belonging to the last as profits, is no more than equal to the additional

value of the capital he has employed; and that he is not, consequently, in any respect in a better situation than the other*.”

In this passage there is a very singular error with respect to the matter of fact. Mr. M'Culloch assumes, that the value of the farmer's capital rises in the same proportion with the value of raw produce. Now, it is obvious, nay, almost self-evident, that this could not be the case, unless all the ingredients of the farmer's capital consisted of such produce. Were his return homogeneous with his expenditure, an increase in the value of his return would be the same thing as an increase in the value of his capital; and, by necessary consequence, no rise or fall in the value of the produce he might bring to market could affect the rate of his profit. But as long as any portion of the capital which the farmer expends in cultivation consists of wrought articles, or of foreign commodities purchased with wrought articles, the value of such capital will not increase in the same proportion as the value of his produce.

Were it true, according to Adam Smith, that corn always retains the same value; or, were

* Principles of Political Economy.—Page 222

it true, according to the French Economists, that the value of wrought goods is always equal to the sum of the values of the food and material from which they are prepared; then, in either case, it might be correct, as stated by Mr. M'Culloch, that the value of the farmer's capital rises in the same proportion with the value of his produce. But I have already fully shown that, on these points, Adam Smith and the French Economists are in error, and it is unnecessary to traverse the ground again.

§ 3.—*Error of Mr. Malthus respecting the Nature of Rent.*

Mr. Malthus says*, "It has been justly observed by Adam Smith, that no equal quantity of productive labour employed in manufactures can ever occasion so great a reproduction as in agriculture. If we suppose the rents of land taken throughout the kingdom to be one-fourth of the gross produce, it is evident, that to purchase the same value of raw produce by means of manufactures, would require one-third more capital,

* Grounds of an Opinion on the Policy of restricting the Importation of Foreign Agricultural Produce.—Page 35.

Every five thousand pounds laid out on the land, not only repays the usual profits of stock, but generates an additional value which goes to the landlord. And this additional value is not a mere benefit to a particular individual, or set of individuals, but affords the most steady home demand for the manufactures of the country, the most effectual fund for its financial support, and the largest disposable force for its army and navy."

These few sentences abound with errors and misconceptions. The shortest way of demonstrating this, will be to state a case.

Let us suppose, that while land of the first quality continues so abundant that no rent is paid, A. and B., two farmers, expending each one hundred quarters of corn, and one hundred suits of clothing, raise between them eight hundred quarters; and C. and D., two master-manufacturers, expending each one hundred suits of clothing, and one hundred quarters of corn, fabricate between them eight hundred suits. In this case, the surplus or profit will be one hundred per cent.; a quarter of corn will be of equal value with a suit of clothing; and half the corn

of our two farmers, and half the clothing of our two manufacturers (should these commodities be brought to market) will become the reciprocal equivalents and purchasers of each other.

Now, let us suppose that the land which A. cultivates becomes so inferior, that his expenditure of one hundred quarters of corn and one hundred suits of clothing raises three hundred quarters, instead of four hundred quarters; and then B., who continues to raise four hundred quarters, will be compelled to pay one hundred quarters as rent; and as the corn raised on the best farm must be of equal value with that raised on the worst, three hundred quarters of corn, which formerly could purchase only three hundred suits of clothing, will now purchase four hundred suits.

It is self-evident, that this diminution in the productive powers of agriculture will be injurious to the society, and to every individual composing the society, except the proprietor of the superior farm, to whom a rent is paid. The society is injured, because the quantity of agricultural produce annually raised is reduced from eight hundred to seven hundred quarters of corn; A., the

cultivator of the inferior farm, has his profits diminished, in consequence of his being able to produce only three hundred quarters of corn with the same expenditure which formerly produced four hundred quarters; B., the cultivator of the undeteriorated farm, is injured by having his profit diminished, from the necessity of paying one hundred quarters of corn as rent; and C. and D. are injured by that reduction in the rate of manufacturing profits which is the necessary consequence of their giving a greater quantity of their fabrics for the same quantity of raw produce.

But let us suppose that a free trade is established; that one hundred quarters of corn, and one hundred suits of clothing, expended in manufactures, will give wrought goods sufficient to purchase four hundred quarters of corn from the foreign grower; that A. transfers to manufactures the capital of one hundred quarters and one hundred suits, which were invested in the inferior farm, yielding only three hundred quarters; and that B. is no longer under the necessity of paying one hundred quarters as rent for the superior farm.

In this case it is obvious that the society, and

every individual composing the society, except the land proprietor, would receive an important benefit. The general wealth would be increased by one hundred quarters of corn; A. in transferring his capital from the inferior farm to manufactures, and exchanging his wrought goods for four hundred quarters of corn, will acquire a higher rate of profit, while he enriches the community. B., the cultivator of the superior farm, will be enabled to retain in his own hands the one hundred quarters of corn which he formerly paid as rent; and C. and D. will obtain a higher profit, in consequence of being enabled to replace their expenditure of food and material with a less quantity of their wrought goods. The fall in the value of raw produce will be accompanied not by a reduction, but by an augmentation of wealth; the revenue which ceases to appear in the form of rent, will show itself in the shape of higher profits; and commodities, increased in quantity by the improvement in the distribution of industry, will be the reciprocal equivalents and purchasers of each other, just as effectually as when their quantity was diminished by the cultivation of inferior soils.

These illustrations, it is presumed, are sufficient to demonstrate that the propositions contained in our quotation from Mr. Malthus are conformable to truth only when they are conversely stated. It has been *erroneously* observed by Adam Smith, that no quantity of productive labour employed in manufactures can ever occasion so great a reproduction as in agriculture. If we suppose the rents of land taken throughout the kingdom to be one-fourth of the gross produce, it is evident that to purchase this value (quantity) of raw produce by means of manufactures (for it would be purchased only in countries where it was relatively cheaper), would require *less* capital. The additional value of raw produce, which causes the surplus return upon capital to be separated into the distinct channels of rent and profit, *is* a mere benefit to individuals, and does *not* afford a more steady demand for the manufactures of the country, nor the most effective fund for its financial support, and for the maintenance of a disposable force.

All the difference between the surplus obtained upon those portions of capitals which are invested in the most unfavourable situation, and the surplus

obtained upon portions of capital which are invested in more favourable situations, is rent. Now, the more unfavourable the situations into which the last portions of capital are forced, the greater will be the difference between the surpluses obtained from them, and the surpluses obtained from those other portions of capital which were previously invested in more favourable situations; or, in other words, the higher rent will rise. But the necessity of investing capital in more unfavourable situations, and the law of competition, bringing the rate of profit throughout all the employments of stock to an equality with the surplus obtained in these more unfavourable situations, must necessarily be injurious to every individual in the society, except the land proprietor.—He, and he only, can be benefited by the necessity of resorting to soils of an inferior quality.

§ 4.—*Effect of a free Importation of Corn upon the Interests of landed Proprietors.*

Though the necessity of resorting to inferior soils, if brought on by the progress of the country

in wealth and population, is highly beneficial to the land proprietor, yet it will probably be found that he can derive no advantage from forcing this necessity prematurely upon us by restrictions on the importation of foreign corn. That constant desire on the part of individuals to turn their capital to the best account, which equalises the rate of profit throughout the different districts of a country, tends also to equalise it throughout the different countries of the world. If in France the customary rate of profit were twenty per cent., while in England it were only ten per cent., then, allowing property to be equally secure in the two countries, British capital would inevitably flow to France. If the inequality in the rate of profit arose from the higher degree of skill possessed by France in the application of her labour, it would be corrected as soon as England adopted the more accurate divisions of employment, or copied the superior machinery of her neighbour. But if the inequality arose from England's having resorted to soils inferior to those under cultivation in France, it could not be corrected; and consequently the efflux of British capital could not be checked,

until the progress of wealth and population in France compelled her to obtain additional supplies of agricultural produce from soils incapable of returning a larger surplus than those under cultivation in England. No superiority of skill in the application of labour could enable England to retain in tillage soils very much inferior to those under the plough in France. The divisions of employment, and the use of machinery, on which the superiority in the application of labour depends, would be speedily copied by an intelligent people living under a free Government; and when copied, they would immediately raise the rate of profit in France, in the same proportion in which they had raised it in England: and the equilibrium which had been established, when different degrees of skill in the application of labour counterbalanced different degrees of fertility in the soil, would be again disturbed when skill became equal, and the inequality in the soil resorted to for the supply of food and material was left uncounteracted to produce its natural effect. Should this inequality be considerable, the rate of profit would be much higher in France than in England; and the desire

of improving their condition becoming too powerful for those associations which bind men to their native land, capitalists would emigrate with their productive stock from the former to the latter country.

This tendency of capital to pass from countries in which the profits of capital are low, to those in which they are high, renders it impossible to force the rent of land to any considerable extent, or for any considerable period, above its natural level by means of restrictions on the importation of foreign corn. Under any given powers of industry, rate of wages, and vicinity to markets, the surplus produce of the soil which supplies rent and profit is a given quantity; and any arrangement which causes a greater portion of this surplus to appear in the form of rent, necessarily depresses profits. But to depress profit is to force capital abroad. Hence, in a country which has started before her neighbours in wealth and population, and which cannot obtain additional supplies of food and material from her own territory, without resorting to soils inferior in quality or situation to those cultivated in other growing

countries, restriction on the importation of foreign corn, instead of forcing inferior tracts into tillage, and thereby raising the rent of the more fertile and better situated lands, will cause capital to emigrate. Profits tend to a common level, not only throughout the districts of a country, but also throughout the countries of the world. When land proprietors endeavour to acquire by artificial regulations a greater portion of the net surplus derived from the soil, than in the actual circumstances of the society would naturally flow to them, they force productive capital abroad, and check the prosperity of the country without enriching themselves.

It must be admitted, however, that in balancing the advantages to be derived from removing our capital to another country, the expectation of an increase of wealth is not the only circumstance which influences us. In all our practical conclusions from the principle, that the profits of stock throughout all the branches of domestic industry conform to a common level, allowance must be made for different degrees of security or risk, respectability or discredit. When we extend the

principle of the equalisation of profits to the several commercial countries of the world, it is liable to similar limitations. When the government of France was an absolute monarchy, and when those who embarked their stock in the useful and, therefore, honourable enterprise of promoting her manufactures or commerce, were depressed and degraded in public estimation, an Englishman would not have consented to transfer his capital to France, unless he had been tempted by a rate of profit very greatly exceeding that which he obtained at home. But if a constitutional monarchy should be permanently established in France, if the absurd and pernicious maxims of feudal aristocracy do not regain an ascendancy, and if the property which is embarked in the great national work of reproduction be permitted to exert its natural influence, then a much less difference between the rate of profit obtained in England and in France will be sufficient to attract capital from the former to the latter country. Under a free constitution, in which property is fairly represented, the enjoyment of liberty, and the pride and satisfaction resulting from a participation in

political power, may be regarded as a species of immaterial profits, counterbalancing the deficiency in the mere material return, and forcing into cultivation, by means of a moral bounty, soils very far inferior to those under tillage in countries less happily circumstanced.

These considerations lead to political conclusions highly important and consolatory. Landed proprietors have a direct pecuniary interest in maintaining and extending the liberties of their country. From the essential order of society, they are in the constant receipt of a retaining fee for advocating the cause of freedom. The more the principles of economical science are understood, the more generally will it be acknowledged, that the proprietors of the soil are the natural leaders of the people. Every reform, every amelioration of the institutions of a country, has a tendency to check the emigration of capital and to raise the rent of land.

But let us return from these incidental political speculations to the question properly before us, namely, whether the proprietors of the soil have any real permanent interest in restricting the importation of foreign agricultural produce.

Facilities in the production of those manufactured articles which are expended in cultivation, are just as efficacious in enabling us to obtain a surplus from the soil, as facilities in the production of those articles which the soil itself supplies. Every reduction in the value of wrought necessaries and implements enables the farmer to pay a higher rent. If we take the ordinary rate of agricultural profit at ten per cent., then a farm yielding one hundred quarters of corn, and requiring an expenditure of fifty quarters for food and seed, will pay a rent of twenty quarters, provided the value of the wrought articles consumed upon the farm be thirty quarters; and will pay a rent of thirty quarters, provided the value of the wrought expended on cultivation fall to twenty quarters.

The consideration of these principles cannot fail to impress us with the conviction of the deep interest which land proprietors have in the extension of manufactures and commerce. It is only in densely peopled countries in which the comparative value of wrought necessaries is low, that high corn, or produce rents can be paid. This

principle is of such vast practical importance, that it will be proper to investigate it in detail.

In a great manufacturing and commercial town, supplies of agricultural produce of the same quality will sell for the same price, whether they come from a neighbouring, or from a remote district. Consequently, if the neighbouring and the remote districts should be of equal fertility, and should they, upon the application of equal quantities of the ingredients of capital, yield equal quantities of produce, it is obvious that the former would afford to the proprietor a much higher rent than the latter; because, on the latter, the surplus of return above expenditure would be less than on the former; by the difference of the cost of carriage upon sending produce to market, and upon bringing back manufactured articles.

Both districts, upon the expenditure of one hundred quarters of corn and one hundred suits of clothing, yield three hundred quarters; and in the manufacturing town, a quarter of corn and a suit of clothing are of equal value. The cultivator of the near district, however, expends four quarters in sending his disposable corn of two

hundred quarters to market, and in bringing back the wrought goods, for which he pays one hundred quarters, so that his nett surplus will be ninety-six; while the cultivator of the remote district expends, for the like purpose, twenty quarters, and, therefore, has a nett surplus of no more than eighty quarters. But as competition equalises the rate of profit, the farmer who expends sixteen quarters less on carriage, will be obliged to pay sixteen quarters more as rent.

Assuming the rate of profit to be twenty-five per cent., then the farmer of the near district who expended one hundred quarters on seed and food, one hundred quarters in the purchase of wrought goods, and four quarters on carriage, would, over and above the profit of twenty-five per cent. upon his whole expenditure, have an additional surplus of forty-five quarters to pay to the proprietor as rent; while the farmer of the remote district, who, with the same expenditure for food, seed, and wrought articles, laid out twenty quarters on carriage, would, over and above the profit of twenty-five per cent. upon his whole expenditure, have an additional surplus of only twenty-five quarters to pay as rent.

Now we will suppose that the landed proprietors, in the immediate neighbourhood of our manufacturing towns, are not satisfied with receiving for the use of their land, a quantity of produce greater, by the difference in the cost of carriage, than that which is received for the use of land of equal fertility in the remote districts; and that they enter into a successful combination for excluding the corn of the remote districts from the market.

The first effects of this combination, for limiting the supply of raw produce, would be to raise its value in relation to wrought goods, and, consequently, to reduce the rate of manufacturing profit. Assuming an expenditure of one hundred quarters of corn and one hundred suits of clothing produces, indifferently, either three hundred quarters, or three hundred suits; then, if the combination of proprietors cause ten quarters to be equal in value to nineteen suits, the profits of the manufacturer would be reduced to about five per cent., while the surplus obtained on agricultural industry would rise to about ninety-five per cent. Now, as competition equalised the rate of profit, all this surplus beyond five per cent. would appear

in the form of rent. The produce rent of a farm yielding three hundred quarters to an expenditure of one hundred quarters and one hundred suits, would rise from forty-five quarters, the amount formerly paid, to about one hundred and forty quarters.

The land proprietors would continue to enjoy these exorbitant rents if the manufacturing town in their immediate vicinity retained its former wealth and population. But this would be impossible. As the increasing value of food and material reduced manufacturing profit from twenty-five to five per cent., manufacturing capital and skill would inevitably emigrate to those remote districts, where the low value of the products of the soil might enable them to realise their former profits. The land proprietors would speedily discover that they had destroyed that advantageous market for their produce, the exclusive supplying of which they had unjustly endeavoured to secure. Their relative position would be changed; their districts would now be the remote and unfavourably situated districts, and their rents would be reduced below

what they had originally been by all the increased cost of carriage which must now be incurred in conveying their produce to a distant manufacturing town, and in bringing back from thence the clothing and other wrought goods required in cultivation.

Thus their selfish policy would counteract itself; and their unjustifiable combination, for the purpose of enriching themselves, at the expense of the industrious classes, would end in reducing their rents considerably below what they would have been under a system of free trade and open competition.

Let us apply these principles:—The landed proprietors of England possess the important advantage of immediate vicinity to the largest and most flourishing manufacturing towns in the world; and the consequence is, that, in proportion to its fertility, land in England pays a higher rent, whether estimated in produce or in money, than in any other country. Let not senseless avarice destroy the sources of the golden eggs. Let not the proprietors of England, by restricting the importation of foreign agricultural produce, raise the value of such produce in our markets, and

thus depress the rate of profit, until the seats of manufacture are transferred to France, or Holland, or Germany. No proposition in Euclid admits of a more rigid demonstration, than that the highest rents will be paid in countries in which manufacturing industry is carried to the greatest height. But it is obviously impossible that manufactures should continue to flourish in a country where restrictions upon the importation of corn raise the value of raw produce in relation to wrought goods, and thereby depress manufacturing profits below the rate prevailing in the neighbouring countries. If we do not freely import foreign produce, our manufacturing superiority cannot be maintained, and, by necessary consequence, our high comparative rents cannot continue to be paid.

Hitherto, our arguments have been applied to the rent of lands employed in the growing of corn and other necessaries. The principle, however, that the landed proprietors of a country excelling in manufactures, are benefited, rather than injured, by a free importation of foreign produce, has incalculably greater force when applied to the

rents paid by those lands which are employed in producing superfluities.

When considering the effects of monopolies, I endeavoured to shew that they might raise the exchangeable value of superfluities in a much greater degree than it would be possible for them to raise the value of necessaries. A day's subsistence can never, for a permanency, be worth more than the product obtained by the expenditure of a capital consisting of a day's subsistence; because, if it became of greater value, the capitalist who advanced a day's subsistence to a productive labourer, instead of obtaining a profit, would sustain a loss, and would discontinue a species of industry so ruinous to him. An increase in the value of superfluities has no real effect in absorbing profit. In proportion as the exchangeable value of subsistence rises, as compared with the value of the products of a capital consisting of a day's subsistence, profit must necessarily fall; and a greater portion of the surplus produce of the better soils must as necessarily appear in the form of rent. But, as we have just seen, there is a necessary limit to this fall of profit and rise of rent,

created by the bounty which it offers on the tranference of capital. No monopoly of the home market, therefore, whether natural or artificial, can, for any considerable period, raise the value of corn, and the rent of corn land, very much above their level in other countries, equal with respect to the quality of land under cultivation, and to the degree of skill with which labour is applied.

But a monopoly of the home market, whether natural or artificial, when it affects superfluities, may raise their value, and increase the rent of the land which produces them, to almost any conceivable extent above the level of other countries. The reason is obvious:—an increase in the value of superfluities does not diminish profit. As subsistence is always a main ingredient in the advance which puts productive industry in motion, a rise in the value of subsistence, as compared with superfluities, reduces the profit upon preparing superfluities; while, on the contrary, an increase in the value of superfluities, as compared with subsistence, raises the profit obtained by preparing superfluities.

Superfluities not being the things expended in reproduction, increasing their value with reference to the value of the things which are expended in production, may cause, in the branches of industry which prepare them, the surplus of reproduction above expenditure to exceed the general level by ten, or twenty, or one hundred per cent. But the law of competition forbids that the farmer who raises articles of superfluities should obtain a higher rate of profit than the farmer who cultivates the last quality of soil resorted to for the supply of subsistence. All the difference between the surplus products which they respectively create, will go, in the form of increased rent, to the proprietor of the soil upon which his superfluities are raised.

From the principles I have here endeavoured to establish, it follows that, in a rich and populous country, the lands which supply fresh meat, fresh butter, milk, vegetables, hay, and all those things not strictly component parts of subsistence, which, from their bulk or perishable nature, sell in the home market at a monopoly price, may afford the proprietor a much higher rent than it is possible

for him to obtain from any lands of equal quality employed in raising corn. If an unrestricted importation of corn were permitted, raising the rate of profit, and thereby occasioning a rapid increase of capital and population, no assignable limits could be set to the growing intensity in the demand for gardens, pleasure grounds, and grass farms, nor to the progressive rise in the rental of the country.

Thus, it appears, from abundant evidence, the class of land proprietors have not, any more than the class of capitalists and of labourers, a permanent interest in imposing restrictions on the importation of foreign corn.

Part the Second.

ON THE EXCEPTIONS AND LIMITATIONS TO WHICH THE GENERAL PRINCIPLES OF THE EXTERNAL CORN TRADE ARE LIABLE.

CHAP. I.

On the Question, Are the Principles respecting a free external Trade in Corn liable to any Limitations in their Application to the particular Case of a Country, which, by Restrictions on Import, and Bounties upon Export, infringes on the Liberty of Commerce, in other Articles?

THAT the irregularity of the seasons, in supplying food, diminishes as territory extends:—that equalising the supply of subsistence throughout all the districts of the world, and periods of the year; accumulating grain in store-houses and gra-

naries, and carrying forward the superfluity of abundant harvests to compensate the wants of deficient ones, not only obviate the alternate recurrence of superfluity and famine, but extend cultivation, and augment the numbers of mankind:—that, in a country where the growing price of corn is relatively low, and where relief from importation cannot be obtained, until the markets are ruinously elevated above the ordinary level, a free export trade, occasioning, in average years, a surplus produce, is the only means by which deficient years can be provided for:—that, in countries where the growing price of corn is so high, that, in years of overflowing crops, superfluity cannot be removed, until the markets have sustained an extraordinary fall, unrestricted importation, throwing out of cultivation such inferior lands, as require for the production of a given produce, a greater expense of labour and capital than is requisite in other growing countries, is the most effectual means of rendering prices steady:—and, that perfect freedom of intercourse, uninterrupted, either directly or indirectly, by legislative interference,

and allowing industry to take whatever direction individuals may find most conducive to their interest, accelerates the growth of wealth and the accumulation of capital, elevates wages, profits, and, ultimately, rents; leads agricultural states, by the shortest and surest road, to commercial prosperity, and holds out, in countries which have acquired manufacturing advantages, the only permanent and legitimate encouragement that agriculture can receive.—These are principles, the abstract truth of which is as capable of as rigid a demonstration, as any political or physical proposition can admit.

But, every general principle, however evident its abstract truth may be, is, in its application to particular circumstances, liable to exceptions and limitations. The exceptions and limitations, therefore, to which the principles of the external corn trade, unfolded in the former part of this work, may be liable, are what we now have to consider. In the present Chapter it is intended to inquire, whether the principle of unrestricted freedom, in the external corn trade be applicable to the par-

ticular circumstances of a country, which, by prohibitions, protecting duties and bounties, controls other branches of commerce.

It is universally admitted by those who have any acquaintance with the science of political economy, that legislative interference, forcing industry from the channels into which the labourer and capitalist, if left to themselves, would naturally turn it, is injurious to the wealth of a country. Protecting duties, it is acknowledged, giving manufactures a monopoly in the home market, and bounties to extend their foreign sale, are as so many fetters on the hand of industry, lowering the productive powers of labour, and retarding the march of prosperity.

To contend, therefore, that the existence of this pernicious system, with respect to the trade in manufactured articles, forms an exception to the application of more enlightened principles to the trade in corn, appears, upon the face of it, singularly preposterous. Those who admit the fundamental principles of political economy, respecting the freedom of trade, must also admit, that the protecting duties and bounties, by which, in the

case of manufactures, this freedom is infringed, are hurtful to the wealth of the country. When, therefore, the advocates of restricted importation, on the ground that regulations, avowedly injurious to wealth, exist in some departments of industry, urge that such regulations should be extended to another, they involve themselves in the absurdity of seeking to remove a disease, by increasing the cause which produces it.

The position, however, that the principles of political economy, respecting the external trade in corn, are inapplicable to the particular case of a country, granting monopolies and protecting duties to manufacturing industry, is too important to be dismissed with an examination so brief and popular. We must view it more closely, and trace it through all its bearings.

It may be urged, in the first place, that monopolies and protecting duties, granted to manufacturers, compel the agricultural classes to purchase wrought goods at a dearer rate than if the products of foreign industry were admitted to a free competition in the home market; and that, therefore, on the principle of fair and equal dealing, the

manufacturing class should, by restriction on the importation of corn, be compelled to pay the farmer something more for their bread.

This principle of equal dealing, and even-handed justice, which has been urged against admitting, in our actual circumstances, a free importation of foreign corn, is, perhaps, the strongest and most unanswerable that could have been brought forward. Let us see how it applies; let us inquire, whether it may not prove a dangerous deserter from the cause, into the service of which some injudicious leaders have preposterously pressed it.

Protecting duties and bounties, do, indeed, compel the agricultural interest to purchase some articles at a dearer rate than if the trade in them were left free: but then, this injury does not fall on the agricultural interest alone. On the contrary, the monied interest, the commercial interest, stock holders, annuitants, all the military and civil servants of the state, all professional men, all shopkeepers, all bricklayers, smiths, and house-carpenters,—in fact, the whole community, with the exception of those persons who work up the articles which might be obtained cheaper from abroad,

are equally partakers in the injury inflicted by the exclusion of foreign manufactures from our markets.

How, then, can the principle of equal dealing, and even political justice, give the agriculturist a right to claim exclusive exemption from any evil which, with a trifling exception, falls alike on all? Nay, how can he, with any semblance or colour of equity, demand, not merely an exclusive exemption, but one of such a nature as would inflict a double evil on all other classes; and upon the ground that these classes purchase some wrought goods at a dearer rate than is necessary, would cause them to purchase their bread dearer also?

The case stands exactly thus: A. and B. sustain an injury from some partial regulations made for the benefit of C.; and, in consequence, A. claims, not only an exclusive indemnity, but one which must inflict on B. a double injury. This exclusive indemnity, too, and this double injury, are urged upon the principle of equal dealing and common justice!!

Thus we see, that, to indemnify the agriculturist for the monopoly granted to the manu-

facturers, by granting a second monopoly, in the important article of corn, against all other classes of the community, instead of being conformable to the principle of fair and impartial dealing, would be a flagrant violation of it. Enlightened statesmen (and His Majesty's present ministers are eminently entitled to the appellation), on ascertaining that the agricultural interest, in common with other orders of the state, sustained an injury from the protection given to the manufacturers of those particular articles which might be brought cheaper from abroad, will, with all the caution which is necessary in conducting political change, and with a due regard to the interest and indemnification of those who might have embarked their capital, or served their time in the protected trades, seek to remove the injurious restraints upon industry; but surely it can never enter their contemplation, to correct one evil by the infliction of a second; or, while proclaiming their belief in the benefits of unrestricted intercourse, to establish, on the principle of equal dealing, additional monopolies for indemnifying a single class, at the general expense.

Those persons who are employed in the fabri-

cation of such articles as we might obtain cheaper from abroad, do not form a very large proportion, even of our manufacturing population. But these are the only persons on whom the exclusion of foreign manufactures can possibly confer a benefit; and, therefore, even admitting the strange doctrine, that the agriculturist is entitled to an exclusive indemnity for purchasing some articles at too dear a rate, these are the only persons by whom this exclusive indemnity should be paid. To make the great mass of the community give more for their bread, because a system of commercial regulations, avowedly erroneous, compels them to give too much for some other things, would not only be a glaring violation of natural justice, but of common sense.

It has been urged, that if the external trade in corn were exempted from all legislative interference, while other branches of industry continued to possess monopolies in the home market, and bounties extending their foreign sales, such exemptions would, indirectly, operate as the most severe and prejudicial restraint, and cause those engaged in the growing of corn, to withdraw their

capital from that concern, for the purpose of employing it in those favoured channels to which such artificial advantages were continued.

This objection to admitting, under the present circumstances of this country, the principle of an unrestricted trade in corn, however plausible it may, at the first glance, appear, can proceed only from an entire forgetfulness of the principles of commercial intercourse. If France were to supply us with silks, and other articles, in preparing which she possesses advantages, she would not give us the fruit of her labour for nothing ; she would require, in payment, hardware, or stuffs, or some other goods, in preparing which the advantage belongs to us. When, therefore, we prohibit the importation of French silks, we necessarily prohibit, at the same time, the exportation of the British goods, which would pay for them ; and when we create a forced demand for home-made silks, we, by the same operation, must destroy, to an equal amount, the foreign demand for our other manufactures.

Thus, then, it appears, that those legislative measures of monopoly and bounty, which are sup-

posed to throw an undue proportion of capital into the channels of manufactures and commerce, have, on the contrary, the effect of depriving the manufacturing capitalist of that profitable occupation of his stock, which, under a free trade, he would find, in carrying on the increased communication between nations. By these effects of monopolies and bounties, manufacturing and commercial profits are reduced. The manufacturing and commercial interests are placed in a less flourishing condition, by the operation of such encouragement; and are injured by those regulations which are generally supposed to enrich them, at the expense of the rest of the community, and to throw into their hands too large a proportion of the capital of the country.

But we have not yet fully unfolded the injury which the industrious classes sustain from the duties laid on for their protection; nor the extent to which monopolies and bounties, instead of drawing capital to manufactures and commerce, repel it from these occupations. When a nation confines her efforts to the fabrication of those things, in which her natural productions, her situa-

tion, and moral habits, give her an advantage, she not only renders the labour and capital thus employed, more productive than if she fabricated, at home, articles which foreigners could furnish to her at a cheaper rate, but increases, to an indefinite extent, the quantity of labour and capital which she may beneficially invest in manufactures and commerce.

For, thus, co-operating with nature, she cannot be undersold by foreign nations; while, from the reciprocity of commerce, every increase in the productive powers of her labour, which enables her to consume a greater quantity of foreign articles, creates new demands for her commodities in the foreign market, and thus opens a perpetually extending field for her exertions. Thus we see, that if the current of events was not forced out of its natural channel, industry would receive a still-increasing stimulus, and there would be an almost interminable accumulation of manufacturing and commercial capital. Let us contemplate, for a moment, the diametrically opposite effects of bounties and protecting duties.

The fabricating, at home, of those articles which

foreigners can furnish cheaper, not only turns, as we have seen, labour and capital from their most productive occupations, but diminishes the quantity of both, which can be beneficially vested in the operations of manufacture and commerce. Those manufactures in which foreigners excel us, and which, consequently, require for their establishment protecting duties and monopolies, cannot be carried on to a greater extent than is necessary to supply the home market. The foreigners, to whom, in preparing such articles, natural advantages belong, will effectually beat us out of foreign markets; and, when we have satisfied the demand of the domestic consumer, all further increase of manufacturing stock will be impossible.

To whatever extent we refuse to buy from foreigners, we, to the same extent, deprive them of the power of buying from us; and, in whatever degree we turn industry from its natural course, in the same degree we dry up the sources of commercial prosperity, and instead of forcing too great a proportion of the wealth of the country from the soil, deprive the capitalist of the power of beneficially vesting his stock in manufactures and trade.

Thus, then, it clearly appears, that protecting duties and bounties, turning our industry from employments in which we are naturally qualified to excel, and in which we are secure against foreign competition, not only injures the general wealth and prosperity of the country, but, upon the manufacturer and merchant, the very persons whom they are supposed to benefit at the expense of the community, accumulate double mischief,—at once lowering the productive powers of their capital, and limiting the quantity of labour and of stock, which they can beneficially employ.

The position, therefore, that bounties and protecting duties benefit the manufacturing and commercial classes, and accumulate the capital of the country in their hands, being entirely erroneous, the doctrine it has been brought forward to support falls instantly to the ground. These very bounties and protecting duties, which, while intended only to secure the home, shut us out from the benefits of the foreign market, and limit the capital that can be beneficially employed in manufactures and commerce, must, in the most effectual manner, withhold the grower of corn from trans-

ferring his stock into those channels of industry which receive such pernicious favour. Commerce and manufactures receive, from legislative encouragement, no advantage; requiring, in order to restore a due equilibrium between the different branches of industry, that artificial encouragement should be extended to agriculture. On the contrary, the trading classes sustain the deepest injury from every infringement on commercial liberty; and bounties on the exportation of domestic articles, and protecting duties laid on the introduction of foreign ones, instead of being a reason for granting the corn grower a monopoly of the home market, constitute an argument for leaving the trade in corn free; and require that, as some compensation for the peculiar injury the trading classes sustain, in having a forced and unnatural direction given to their industry, manufacturers and traders should be permitted to purchase their food wherever it can be obtained at the cheapest rate.

It is hoped, that from these illustrations, it will appear sufficiently evident, that the bounties and protecting duties, by which our manufacturers have been attempted to be favoured, cannot have

any tendency to withdraw capital from the soil ; and that, therefore, establishing, during the continuance of such regulations respecting other branches of industry, perfect freedom in the foreign trade in corn, could not possibly operate upon the domestic grower as an indirect and pernicious restraint.

Bounties and protecting duties granted to our silk manufactures do, indeed, force capital into this channel of industry ; but then, it is at the expense of some other manufacture, more adapted to the country, with which, if intercourse were free, foreign silks would have been purchased, and to which, if our restrictions upon import had not interdicted export, a much greater portion of the capital of the community would have been drawn.

Such artificial regulations may increase the quantity of capital in some particular employment ; but then, it is by diminishing the general mass of capital that might be profitably turned to manufacture and commerce. For it is certain that, if we refuse to receive the articles, in preparing which foreigners excel us, we deprive them of the

power of purchasing the articles, which we can furnish at a cheaper rate than they; and destroy those international, and mutually beneficial divisions of labour, that are at once the cause, and the effect of foreign trade: while, if we were freely to receive the productions of foreign industry, a much greater quantity of domestic articles would be sent abroad to pay for them; and, in order to carry on the increased intercourse with other nations, a much larger portion of the stock of the community would be turned into the channels of manufacture and commerce.

Hence, in a manufacturing country, bounties and protecting duties for forcing exotic branches of industry, have a tendency, not to enlarge, but to choke up the channels of trade; not to draw capital from the growing of corn, but rather, by limiting the quantity of stock that can be employed in international intercourse, to pour a greater proportion of it upon the soil. Under the enlightened system of commercial legislation which is now beginning to prevail, it is to be hoped, that all prohibitions and protecting duties for forcing

exotic manufactures will be gradually abolished, and all pretexts for continuing restrictions on the trade in corn be removed.

It may be urged, perhaps, that if protecting duties, laid on to favour domestic manufactures, did not force industry from its natural direction, the wrought goods, which, under a general freedom of intercourse, we received from abroad, might be paid for, not by other wrought goods, but by the produce of our soil; and that, therefore, the protecting duties which exclude foreign manufactures, may destroy the foreign demand for our corn, and thus operate as a restriction on our agriculture.

This objection would be applicable to Poland. In that country, corn, from the cost of its production being relatively low, forms the staple article of foreign trade; and, consequently, prohibitory duties upon the import of wrought goods, would there operate as interdictions upon the exportation of agricultural produce.

But England is in a situation directly the reverse of this. Here we have acquired extraordinary advantages in manufacturing industry, while the

growing price of our corn is relatively higher than in any other country of the world. Though we were freely to receive the wrought goods of our neighbours, we could not possibly pay for them in corn. It is quite in vain to urge, that, if foreign grain were excluded, and that of home growth allowed to be freely exported, capital would flow so copiously upon the soil, that the supply of corn would be increased, and, consequently, its price reduced, until it could be sent abroad with a profit. Such artificial encouragements, extended to agriculture, could augment the supply of corn, only by turning labour and capital to such inferior lands as have been hitherto inadequate to repay the expense of tillage; that is, could increase the quantity of corn, only by increasing the cost of its production; that is, as cost of production must ever, on the average, govern the prices of the market, without rendering exportation absolutely impossible.

To imagine, that, in England, a free admission of foreign goods could create a foreign demand for agricultural produce; and that prohibitory duties on the importation of manufactures, can act as an indirect restriction on the exportation of corn;

implies absurdity, and contradiction; and betrays lamentable ignorance of the fundamental principles of political economy, namely, that relative cost of production regulates the prices of the market; and that production must cease when its expenses are no longer repaid.

England cannot raise an independent supply of corn for her increasing population, without such restrictions on the importation of foreign grain, as shall be sufficient to keep under cultivation lands considerably inferior in quality to those cultivated in the neighbouring growing countries of Europe. Now, to raise any given quantity of corn on our inferior lands, would require more capital and labour than to raise it from the land under tillage upon the Continent; and, as our better soils would acquire an increased value in proportion to their superiority over the inferior ones which could now be profitably tilled, any given quantity of produce that might be raised from them, would be charged with a higher rent, than the same quantity raised in France, or Germany, or Poland.

Thus, restrictions upon import, causing us to produce an independent supply of subsistence, for

our increasing population, would raise the relative cost and value of corn above their level in the surrounding countries. Under such circumstances we could not, even in an abundant year, remove superfluity, until our markets had fallen very considerably below the usual rate; and to create a permanent surplus to give in exchange for the wrought goods of our neighbours, would not be within the limits of possibility.

Those who wish that England should once more become an exporting country, would do well to consider the connection between cost and price; and to trace the backward march, which must be made before their object could be attained. It is self-evident that, before we become an exporting country, our markets must be lower than the markets of other countries. Now, in order to reduce our market prices, it is necessary that the cost price of our corn should be reduced. But this reduction in the cost of producing corn cannot be effected, while, for lands of the same quality, we pay a higher rent than is paid in other countries; and while we till inferior soils, which, to raise the same produce, require more capital

and labour. Before, therefore, we can reduce our cost and market prices, and become an exporting country again, landlords must abate their rents to a level with the rents paid in France, or Germany, or Poland; and population must be so thinned, that a cultivation, contracted within the limits of those fertile districts which require little expense of capital and labour, shall be sufficient, not only to meet the home consumption, but to yield a surplus produce for the foreign market. When these events shall have taken place, and England, with respect to the value of land, and to the existence of a manufacturing population, shall have been assimilated to Poland, she may employ her plains in raising subsistence for her neighbours; and the objection, that prohibitory duties upon the importation of wrought goods check the exportation of the produce which might have paid for them, and thus operate as indirect restrictions, forcing capital from the soil, may become applicable to her situation.

And now, it is hoped that we have sufficiently examined the question,—whether the existence of legislative restrictions, imposed with a view of

encouraging other branches of industry, forms an exception to the principles formerly unfolded, respecting the benefits of a free external trade in corn. We have seen, that bounties, and protecting duties, extended to those manufactures, in which other countries can work at a cheaper rate than we, do not inflict an exclusive injury on the agricultural classes, but fall with equal weight upon all the individuals of the community, those only excepted, who work at the protected and forced employments, in which foreigners possess advantages; and it has appeared, that indemnifying the landed interests, by giving them another monopoly against consumers, so far from being called for by fair dealing, would be a flagitious violation of that principle, inflicting on all other classes a two-fold injury.

It has also been shewn, that, in a country where the cost of producing corn already interdicts its exportation, the prohibition of foreign manufactures cannot destroy a foreign demand for agricultural produce, or operate as an indirect restraint, withdrawing capital from the soil; but that, on the contrary, in such a country, these

prohibitions on foreign wrought goods destroy the demand for home wrought goods which would have paid for them; and, by choking up the channels of commerce, and limiting the quantity of stock which can be profitably employed in trade and manufactures, have rather a tendency to confine the capital of the country to the soil.

Thus, then, it is evident, that, in a country where the cost price of corn is higher than in others, bounties, and protecting duties, granted to manufacturing industry, form no exception to the principles of a free external trade in corn. Such bounties, and protecting duties, indeed, are injurious to the general wealth and prosperity of the country; and, with all due provision for the indemnification of the individuals who may have embarked in the forced and exotic branches of industry, ought gradually to be abolished; but they cannot (except in a country where the low cost price of corn renders it a staple article of commerce, the export of which must diminish, as the importation of foreign articles is restrained) inflict any peculiar discouragement upon agriculture, or require, in order to restore the profits of

stock, in its different employments, to a just equilibrium, that the grower of corn should obtain a monopoly of the home market.

Every view, therefore, which can be taken of the question, confirms the conclusion, that, to the particular case of a country, which infringes the freedom of commerce with respect to wrought goods, the principle of uncontrolled external trade in corn, applies with the fullest force. The existence of this infringement will diminish the general wealth of the community; but whether such infringement exist or not,—whether His Majesty's Ministers may, or may not be enabled to persevere in their enlightened system respecting the importation of foreign fabrics, the trade in corn should be unrestricted, and the merchant left free to conduct those important operations which rectify the irregularity of the seasons in supplying food, and render dearth an improbable, famine an impossible occurrence.

CHAP. II.

On the Limitations to which the general Principles of the external Trade in Corn are liable, in their Application to the particular Case of a Country in which Restrictions upon Import have already induced an artificial Scale of Prices, and given a forced Extension to Agriculture.

HAVING, in the last chapter, shewn that legislative interference, with respect to other branches of commerce, forms an exception to the principles of a free external trade in corn; we have now to enquire, whether these principles are liable to any limitations in their application to the particular case of a country in which restrictions on the commerce in grain have already turned capital from its natural direction, and established an artificial scale of prices. This question, always interesting, as involving the difficult problem respecting the introduction of political change,

derives, at present, great additional importance from the circumstances, that a forced direction of capital, in consequence of interrupted commerce, constitutes our actual state; and that it is under an artificial scale of prices, thereby induced, that it has become necessary to legislate.

Dr. Smith, in stating the limitations to which the general principle of complete freedom in trade is liable, seems to consider the actual existence of artificial encouragement as one. He urges, that when any commodity of our own production has been encouraged for some time by high duties and protections, it would be injurious suddenly to restore a free importation of the same kind of article. "Humanity, in this case," he contends, "requires that freedom of trade should be restored only by slow gradations, and with caution and circumspection. Were these high duties and protections taken away all at once, cheaper foreign goods, of the same kind, might be poured so fast into the home market, as to deprive, all at once, many thousands of our people of their ordinary employment, and means of subsistence."

This scarcely needs illustration. England, by

very high duties on the importation of foreign wrought goods, has, to a considerable extent, established manufactures not naturally adapted to the country. In this she has undoubtedly given some check to her prosperity, and rendered her labour and capital less productive than they otherwise might have been. But, nevertheless, were she, all at once, to attempt the introduction of theoretic perfection into her commercial regulations, and suddenly to repeal the high duties upon the importation of articles not naturally adapted to the country, very calamitous consequences would, in the first instance at least, ensue. Under-sold, in their own market, by the foreigner whose exertions co-operated with nature, our capitalists and labourers, who had been induced to vest their stock, and to acquire skill, in the forced and exotic employments, would now be driven to seek a livelihood in other occupations. The former could not do so, without extensive pecuniary loss; nor the latter, without losing all that species of *moral capital*, consisting in the skill and dexterity he had acquired in his trade. Great individual distress, and a considerable temporary reduction in

the productive powers of industry, would be the consequences.

Now if, even in the case of some exotic manufactures, the sudden repeal of the duties which had given a forced direction to industry would be attended with consequences so injurious, we may form some estimate of the calamitous effects which would ensue from a similar proceeding with respect to the universal trade of agriculture. In a country, accustomed to import a part of her consumption of food, any considerable restriction on the introduction of foreign corn, effects, in the first instance, a great advance in the markets; and, hence, forces labour and capital to the cultivation of those inferior soils which, under the old prices, could not be tilled with a profit. Now, as soon as the interruption of foreign supply raises the price of raw produce so high, that the reduced rate of profit, now become customary, may be obtained by the cultivation of tracts which had before remained untilled on account of their sterility, a rate of profit, higher than the customary, will be obtained by the cultivation of the fertile districts which had been able to stand

foreign competition. But, as leases expire, the competition of capitalists will always prevent lands from being let at a lower rate than is necessary to insure the farmer the customary profit, which, at the actual price of raw produce is obtained in manufactures and trade. In a country, therefore, which would naturally import a part of her consumption, an interruption of free intercourse occasions a universal rise in rents, and affects every contract which may be entered into between landlord and tenant.

Nor is this all. All the money transactions of the land proprietors will be influenced by this increase of income; mortgages, marriage settlements, incumbrances for younger children, will all increase with the increasing rent-roll.

Thus we see, that, while restrictions on the importation of wrought goods, not naturally adapted to the country, would give a forced direction to labour and capital, in a few manufacturing towns and districts; restrictions on the introduction of foreign corn, would, in a country, the circumstances of which naturally led to the importation of grain, not only give, to an incalculably greater extent, a

forced direction to capital and labour, but would influence, to a considerable extent, the money transactions of individuals. In proportion to the magnitude of the change, would be the evils inflicted by a sudden cessation of the restrictions which had produced it. The nature of these evils we will now examine.

In the first place, the removal of those obstacles to the importation of foreign grain, which, by turning industry from its natural course, had forced an independent supply of food, would enable the cultivator of the fertile tracts of the adjacent growing countries, to pour in a cheaper supply of corn than could, from the inferior soils which had been forced into cultivation by the artificial prices induced by fettered commerce, be obtained at home. But when prices were, in this manner, brought down to the natural level, these inferior soils could no longer be tilled with advantage. The capital, therefore, which had been expended in bringing them into a state of tillage, would cease to be productive; nay, even the stock which existed in permanent implements, and buildings, would be deprived, in a great measure, of its exchangeable

value and productive power, and could not be disposed of, or converted into other articles, or turned into other employments, without considerable loss. The agricultural labourers, too, who had been employed upon the land thus thrown out of tillage, would lose all the benefit of the skill and dexterity they might have acquired in their accustomed calling; and, deprived of their moral capital, would be driven to seek employments in which their productive powers must be lowered.

It would be fortunate, however, if the derangement and distress could be limited to those districts which should be thrown out of tillage by the sudden removal of the restrictions upon importation. When a diminished supply, and heightened price of corn, enable capital to obtain the ordinary rate of profit from the cultivation of the inferior lands, then those of a superior quality yield, upon the capital employed on them, an extraordinary return; and, when they come to be re-let, must, from the competition of farmers, obtain such an increase of rent, as will reduce the profits of cultivating them to the natural and level rate. Now, on the removal of restrictions upon import, and consequent

fall in the markets, the occupiers of such land will no longer be able to afford the advanced rents contracted for, under artificial prices. If they continue to pay these rents, they will fail of obtaining the customary rate of profit on their capital: nay, their profit will not only fail, but even their capital itself will begin to diminish. They will be obliged, either to surrender their farms, or to become bankrupts.

The interest of the proprietor, and of the cultivator of the soil, though by no means identical, are yet so intimately connected, that any serious injury affecting the one, is likely to be communicated to the other. While a sudden reduction of prices falls thus ruinously upon the tenant, it occasions a distressing diminution in the income of the landlord. Under such circumstances, and when it is impossible to sustain prices, it is the wisest plan in the proprietor to acquiesce in the reduction of his fortune, to enter into some equitable compromise with his tenantry, and to grant new leases, proportioning rent to the new scale of prices. Should he have incurred debts, made settlements, or entered into any money transactions, under the

confidence of receiving an undiminished income; and should the necessity of making good his engagements, or the mere force of avarice, cause him still to demand the stipulated amount of rent, such proceeding would, ultimately, tend only to increase the embarrassment, or to defeat the cupidity, which prompted it. For, if the tenantry, under such circumstances, continued to hold their farms, they would exhaust, in the payment of a rent, now rendered exorbitant, the capital available for cultivation; and, in a little time, would render themselves, not only unable to discharge the sum agreed upon, but even to make up, as they might easily have done, if a compromise had early taken place, a rent abated in proportion to the reduced scale of prices. Landlords must ultimately impoverish themselves, when they enforce bargains, the fulfilment of which would trench upon the stock employed in cultivation.

The important classes of land proprietors and cultivators could not suffer so violent a convulsion of property, without a shock being communicated to the whole community. The manufacturing and commercial classes, indeed, would, at first, ex-

perience some encouragement from preparing and exporting the articles which paid for the foreign corn that unrestricted intercourse brought into the country. But the benefit they received on the one hand, would be counterbalanced, and much more than counterbalanced, by the injury sustained upon the other. No advantages acquired in the foreign market could compensate the manufacturer and merchant for the diminished demand of the domestic market: proprietors and cultivators would not have sustained a mere reduction of their money income, which, accompanied and occasioned by a corresponding rise in the value of money, left their real wealth, and demand for commodities, unchanged. Diminished cultivation would have left them a reduced quantity of produce; and, as the throwing out of the inferior lands, and the reduction of rents, will have lowered the cost, as well as the money price of this produce, the smaller quantity, now in their hands, will have lost a portion of its exchangeable value, not only with respect to currency, but also with respect to commodities.

The real wealth, therefore, and the real power of purchasing, possessed by the land-proprietor and

farmer, will have sustained considerable diminution. The home market, which is always the nearest, the most secure, and the most extensive, and which, for the smith, the carpenter, the bricklayer, the mason, and the entire classes of artificers and manufacturers who work upon the coarser household articles which admit not a profitable exportation, is the only market, would be narrowed in a much greater degree than the foreign market could be extended. Hence, manufacturing and trading capital would be thrown out of employ; and, either directly or indirectly, every branch of industry throughout the kingdom would receive injury from the rash and injudicious attempt to introduce theoretic perfection into our commercial system.

The check thus given to industry, and the derangement occasioned in property, would considerably affect the public revenue. That the power to support taxation consists in the possession of wealth; and that, as capital is exposed to waste; as labour is thrown from the employments in which use has heightened its productive powers; and as

the revenue of lands, and the profits of stock, decay, the sources of financial prosperity dry up,—are propositions too evident to require illustration. Inasmuch as a sudden removal of the restraints which had existed on the importation of corn, deranged the established course of industry, and checked prosperity and wealth, it would, by a direct operation, render the taxes less productive.

This infliction of suffering and embarrassment, however, might be easily obviated. In a country where restrictions on the importation of foreign grain have induced an artificial scale of prices, and given a forced extension to tillage, the temporary evils inflicted by a sudden, would be completely obviated by a gradual, opening of the ports. Duties upon importation, progressively diminishing, from year to year, until, after a given period, and when their amount had become very low, perfect freedom of intercourse should be introduced, would, without any injury to labour, capital, or revenue, but, on the contrary, with progressive benefit to them all, allow industry to take its most profitable direction; and, without communicating a shock to any class

of individuals, would advance the state to a degree of prosperity and affluence unattainable under a system of restraint.

These duties, laid on at first sufficiently high to prevent any immediate diminution of tillage, and reduced so gradually, that the demand for agricultural labourers could not diminish faster than disease and death cut off the present supply, would allow the youth of the rising generation to turn themselves to more advantageous employments, before the land, too inferior in quality to be kept in cultivation by the natural protection afforded by the expense of carriage, should be thrown out by the competition of the foreign grower. Thus, then, a cautious and progressive introduction of the principle of a free external trade in corn, would, with respect to the labourers who had been induced, by the forced encouragement given to agriculture, to devote themselves to husbandry, obviate, in the most perfect manner, the evils to be apprehended from a sudden opening of the ports; and, while the rising youth betook themselves to the more profitable paths of industry, opened by unfettered commerce, not an individual,

losing the benefit of his acquired skill and moral capital, would, with reduced productive powers, be driven out in quest of new employment.

With respect to the capital, too, which obstructed intercourse might have forced from its natural direction, and vested in inferior lands, a gradual opening of the ports would have the same saving influence. A protection granted to the home grower for a period equal to the average length which leases had to run, would enable him to gain the ordinary return on whatever capital he might, under existing leases, have expended in the extension of tillage; while the foreknowledge that protecting duties were gradually to decline, and finally to cease, would effectually prevent future investments of capital upon lands so inferior as to be unable, at the level prices of unrestricted intercourse, to pay the expenses of cultivation.

In consequence of this temporary protection, too, landlords would not be compelled to come to any compromise with their tenantry, nor to make abatements in the stipulated rents. On leases falling in, indeed, and grounds coming to be re-let, the knowledge that all artificial and forced protection

was about to cease, would cause the farmer to engage for a less heavy rent, and would effect a diminution in the land proprietor's income. This diminution, however, would, to a certain extent, be nominal; and the increased power of the currency would partly indemnify him for the smaller sum received. Such partial indemnity would be all that he could in equity expect, or that, on the principle of fair and equal dealing, could be his due. To maintain the price of corn in a state of artificial elevation, merely for the purpose of enhancing the income of land proprietors, would be a measure of intolerable injustice. No land proprietor, capable of comprehending the principles, that a high price of corn lowers, universally, the productive powers of industry; and that, when the value of the produce of the land is too high to admit, until the markets have sustained an extraordinary fall, the superfluity of abundant years to be exported to other countries, the price of bread is ruinously fluctuating,—no proprietor who had an understanding to receive these principles, could, consistently with the common feelings of humanity, ask for a continuance of restrictions.

A cautious and gradual application of the principle of free external trade in corn, would also completely obviate the financial derangement which a rash and sudden opening of the ports might occasion. In the first place, a temporary and gradually diminishing protection, offered to the home grower, would throw no labour out of employment,—would occasion no waste of capital, and no reduction in that general opulence, in which the sources of public revenue are found.

And now to conclude the chapter. An artificial scale of prices, and a forced extension given to tillage, are, both with respect to the progress of opulence, and to the supply of subsistence, highly injurious to a country; the increased expense of labour and capital, which they render necessary to the production of corn, at once lowering the productive powers of industry, and, by rendering it impossible to export superfluity, until the markets have sustained an extraordinary fall, exposing the consumer to suffer from perpetual fluctuation in the price of bread. But a sudden fall from the artificial scale of prices, and the withdrawing of capital from such land as could

not, at the level price of a free external trade, repay the expenses of cultivation, would be a great, though only a temporary, aggravation of the mischief, throwing labour out of employ, occasioning a destruction of stock, and effecting a great falling off in the revenue, while it increased the pressure of the taxes. A circumspect and gradual adoption of more enlightened principles into our commercial system, would, however, completely obviate the evils of incautious change; would not diminish the demand for agricultural labour, more rapidly than natural causes diminished the supply; would allow the capital, which had been forced upon inferior lands, time to work out an adequate return; and, without inflicting injury on any class of the community, would open to the country sources of prosperity, unattainable under a state of restricted commerce.

The conclusion from the whole, is, that to the particular case of a country, in which obstructions on the importation of foreign grain have induced an artificial scale of prices, and given a forced extension to tillage, the general principles of a free external trade in corn are strictly applicable; but

that, in order to obviate the individual suffering, and temporary embarrassment, which a sudden change in the direction of industry could not fail to occasion, their application, under such circumstances, should be gradual.

CHAP. III.

On the Question, Is the general Principle of a free external Trade in Corn liable to Limitation in its Application to the particular Case of a Country, which is more heavily taxed than other growing Countries?

WE are now to inquire, whether the particular case of a country, pressed more heavily than her neighbours by internal taxation, forms an exception, to which the general principles of the external trade in corn do not apply. Taxation can affect trade only by influencing prices. Now, taxation influences prices in two ways; first, directly, by falling upon the article consumed; and, secondly, indirectly, by falling, not on the article consumed, but upon something else, which may be necessary to its production. Indirect taxation, however, has two distinct operations; it either, by being laid on those ingredients of capital which are universally employed in production, occasions a *general* rise in productive cost; or else, by being laid upon

things peculiar to some branches of industry, it occasions a *partial* rise in the expenses of production.

The inquiry, therefore, how far the effects of a heavy taxation upon prices may limit the principle of a free external trade, naturally divides itself into three heads, viz. a rise in prices occasioned by direct imposts; a *general* rise in prices occasioned by indirect imposts; and a *partial* rise in prices occasioned by indirect imposts.

These we shall consider in their order.

Supposing an unrestricted commerce to exist between England and France, and the two countries to possess equal advantages in the silk manufacture, then a tax of ten shillings a yard, laid upon British, would operate as a bounty, to that amount, upon the importation of foreign silks. Here, then, we see, that a direct tax upon a domestic article must turn foreign trade from its accustomed channels. While such an internal tax existed, a free importation of the foreign article would act as a ruinous discouragement to the domestic manufacturer, and would compel him to

desist from the working of silk ; while, in France, it would occasion a forced investment of capital in the manufacture of that article, in order to supply the British market.

Now, the balance being disturbed by a weight thrown into one scale, it is necessary to restore the equilibrium by placing a similar weight in the other ; the direct internal tax having destroyed the natural level of industry, a countervailing duty is requisite to restore it. Such duty, too, would be conformable to those very principles, on which, when no direct internal tax is laid upon the home-made article, the benefits of unrestricted importation are demonstrable. In the home market, it would place the home and the foreign manufacturer on their former relative footing ; and, if accompanied by a drawback, to a similar amount, upon exportation, would place them upon their former relative footing with respect to the foreign market also.

When a direct tax is laid upon a domestic article, a countervailing duty, laid upon the similar foreign article, accompanied by a drawback upon the exportation of the one, and re-exportation of

the other, though it increased the price to the consumer, yet, instead of checking, would restore that equal intercourse between nations, which incites the industry, and augments the wealth of all.

But this is too obvious to require to be longer dwelt upon. When direct taxes are laid upon articles of home production, no one controverts the principle, that countervailing duties should be laid upon similar foreign articles. And, though the principle were controverted, yet, as direct taxes are not laid exclusively upon corn of home growth, the discussion of it would be foreign to the subject of the present work. We will pass to the consideration of the next branch of the question proposed for discussion in this chapter.

As indirect imposts are often as efficacious in raising the price of commodities, as taxes laid directly upon them, it seems, at first sight, the obvious conclusion, from analogy, that the former, equally with the latter, act as a bounty upon the introduction of foreign goods, turn external trade from its natural channels, and require, in order to restore a just equality in the different modes of employing capital, that countervailing duties

should be imposed on imported articles. On a closer examination, however, we shall find, that the analogy between the high price occasioned by direct, and the high price occasioned by indirect taxation, is not sufficiently strict to authorise our applying, to the one, conclusions which may be correct as to the other. A short analysis will demonstrate this.

If, other things remaining the same, taxes laid upon the various necessaries of life so raise the expenses of production, in England, that the farmer cannot bring corn to market, without charging twenty per cent. more than the farmer in France can afford to sell it for, the consequences to be apprehended are, that, under a free importation, French produce would inundate our markets, and compel the home grower to turn his capital into some other channel. Let us then suppose, that this consequence takes place; and that the foreign grower, enabled, by the absence of taxation, to raise his corn twenty per cent. cheaper than the domestic, undersells, and fairly beats him out of the market.

Now, the necessary result of this is, that some-

thing must be sent abroad, to pay for the foreign produce we have received. The foreign grower will not give it to us for nothing. We must return him a full equivalent. Commerce is reciprocal. In whatever degree we import corn, in the same degree must we export some other article. But when internal taxation has increased the expenses of production twenty per cent. beyond the rate of other countries, what other article can we export? A general increase in the cost of production communicates itself to every species of agricultural produce, as well as to corn; the exportation, consequently, of any species of agricultural produce, is impracticable.

But again, as the wages of labour enter more largely into the price of wrought goods, than into the price of raw produce, internal taxation upon the necessaries of life will increase the price of manufactures, as much, if not more, than it increases the price of corn; and will check their exportation, as much, if not more, than it checks the exportation of the unwrought productions of the soil. The supposition is, that internal taxation raises, universally, the value of every article raised

or fabricated in the country. But, if the price of all articles be equally raised, the exportation of all would be equally checked. The advance in our markets, which enables the French to undersell us in the article of corn, would also enable them to undersell us in every thing else. But, if they undersold us in every thing, they would buy nothing from us; and it is certain, that, if they bought nothing from us, they could sell nothing to us.

The conclusion, therefore, that, if indirect internal taxation should generally raise our markets twenty per cent. above those of France, grain would be poured in from that country, to the injury of the home grower, is erroneous. A rate of prices universally high, cannot encourage exportation, because it checks importation; and commerce being reciprocal, the one cannot exist without the other.

It is no objection to this reasoning to say, that, when commodities become too dear to find purchasers in the foreign market, the cheaper articles which we might receive from abroad would be paid for by a transmission of money, instead of

goods. For, granting the fact, the necessary consequence still would be, that foreign commodities could not continue to come into our markets. The instant we ceased to export home productions, and paid for foreign articles in money, at that instant, the supply of money would begin to diminish, and its value to increase. But a rise in the value of money, is the same thing as a fall in the price of commodities. With the necessaries of life, the wages of labour, and the expenses of production, would fall. Hence the foreign, would no longer be able to undersell the home grower. On the contrary, as the self-same process which diminished our supply of money, and reduced our prices, would increase the supply of the metals, and elevate prices, in the country whose produce we had purchased, the home, would obtain an advantage over the foreign grower; and we should now be enabled to furnish produce to those, whom we were so lately obliged to pay in cash.

Neither would it be an objection to the principle that commerce is an exchange of equivalents, to urge, that if we could not send commodities abroad, we might pay for the goods we imported

by bills of exchange. Our bills would speedily overstock the foreign market, and become depreciated. Supposing, as before, that indirect internal taxation raised our prices twenty per cent. above those of France, and that this so checked our exportation, that all we received from that country we paid for in bills of exchange, then, in a little time, these bills would be so depreciated, that the exchange would be twenty per cent. against us. Now, the moment things arrived at this state, (and, under this supposition, they must arrive at it very speedily) the foreign grower would cease to have any advantage over the home grower. Though the French farmer might be able to raise his produce twenty per cent. cheaper than the British farmer, yet, on coming into the British market, he would lose twenty per cent. on the exchange. If he attempted to indemnify himself for this loss upon the exchange, by raising his prices, then, in whatever degree he thus indemnified himself, in the same degree he would cease to undersell the home grower. If he carried back gold, the consequent fall of prices, described in the former paragraph, would speedily drive

him from the British market; and if, to save the exchange, he attempted to take back commodities (those being, by the supposition, twenty per cent. dearer in England than in France), the loss he would sustain upon them, independently of carriage, would exactly counterbalance what he gained upon the exchange. In whatever way he endeavoured to cover the transaction, his advantage, in coming into the British market, could in no way be increased by that universal rise of prices which is produced by taxation falling on the necessaries of life, and increasing the expenses of production.

And now, it is hoped, it has been made sufficiently evident, that, however analogous, or identical, they, at a hasty glance, may seem to be, there is, between the high prices occasioned by direct, and the high prices occasioned by indirect taxation, a material distinction, sufficient to render completely erroneous, with respect to the one, conclusions incontrovertible with respect to the other. A tax, laid directly upon any home commodity, does not raise the price of all other commodities to an equal extent; and does not, by

discouraging the exportation of whatever articles might purchase foreign goods, check importation on the one hand, in the same degree in which it promotes it on the other, and thus, from its own reaction, prevent the producer of the taxed commodity from being undersold in the home market.

This counter-operation, however, is effectually performed by those taxes, which, laid on indirectly, raise the price of all commodities beyond their price in other countries less heavily burthened. Indirect taxation, raising the expenses of production, acts universally; and, if it checks importation with respect to one commodity, checks it, also, with respect to all. Hence, when the foreign speculator enters the markets which have been raised by indirect taxation, the advantage he gains upon the high price of the article he brings, is exactly counterbalanced by the high price of the article he takes away; and his profits, upon the whole of his transaction, can be neither more nor less than they would have been, before the country to which he trades had her markets raised by taxes laid upon the necessaries of life.

If, in order to realise high profits upon his sales,

he refuses to buy any thing in the taxed country, but carries back her specie, then, in that country, the metals rise in value, or, in other words, prices fall, and the foreign adventurer can no longer undersell the domestic trader; and if, with a view to continue a lucrative trade, the foreigner receives payment in bills of exchange, the loss sustained upon the depreciation of these, will leave him exactly as he was before.

In economical science, no principles are more strictly demonstrable than, that commerce is an exchange of equivalents; and that whatever checks exportation, operates as a check upon importation. But taxes which, by raising the expenses of production, increase the price of all commodities, check exportation in the same degree that they encourage importation; and, therefore, in fact, they discourage importation just as much as they encourage it. The effects they produce upon the one hand, they counteract upon the other. They constitute, in themselves, countervailing duties, fully adequate for the protection of the home market. The particular case, therefore, of a country in which they raise the price of agricultural produce

above its price in the neighbouring countries, forms no exception to the principle of a free external trade in corn. Their existence does not require that the domestic grower should be protected by legislative enactments in the home market.

Though the taxes which effect a general and simultaneous advance in the price of all commodities, do not, in the home market, give the foreign any advantage over the home grower, yet, with respect to all imposts falling exclusively, or with disproportioned weight, upon agriculture, the case is widely different.

A tax laid upon horses employed in husbandry, would raise the price of the corn produced by the home grower; but could have little tendency to raise the price of the articles with which foreign corn might be purchased. If imposts laid exclusively on agriculture should raise the price of corn nine per cent., then the merchant, paying no more for the articles, with which he purchased foreign corn, could, notwithstanding the existence of such taxes, be able to supply the consumer at nearly the former prices; while the heavily burthened domestic grower, unless he relinquished the custo-

mary rate of profit upon his stock, could not possibly do so. The equilibrium would be destroyed. A bounty of nine per cent. would be granted on the importation of corn; and labour and capital would thus be turned from those channels in which, but for such unequal imposts, they would naturally have flowed. The expenses heaped exclusively on tillage would force us to import, rather than to grow corn; and would encourage foreign agriculture, at the expense of our own. Indirect taxes, therefore, falling exclusively on the soil, and consequently raising the price of corn above its price in other countries, must, free importation being admitted, divert international intercourse from the channels it naturally would take, force capital from agriculture, and impose on the trade of the farmer a most oppressive species of restriction.

All charges that press unequally upon agriculture, being, in this manner, so many indirect infringements on equal intercourse, and on the liberty of trade, it becomes a point of much nicety and interest to ascertain where they exist, and what is the extent of their operation.

Tithes have generally been considered as a

direct tax upon agriculture. But this is not the correct way of viewing them. Rent is correctly defined to be, that portion of the produce which is given to the proprietor for the use of the soil. The church, by a title antecedent to any other which can now be shewn, is, to a certain extent, a proprietor in common of the lands of the country; and that portion of the produce of land which the cultivator pays to the church, for the use of the soil, comes, in strictness, under the definition of rent.

It is no valid objection to this view of the subject, that the church may exact, for the use of the soil, one tenth of the whole produce, while the landlord demands a fixed sum per acre. Landlords might (and in point of fact frequently have done so) require to be paid for the use of the soil, not a fixed sum in money per acre, but a fixed proportion of the whole produce.

But when the soil is paid for by a given proportion of the gross produce, whether such mode of payment be exacted by the church or by the landlord, agriculture suffers a positive discouragement. Under such circumstances, if the farmer brings in a new field, or bestows a heightened culture on the

old, others become entitled to an increased share of the fruits of his industry; and, consequently, the payment of a given proportion of the whole produce operates as an interdiction upon improvement, and as a direct tax upon the growing of corn.

But this evil, by some modification in the manner of paying the church, might be completely obviated. If, for example, tithes, after a fair valuation, were let at a stated sum, for a given period, then their injurious influence upon industry and cultivation would be entirely done away. Under such a mode of collecting them, the revenues of the church would operate exactly as the revenues of the landlords now do. To whatever extent tillage or improvement might be carried, the clergy would not be enabled to enter on the fruits of the farmer's labour, or to share in the profits of the increased stock he might lay out on the soil. It is obvious, that the lease granted by the rector, as well as the lease granted by the landlord, ought to be of sufficient length to replace to the cultivator, with the customary profit, whatever capital he might sink in improvement.

But, though tithes, if fixed at a given sum for

a known period, could not, any more than a rent fixed for the same period by the land proprietor, have an injurious effect upon agriculture, yet we must not forget, that, as they are at present collected, they operate as a discouragement to agriculture, and as a direct and unequal tax upon the production of corn. Under the present mode of collection, therefore, they force capital from the soil, into channels where it would not naturally flow, and are indirect infringements of the great principles of equal intercourse and free trade.

Poor rates have been frequently represented as a species of tax, falling exclusively upon agriculture. The representation is undoubtedly erroneous. So far as the amount of the poor rates can be ascertained, the capitalist who embarks his stock in cultivation, will, to their full amount, give less rent for a farm subject to poor rates, than for an equal farm exempt from the payment of them; and hence, even supposing them to fall exclusively upon the landed interest, they would, like well-regulated tithe, be a deduction from the income of the land proprietor, not a tax upon the capital of the cultivator.

But poor rates do not fall exclusively upon the landed interests. In England a very great proportion of the population is collected into manufacturing towns; and the parishes of the towns support their poor, as well as the parishes of the country. The country parishes may probably pay a higher rate than those situated in towns; but then, as all that part of the rate which is fixed or ascertained, at the time of taking leases, would enter into the calculation of the capitalist when he undertook his rent, and vested his stock in cultivation, and would thus diminish the revenue of the landlord, rather than operate as a tax upon the tenant, it follows that charges for the maintenance of the poor can have little tendency to divert industry from the channels into which it naturally would flow. It is only when that part of the rate which, being recent, and too uncertain to have entered into the calculation of the cultivator when he took his farm, is more burdensome in the country than it is in the towns, that assessments for the poor operate as direct and exclusive taxes upon agriculture.

What we have said respecting poor rates,

applies equally to all county assessments, laid on for the repair of roads and bridges. When they exceed the proportion of the similar assessments laid on in towns, for paving and lighting; and when this excess is too recent and uncertain to have entered into the calculation of the farmer when he engaged for his rent, they heighten, beyond the due proportion, the expenses attending cultivation, and operate as restrictions on the trade of the farmer.

The same principle holds good with respect to all taxes laid on servants, horses, and carriages employed in agriculture. In short, every impost, of whatever kind, and every arrangement, of whatever nature, which tends to increase the price of agricultural produce, without, at the same time, and in the same degree, tending to increase the price of all the other articles that might be employed to bring produce from abroad, gives the foreign an advantage over the home grower,—disturbs the equilibrium which all occupations, if left to themselves, have a perpetual inclination to preserve,—diverts capital from the channels, in

which, but for such interference, it would find its most profitable occupation, and forms an indirect infringement on the liberty of trade, and an unfair restriction upon the farmer.

In the foregoing paragraphs, we have considered the imposts laid exclusively, or unequally, upon the soil, as they diminish the revenue of the land proprietor, and as they reduce the profits of the stock employed in cultivation. Now, though these operations of taxes imposed on land, have frequently been confounded, and treated under the common character of depressing the landed interest, yet there is an important distinction between them, which, if we would attain to any accuracy in our reasonings, it is necessary to mark, and to keep in view.

The revenues of the church, considered as a portion of the rent of land, set apart, at a period prior to the Conquest, grant, or purchase, under which the proprietor holds, are neither unjust towards individuals, nor injurious to the public; while, in trenching, as from the mode of collecting them they now do, upon the profits of

the stock employed in cultivation*, they are both. Poor rates, and assessments of all kinds, when they press more heavily in the country than in towns, are, as they affect the rent of land, unjust; and, as they affect capital vested in the soil, are both unjust to individuals, and injurious to the country.

In drawing this distinction, however, between the effects produced upon the landlord's rent, and the cultivator's profit, I would not be considered as urging any thing in extenuation of regulations which may be found to press unequally upon the former. To tax land proprietors, or any other class, more heavily than the rest of the community, is evidently injurious and unjust. Injustice and injury, however, have their degrees. While the enlightened legislator will be careful to avoid any measures which inflict partial evil, he will be solicitous to shun the arrangements which, in addition to their partial evil, hurt the general good.

* In a former chapter, it was shewn that whatever lowers the rate of profit in agriculture, lowers it also in manufactures and commerce.

Taxes falling unequally on the cultivator, are, upon the score of justice, as exceptionable as those which fall unequally upon the landlord; and, over and above this common evil inflicted on individuals, tend to lower the rate of profit upon capital, to restrict cultivation, to turn industry aside from that most profitable direction, which, if left to itself, it would seek, and, in this manner, to retard the prosperity of the country.

Now, except when the landlord is also the cultivator, and employs what would otherwise be rent, not as a revenue to support consumption, but as a capital to increase production, it is, with respect to the direction of industry, and the growth of wealth, of small importance, whether the whole of the rent of land goes into the pocket of the landlord, or whether a part of it, and even a disproportionate part, goes to the clergy, to those who work upon roads and bridges, or to the inmates of poor houses and hospitals.

When landholders can shew, that any tax draws from them a disproportionate part of their revenue, they are, undoubtedly, entitled to redress; but then,

their case, however clearly made out, is not so strong as that which is formed of equal individual injury, conjoined with great public evil.

Whenever it can be made appear, that a tax or assessment falls with unequal weight upon the rent of the proprietor, or on the profit of the cultivator, the landed interests, both on the principle of impartial dealing, and on the ground of public prosperity, are entitled to redress and protection. The most obvious redress, the most simple and natural protection, undoubtedly would be, a repeal, or equalisation of the impost which inflicted the unequal and injurious pressure. To such equalisation or repeal, there could not be, throughout the country, an objection raised. But when a more equivocal species of indemnification and protection is demanded,—when, in order to make good the landlord's loss, and to restore the different branches of industry to their proper level, it is proposed to infringe upon the freedom of the external trade in corn, which theory and experience have united to pronounce so powerful in saving us from the irregularities of the seasons, in augmenting subsistence, and in accelerating prosperity; it is natural to pause;

and to ask, before we risk such a measure, whether a protecting duty, laid upon foreign corn, could be so apportioned as to attain, without going beyond its object; and whether, if it could be so apportioned, the remedy might not be found more injurious than the original evil it removed? These points we shall endeavour to ascertain.

Though in general the high price communicated to a commodity by those indirect taxes, which, falling partially, do not, by elevating the markets universally, constitute, in themselves, a countervailing duty, should be considered as precisely analogous to the high price added to a commodity by a direct impost, and though it could, with respect to every other branch of industry, be proved conformable to the best maxims of political economy, to impose in the former, as well as in the latter case, such duties on the importation of a similar foreign commodity, as would deprive it of any advantages over the domestic one; yet, the external corn trade is of a nature so peculiar, and exerts so powerful and important an effect upon the supply of subsistence, and on the profits of capital, that it becomes necessary to inquire, whe-

ther, with respect to it, the principle of countervailing duties, for the purpose of restoring equality of intercourse, and returning capital into the original channels from which it had been forced, may not be found inapplicable.

We are to inquire whether, when taxes press disproportionately upon the soil, duties upon foreign corn can be so apportioned as to restore things to their original places; and whether, could they be thus apportioned, they might not inflict evils greater than those which they removed.

In the first place, when taxation, even in its most simple form, and without affecting any thing else, falls directly and exclusively upon the land, and enables us to ascertain precisely the degree of unequal and injurious diminution occasioned in the proprietor's rent, and cultivator's profit, it becomes a problem of great difficulty and nicety, to determine what amount of countervailing duty would readjust the balance of industry, and place the farmer in his former relative situation with respect to the domestic manufacturer and the foreign grower. But, as the sum which may be demanded for tithes is, under the existing mode of

collecting them, liable to perpetual variation, the inquiry, to what extent they force capital from the soil, and to what amount protecting duties are required to turn it back into its natural channels, becomes, in a still higher degree, perplexed and uncertain.

With respect to all parochial and county rates and assessments, the case is still worse. Not only are these varying and uncertain in their amount, but, before any conclusion can be drawn respecting the degree of duty which might be necessary to counteract their operation, the new and difficult question arises, how far they act unequally, and depress the industry of the country below that of the towns?

But this is not all. When the expenses of cultivation are increased, the farmer must either increase the price of his corn, or else, ceasing to obtain the customary rate of profit upon his stock, must cease to cultivate. Now, if importation be restricted, as the farmer begins to leave off growing corn, the failing supply will necessarily raise prices sufficiently high to cover all the increased costs of tillage. Hence, any thing which tends to

keep foreign grain out of our markets, will have an irresistible effect in raising the price of corn, with every increase which may be induced in the expense of cultivation, and in indemnifying the landed interest for imposts falling unequally upon the soil. But, in whatever degree the foreign grower may be subject to ill-regulated tithes and unequal assessments, in the same degree must his prices be raised, and his corn kept out of our markets. It is, therefore, only in the proportion in which the unequal imposts laid upon the soil at home, exceed the unequal burthen laid upon the foreign farmer, that the landed proprietors have any claim to indemnity, or that industry is turned from the channels, which, if all charges upon the soil, both at home and abroad were removed, it naturally would take.

Before, therefore, we can decide upon the amount of a protecting duty upon importation, we have previously to determine, how far the various imposts, which press unequally upon the land at home, exceed the unequal burthens which are imposed upon land abroad. The difficulty of doing this is obvious. When we consider the various facts which must be ascertained, and the different

balances that must be struck ; when we take into account the fluctuating operation of tithes, the uncertainty of rates and assessments, the nicety of distinguishing how far they press more heavily upon the soil than upon the towns ; and, above all, the difficulty of ascertaining the degree in which this excess exceeds the imposts laid on foreign agriculture, we may safely pronounce, that, to determine, with precision, the amount of the protecting duty which would be sufficient to indemnify the landed interest for unequal taxes, and to restore the equilibrium they disturb, must be impossible.

The impossibility of ascertaining, with any precision, the amount of the countervailing duties which it might be necessary to lay on importation, is a sufficient objection against resorting to them as a means of counteracting the operation of those imposts which fall exclusively, or with disproportioned weight, upon cultivation. If the duty were laid on too low, it would be an inadequate measure, and could not accomplish its object ; if it were laid on too high, it would be a gratuitous infliction of evil on the country, depriving the people of the power of availing themselves of that

admirable provision, which, in the uniformity of her general results, nature has made for repairing the mischief which might arise from her partial irregularity; and exposing them to that uncertainty in the supply of food, which, while the seasons continue to vibrate between redundance and deficiency, must increase, in proportion as they depend on the resources of a single country.

But the difficulty, not to say the impossibility, of ascertaining what the duty ought to be; the abortiveness of taking it too low, and the mischief of taking it too high, however valid they may be as objections against attempting to rectify, by restricted importation, the evils of taxation falling unequally on the growing of corn, become of minor importance, when we consider, that, even if all difficulty in determining the amount of the duty were removed, and that if it were so apportioned as just to reach, without going beyond its object, and exactly to indemnify the proprietors of land for the excess of taxation which they pay,—such duty might, nevertheless, inflict upon the country evils of greater magnitude

than those which it removed. This I will endeavour to explain with all possible brevity and clearness.

When taxation falls more heavily upon agriculture than on other branches of industry, and raises the price of corn in a greater degree than it raises, at the same time, the prices of the other articles with which foreign corn may be purchased, then the following effects will necessarily be produced. The farmer, in the first instance, when he finds the expenses of cultivation increased on him, will either withdraw his capital from the soil or else raise the price of his corn, so as to enable him to pay his rent, and to enjoy the customary rate of profit upon stock. But as all articles do not, as in the case of equal taxation, experience a simultaneous rise, in the same proportion with the productions of the soil, the advance which the farmer induces in the markets, will operate as a bounty on the introduction of foreign corn.

The consequence will be, that the foreign grower, in whatever degree he may be less burthened with taxation, will have an advantage over

the home grower ; and the markets, which had at first been raised, will be forced down below what is sufficient to secure the farmer in the customary rate of profit upon stock. Of this, diminished cultivation is the inevitable result. Farms, which, though inferior to the growing lands in the neighbouring countries, were kept under the plough, in consequence of the natural protection afforded by the expense of carriage on an article so bulky as corn, will be unable, at the reduced prices, to repay the unequal charges, and will be thrown out of tillage. Cultivation will be confined to those districts whose natural fertility, aided by the natural protection just named, will be found adequate to sustain the unequal competition ; and capital will be forced from the soil to the now more profitable occupation of fabricating articles with which to purchase foreign corn. The foreign corn thus imported, will, indeed, create an increased foreign demand for our wrought goods ; and, as the uninterrupted circulation of grain will keep the price of provisions both low and steady, manufactures and commerce may

flourish, while the landed interest is depressed and agriculture discouraged.

This statement of the consequences which must flow from taxation falling with disproportioned weight upon the soil, and raising the price of corn in a greater degree than the price of other articles, must instantly convince us that such taxation is unjust and impolitic. It is evidently unjust to depress the landed interest, by laying on them burthens not borne by the rest of the community; evidently impolitic to give, by unequal imposts, the national industry a direction different from that which it naturally would take. When, under a state of free intercourse, inferior soils are made to produce corn, it can only be because, in consequence of the expense of bringing so bulky an article from abroad, such employment of stock is deemed the most beneficial. To prevent, by unequal imposts, or by any artificial regulation whatever, stock from being invested in what would be its most beneficial employment, is the same thing as diminishing the productive powers of industry; is the same thing as diminishing

the wealth, and checking the prosperity, of the country. On the impolicy of taxes which press partially upon the soil, and on the propriety of repealing them, there cannot, consequently, be two opinions. But, before we can decide upon the wisdom, not of repealing such taxes, but of counteracting their effects by a duty on importation, we must, even admitting that the duty could be so apportioned as to attain the end, inquire, in the second place, whether it might not induce consequences more injurious than those which it removed.

When taxation falls upon the soil, and increases the expenses of cultivation, it will require a greater quantity of capital to produce the same quantity of corn. If duties upon servants, horses, iron, leather, with rates and assessments, add fifty per cent. to the out-goings of any farm, it is evident, that, in order to continue it in the same state of culture as before, fifty per cent. must be added to the farmer's stock.

Hence, with respect to the productive powers of the capital employed in cultivation, to tax the land

is the same thing as to lower the quality of the soil. Suppose that, of two farms equal in extent, one is so fertile that a thousand pounds, in capital stock, will raise from it ample crops of corn, while, owing to the inferiority of the other, and the greater degree of dressing which it requires, crops of similar goodness cannot be raised from it, without employing a capital of fifteen hundred pounds. Here the production is equal, and the only difference consists in the quantity of capital employed. Now, let us further suppose, that, upon the more fertile farm, various imposts are accumulated, until the increased wages of labour, the increased cost of keeping horses, and the increased price of every article requisite to tillage, compel the farmer, in producing the same crops as formerly, to employ stock to the amount of fifteen hundred pounds; that is, equal to the amount of stock employed on the inferior farm. Here, then, the produce of the two farms being the same, and the stock employed on them being the same also, it is evident that the taxes accumulated on the fertile one, would have an effect identical with that which would be

produced by lowering the quality of its soil, and would reduce the productive powers of the capital vested in its cultivation.

Taxes laid upon the land, having, in this manner, the effect of *defertilising* the soil, we perceive more clearly the extreme impolicy of imposing them; and are enabled to judge, more accurately, how far protecting duties upon foreign corn would tend to counteract their operation, and to relieve the country from the mischief they inflict.

It has appeared, in a former chapter, that when, in consequence of natural sterility, a given quantity of capital, employed upon the soil, cannot raise so abundant a supply of corn, as, by preparing wrought goods, it could purchase from the foreign grower, the happiest consequences are produced by leaving importation free. Now, the same holds good with what may be called the artificial sterility induced by taxation. When, in consequence of various imposts pressing unequally upon the land, the expenses of growing corn are so much increased, that a given quantity of capital,

vested in cultivation, will not raise so abundant a produce as the same capital, if directed to some branch of industry less heavily burthened, could purchase from abroad, it is self-evident, that, in such branch of industry, it receives its most beneficial occupation, and conduces most powerfully to increase wealth and promote prosperity. It is also self-evident, that if, by taxing our land, we increase the expense of producing corn at home, beyond the expense of producing it in other countries, our prices will be higher than theirs, and we shall be an importing, rather than an exporting country. But it has already been fully shewn, that a country, the circumstances of which are adverse to the exportation of produce, can escape fluctuating supply and unsteady price, only by granting perfect freedom in the import trade in corn.

All the benefits, therefore, of unrestricted intercourse, whether with respect to wealth and prosperity, or to correcting the irregularity of the seasons in supplying food, belong equally to the case of a country where the production-price of corn is raised by natural sterility, and to the case of a

country in which cost price is raised by taxes lowering the productive powers of the capital vested in cultivation. Such unequal taxes upon land, inflicting, as it were, an artificial sterility on the country, cannot be too severely censured, or too speedily repealed; but, during their continuance, a perfectly unrestricted external trade in corn seems the most effectual means of mitigating, whether with respect to the supply of subsistence, or to the progress of wealth, the evils which they inflict.

Taxes, falling unequally upon the soil, inflict evil in three ways. First, they reduce the productive powers of the capital employed in cultivation; or, as we before said, produce an effect similar to that of lowering the quality of the soil; in the second place, they throw out of cultivation lands, which, though inferior to those cultivated in other countries, were kept in tillage by the natural protection arising from the expense of carriage, and, consequently, give capital a forced, and, therefore, a less profitable direction, than it naturally would take; and, thirdly, by throwing out land which, but for their operation, might be

profitably tilled, they effect an unjust diminution in the revenue of the land proprietor. The question is, would these evils be remedied by laying a protecting duty on the importation of foreign corn? Let us inquire, a little farther, what tendency this measure could have to counteract such injurious effects; let us, in concluding the chapter, briefly examine how far a restriction on importation could diminish the quantity of capital required to produce a given quantity of corn; turn the capital, forced from the soil, into a channel more conducive to wealth and prosperity; or restore to the landlord the income he had lost.

If, after unequal taxation had diminished tillage, and occasioned us to draw a part of our consumption from the foreign grower, importation were restricted, the diminution of the supply would immediately elevate prices, until it again became profitable to cultivate the inferior soils which had been thrown out. Now, these elevated prices, and this restored cultivation, could have no conceivable tendency to reduce the quantity of capital necessary to the production of corn. The unequal taxes must still be paid, and their amount still

increase the expenses of production, and compel the farmer to employ a greater stock in cultivation. But further, the capital necessary to cultivate any given extent of land, would be increased, not diminished. For, as inferior soils, requiring a larger lay out of labour and capital, were resorted to, rents on all the better lands would rise, and thus the expenses of tillage would universally be increased upon the farmer.

Restricted importation, therefore, instead of reducing the quantity of stock which taxation rendered necessary to the growing of corn, would have a directly opposite effect, and would lower still farther the productive powers of the capital employed in cultivation. With respect to turning the capital which taxation had forced from the soil, into a more beneficial channel, the case would be still worse. This capital was originally employed in cultivating inferior soils; because, from the natural protection afforded by the charge of carriage, on an article so bulky as corn, such employment was found most beneficial; and subsequently, when unequal taxation increased the expense of growing corn, without increasing, in a

like proportion, the expense of producing other things, it was withdrawn from the soil, because it found a more profitable employment in working up goods, with which to purchase grain in the foreign market. Now, to force, by restricted importation, this capital back upon the soil which it had left, would not be to return it to its most beneficial employment. While, in consequence of unequal taxation increasing the expense of producing corn at home, any quantity of capital can bring a more abundant supply of corn from abroad, than it can raise at home; then, to bring corn from abroad is the most beneficial occupation, which, in consequence of injudicious imposts, remains. To deprive capital, therefore, of the most beneficial employment remaining, would be adding injury to injury.

Here then, again, restricted importation would increase the evil which it was employed to counteract. With respect to restoring the landlord's income, its effect, in the first instance, would be better. As the foreign supply was cut off, and the prices rose until the inferior lands were restored to tillage, the rents already paid upon the better grounds, whose fertility enabled them, notwithstanding the bur-

thens upon production, to meet the competition of the grower of other countries, would receive, on leases being renewed, a considerable increase.

This indemnification, however, received by the landlord, would be but of short duration. The restriction from which it was derived would not have diminished the quantity of capital necessary to produce a given quantity of corn from the better lands; and would not have restored, but would still further have diminished, the productiveness of the capital turned back to the inferior soils. The powers of industry would be lowered, profits would fall, capital would emigrate, population would decay, and the value of land, necessarily suffering from the universal check given to prosperity, would sink. Hence it would be found impossible to sustain the landlord's rent so high as it might have risen, if unrestricted importation, leaving manufactures and commerce to attain their utmost height, had suffered capital to accumulate, and population to increase, until the growing demand for raw produce, and particularly for such portions of it as did not consist of strict necessaries, elevated, in the manner already shewn, the

relative value of the soil, and compensated, in some measure, the artificial sterility inflicted by taxation.

When such artificial sterility is inflicted,—when a greater quantity of stock is rendered necessary to the production of the same quantity of corn, capital will seek to escape from cultivation, now become the least beneficial employment, and to take a direction in which its productive powers will be less oppressed. This process, to borrow an illustration from the animal economy, is as a rectifying effort of nature, forcing the circulation into inferior vessels, when the main artery has been stopped. The surgeon who, instead of aiding nature, or, at least, leaving her unimpeded in her efforts, to rectify the derangement occasioned in her operations, should propose to turn the blood into its former course by tying up the inferior vessels into which it had been forced, would evince but little knowledge of the animal economy. Now, might it not be asked, whether a greater share of knowledge, in political economy, would belong to him who, while unequal taxes upon land render cultivation the least productive occupation in which capital can engage, should seek to rectify the injury.

these taxes inflict, by stopping up the other channels into which capital had been forced?

When, in consequence of accumulated taxation, capital escapes from the soil to the more profitable occupation of working up raw material, and purchasing corn from other countries, the price of corn is little advanced, and therefore the profits of capital are little lowered. But when, the taxes still continuing, we check importation, and force into tillage, land on which the expenses of cultivation are so great, that a given quantity of capital cannot raise from them so abundant a supply as it would have purchased abroad, then the productive cost of corn is increased. The additional rent, too, which will be now paid for superior lands, will increase its productive cost upon them, as well as upon the inferior, forced into tillage. The price of corn will consequently be increased throughout the country. An increased price of corn, however, is not only the same thing as a reduction in the productive powers of agricultural capital, but occasions a reduction in the productiveness of every species of industry carried on by the consumers of corn. In agriculture, in manufactures, and in

commerce, a universal fall of profits will be experienced.

Here, restriction upon import, again forcing into cultivation land from which taxation had driven capital, would universally check production, and send disposable capital abroad. With the failing wealth of all consumers, the home demand would fail. Prices would fall, until the inferior lands could no longer be cultivated, nor the superior ones afford the heightened rent. After having, for a short period, received an indemnity for unequal taxation, the land-proprietor would be thrown back into a worse condition than before.

And now we may conclude, that a protecting duty, laid on the introduction of foreign corn, would not remedy any of the evils inflicted by unequal taxes upon land. On the contrary, it would aggravate them all. In the first place, it would increase the quantity of capital necessary to raise any given quantity of corn, or, in other words, add to what may be called the artificially-induced sterility of the soil; in the second place, in restoring the lands, which had been thrown out, to cultivation, it would not (and this is a most important consi-

deration) restore the capital forced back upon them to its former productiveness; but, on the contrary, would turn it from the channels which, in consequence of unequal taxation, had now become the most conducive to wealth and prosperity; and, in the third place, the restriction upon importation, though it might, at first, restore the land proprietor's income, and even, perhaps, give him more than a just indemnity for the excess of taxes which he paid, would, in consequence of the powers of industry being universally paralysed, involve him in the general failure, and reduce him to a much worse condition than before.

To all these evils, respecting wealth and prosperity, is to be added, the evil of perpetual fluctuation in the supply, and in the price, of corn. When, by restricted importation, we force an independent supply from soils which, in consequence of unequal taxation, could not, even under the powerful natural protection afforded by the expense of carriage, stand the competition with foreign soils, we necessarily raise our prices considerably beyond those of foreign countries.

The consequence is, that, in abundant years,

superfluity cannot be removed, until the markets have sustained an extraordinary fall. If, by the joint operation of taxes, and duties to countervail taxation, we raise an independent supply, at the average price of sixty shillings a quarter, while, in the neighbouring countries, the average price is only forty shillings; then, it is evident, that exportation could not take place, until our markets fell so far below forty shillings the quarter, that the merchant, after paying the expense of carriage, could sell, in the foreign market, at that price. Let ten shillings a quarter be sufficient to pay the expense of carriage, and the exporting merchant's profit, and then our markets must fall ten shillings below forty, before our corn can be sent abroad; that is, our markets must be in a perpetual state of fluctuation, between sixty shillings, the price of average years, and thirty shillings, the highest price at which, in abundant years, superfluity can be removed.

From this illustration it must appear, that were we, when taxation renders production more expensive than on the Continent, to force, by countervailing duties, an independent supply, we should,

in addition to a calamitous loss of wealth, suffer all the evils of uncertain and deeply vibrating prices. The beautiful provision which, in the uniformity of her general results, Nature has made against partial irregularity, would be lost to us. Duties on the importation of foreign corn, even if they could be so apportioned as exactly to countervail unequal taxes upon land, to pour back capital into the channels from which it had been forced, and to place the landed interest on a footing with other classes of the community, would, nevertheless, with respect to wealth, subsistence, and even the revenue of the land proprietor, induce mischief far greater than that which they were intended to remove.

And now, to recapitulate the conclusions which the reasonings of this chapter have been employed to enforce.

Taxes, falling equally on all the classes of the community, and thereby producing a universal rise in prices, do not increase the expenses of growing corn, in a greater degree than they increase the expenses of working up materials. Such taxes, therefore, repel the foreign grower by the high

price of the articles he must receive in payment, full as much as they attract him by the high price to be obtained upon his produce; and, consequently, do not give him any advantage over the domestic cultivator.

Taxes, falling exclusively, or with disproportioned force, upon land, and thus increasing the expenses of cultivation, in a greater degree than they add to the costs of production in other branches of industry, and raising the price of corn without raising, in a similar proportion, the price of the goods with which it might be purchased in other countries, give the foreign, an undue advantage over the home grower; operate as an injurious discouragement to domestic agriculture; force capital from the channels in which it found its most profitable occupation; and, in relation to the manufacturing and commercial classes, unjustly depress the landed interest.

Such a state of things is at variance with the fundamental principles of political economy. Whether with a view to promote the prosperity of the country, or to dispense impartial justice, capital should be allowed to take its most profitable

occupation, and individuals be indemnified for any disproportionate pressure which they may sustain.

These most desirable objects can be attained, only by removing the causes which disturbed the balance between the various departments of industry; that is, by regulating the collection of tithes, discontinuing all duties on the farmer's servants, horses, and carriages; and equalising rates and assessments between the country and the towns.

Countervailing and protecting duties, imposed on foreign corn, cannot be so apportioned as to replace things in their former relative positions; and, even if their amount could be determined with sufficient accuracy to restore the original balance between all the employments of capital, and classes of the state, they would yet effect a universal reduction in the productive powers of industry, induce a perpetual fluctuation in the supply of food, involve the land proprietor in the general declension of the country, and inflict evils much greater than those which they were adopted to remove.

And, therefore, the particular case of a country,

more heavily taxed than her neighbours, does not constitute an exception to which the general principle of a free external trade in corn is inapplicable. On the contrary, during the continuance of taxes, even in their most objectionable operation, of unequal pressure upon the land, an unrestricted commerce in grain mitigates the evils which they inflict.

Part the Third.

THE APPLICATION OF THE PRINCIPLES OF THE
EXTERNAL CORN TRADE TO THE ACTUAL
CIRCUMSTANCES OF THESE COUNTRIES.

CHAP. I.

*On the Fluctuations in the Supply and Price
of Corn which have been experienced under
the existing System of Restraint and Pro-
tection.*

HAVING, in the two former parts of this work, endeavoured to unfold the general principles of the external trade in corn, and also to examine the limitations to which these principles are liable, under those particular cases in which restrictions are imposed on other branches of commerce; in which the actual existence of restrictions upon the importation of grain have already occasioned an artificial scale of prices, and given a forced extension to agriculture; and in which taxation falls with unequal pressure on the land; we are now to consider how far the doctrines which we have

propounded explain the facts which have occurred; and to ascertain, by a reference to the actual fluctuations in the supply and in the prices of our markets, whether our theory coincides with, and is a legitimate induction from, facts.

It is a matter of historical record, which any person, by a reference to the proper documents, can authenticate for himself, that, during the last five and twenty years, the price of grain in the British market has been subject to sudden and most distressing fluctuations. Many persons, indeed, whose names are of high authority, conceive that these distressing fluctuations in the price of the produce of land have been occasioned by alterations in the value of our paper currency. This supposition will, on a closer investigation, be found to be erroneous;—at once inconsistent with general principles, and in direct contradiction to facts.

In the first place, it is demonstrable—nay, it is self-evident, that an alteration in the value of the currency must equally, and contemporaneously, alter the price of every commodity for which currency is exchanged. If we were to raise the value of our paper medium thirty per cent., then

corn, and wine, and sugar, and cloth, and all other articles, would, at the same instant, fall thirty per cent. in their paper price. Now this has not been the case. A fall, or a rise, in the produce of land, and particularly in corn, has not been accompanied by a corresponding and contemporaneous fall, or rise, in other things. It is impossible, therefore, that the fluctuations in the value of agricultural produce should have been occasioned by the increased or diminished value of the paper currency.

In the second place, it is a fact which any person who will inspect the price current for the last five and twenty years may ascertain for himself, that the fluctuations in the value of agricultural produce have been not merely nominal, but real; and that corn, when estimated in bullion, has suffered a considerable and a rapid change in price. In the latter part of the year 1793, the bushel of wheat sold for six shillings and four pence, and the ounce of silver for five shillings; that is, it required an ounce and something more than a fifth of the metal to purchase a bushel of the grain. But in 1801, wheat was twenty-two shillings and a penny the bushel, and silver five shillings and

nine pence the ounce; or, in other words, it required very nearly four ounces of the metal to purchase a bushel of the grain. Here, then, the price of wheat, when measured, not by the paper medium, but by bullion, experienced a rise of more than two hundred per cent. Again, in 1811, the bushel of wheat had fallen to thirteen shillings, while the ounce of silver, after some fluctuations, had risen to six shillings and four pence; that is to say, the bullion price of corn had sustained a fall of nearly fifty per cent. Nay, the average price of the bushel of wheat, from 1809 to 1813, both years inclusive, was fourteen shillings, while the average price of the ounce of silver, for the same period, was six shillings; or, in other words, the bushel of wheat was, on the average, worth about two ounces and a third of silver. In 1816, the bushel of wheat was six shillings, being worth about an ounce and a sixth of silver, at the then quoted prices of that metal. Even leaving the extraordinary prices of 1801 out of the calculation, the bullion value of the silver had sustained a fall of about fifty per cent. below the average of the latter years of the war.

Thus, then, it appears, from authentic and

indisputable facts, that, independently of any variations which may be supposed to have taken place in the quantity or in the value of the paper currency, the price of agricultural produce, as estimated in standard bullion, during the period between 1793 and 1816, has been subject to great fluctuations; first experiencing a rise of nearly two hundred per cent., and then rapidly sinking to something below the level of the year 1793.

It may possibly be objected, that as gold is the standard of our currency, silver is to be regarded only as a commodity; and that, therefore, the fact, that the value of corn, in relation to silver, has fluctuated, is not conclusive of the question, whether the fluctuations in the price of corn are to be ascribed to changes in the value of the currency.

To this objection, I would answer, in the first place, that, until the passing of Mr. Peel's Bill in 1819, silver coin, when offered in payment, not by tale, but by weight, was a legal tender to any amount; and that, as we had a double standard, consisting indifferently either of gold or of silver, the fluctuations in the value of corn, as compared with silver, may fairly be considered as decisive of

the fact, that such fluctuations were not occasioned by changes in the value of the currency.

But it is not necessary to evade the objection by a reference to the double standard which existed previous to the resumption of cash payments. Whether we take gold, or whether we take silver, as the standard of our money, it will be found, that in relation to that standard, the value of agricultural produce, independently of its price, as expressed in the paper currency, has been subject to great and sudden fluctuation. This can be demonstrated as well by a reference to the comparative value of corn and of gold, as by a reference to the comparative value of corn and silver.

In the year 1800, the average market price of gold (vide Mushet's tables) was £.3. 17s. 10½*d.*; while, for the same period, the average price of the quarter of wheat (vide Parliamentary Papers) was £.5. 13s. 7*d.* One quarter of wheat being thus worth nearly one ounce and a half of gold.

In the year 1803, the average price of gold rose to £.4 the ounce, while the average price of wheat fell to £.2. 16s. 6*d.* the quarter; the quarter of wheat being now worth considerably less than three-quarters of an ounce of gold. Thus, in the

space of two years, the value of wheat, as compared with gold, fell more than fifty per cent.

From 1803 to 1809, the price of gold remained stationary, while that of wheat suffered considerable fluctuations. In 1812, the average price of the ounce of gold was £.4. 15s. 6*d.*, while the average price of the quarter of wheat became £.6. 5s. 5*d.* Thus, instead of a quarter of wheat being worth something less than three-quarters of an ounce of gold, as in 1803, it could purchase in the market nearly an ounce and a half of gold. That is, the value of wheat, in relation to gold, rose about an hundred per cent.

To place these important facts in a still more striking point of view, I subjoin a Table, shewing the prices of gold and of all kinds of grain, from 1800 to 1825. The column shewing the prices of gold is extracted from Muchet's Tables: those expressing the prices of grain, are from the Parliamentary Papers; and, for the last year, from the price current, no parliamentary return of the price of grain for 1825 having yet been made.

The opinion, therefore, that the fluctuations in the price of corn took their rise from variations in the value of the paper currency, being at once inconsistent with general principles, and in direct contradiction to known and recorded facts, we must seek elsewhere for the causes of the extraordinary elevation, and the sudden depression, which agricultural produce has experienced.

The cost of production must always, on the average, determine the prices of the market. Hence, in a rich and populous country, where, in order to raise the requisite supply of food, it is necessary to cultivate inferior soils, which require a great expenditure of labour and capital, the cost of producing corn, and consequently its average price in the market, will be considerably higher than in a poor and thinly-peopled country, where the culture of the first-rate soils is sufficient to supply the grain for which there is demand. Where commerce is unrestrained, the price of corn in the rich country cannot, it is evident, exceed its price in the poor country, to a greater extent than is sufficient to replace, with the customary profit, the expense of conveying it from

the latter to the former; and the prices of the poor country, increased by the expense of carriage, will constitute the level beyond which the corn markets of the rich country cannot permanently rise. Now, it is self-evident, that whatever interrupts the freedom of the corn trade must destroy this level; and that a country which is advancing in wealth and population must, if she cannot procure a part of her supply of food from the fertile soils of her neighbours, gradually resort to her most sterile and worst situated lands, and, consequently, bring her corn to market at a perpetually increasing price.

These simple and incontrovertible principles account, in the most satisfactory manner, for the extraordinary rise which our agricultural produce experienced during the last five and twenty years. During this period, the numbers of our people, as appears by the returns made to Parliament, under the Population Act, rapidly increased; while, for a considerable portion of it, the heightened rate of freight and of insurance, occasioned by the war, with the decrees of the French ruler, and the Embargo and Non-importation Act of America, threw

us almost entirely upon our own resources for the supply of subsistence. The consequences were, that tillage received a forced and artificial encouragement; that lands of inferior quality, requiring great expense of labour and capital, were made to produce corn; and that our markets rose far above the level price of Europe.

This extraordinary elevation in the value of our agricultural produce necessarily ceased with the artificial circumstances which occasioned it. As soon as the Continent became open to our merchants, and foreign corn could be obtained at a moderate expense of carriage, our markets sustained a sudden fall. The Corn Bill of 1815, which was resorted to for the purpose of supporting our agriculture in its forced and artificial state, only aggravated the evil it was intended to remove. Merchants and cultivators were ignorant of the principle, that restrictions on the commerce in grain necessarily produce great fluctuations in the market; and, under the delusive expectation that the Corn Bill must immediately elevate prices, the former imported, and the latter cultivated, much more extensively than they other-

wise would have done. An abundant harvest followed, and contributed to overstock our markets with corn. But this was not all. A second delusion, of a directly opposite character, succeeded the first. Disappointed in their confident calculations upon the Corn Bill, the people began to believe that there existed some occult and mysterious necessity for corn being cheap. Under the impression that prices would continue to fall, all became solicitous to sell, and averse to buy; and the force of public opinion, more, perhaps, than the actual excess of the supply beyond the consumption of the season, continued to depress the value of land and of its produce. Indeed, it is a well-established principle in political economy, that, when the market is glutted with any commodity, and particularly with a commodity like corn, the consumption of which cannot be materially increased by cheapness, prices fall far below the ratio in which the supply exceeds the demand. In 1816, a quarter of wheat was worth about half the quantity of silver which it was worth in 1811, and about one-fourth the quantity of that metal which it was worth in 1801; yet no person

can maintain, that in 1816 there was, in relation to the demand, four times the supply of grain which we had in 1801, or twice the supply which we possessed in 1811. The principle, that a glut reduces prices below the ratio of excess, accounts, in the most satisfactory manner, for our markets having occasionally sustained a greater depression than a comparison between the actual supply and consumption would, at first sight, appear to justify.

During the last five and twenty years the fluctuations in the supply and in the value of agricultural produce have had so extensive and so injurious an influence upon all the great interests of the country, that it may be expedient to enter into some further practical details respecting them.

During this period, the population of the country, as is shewn by the parliamentary returns, rapidly increased; and, as a necessary consequence, there was a great and growing demand for agricultural produce. While the home demand thus increased, the late war, assuming its extraordinary anti-commercial character, obstructed, and occasionally prohibited, foreign supply. The year 1807

found us, by the events of the war, excluded from direct commercial intercourse with every country in Europe (Sweden excepted); and there was a prospect of a scarcity of every article of agricultural produce, for the supply of which we depended either wholly, or in part, upon importation from the Continent.

After the attack upon Copenhagen, and the final withdrawing of our naval and military force from thence, Russia and Denmark joined in the war against us. The Baltic being thus closed against any direct commercial intercourse with this country, it was not clear that any part of our usual supplies of necessary articles from thence could be obtained by any channel, however circuitous, or at any expense, however great. In consequence, too, of the occupation of Spain by the French, it was imagined that the exportation of wool from thence would be rendered impracticable; or that, at any rate, the unsettled state of that kingdom would materially diminish the quantity which could be obtained.

About the same time, too, began our disputes with the United States of North America, which

occasioned a very restricted and precarious commercial intercourse with those countries, and threatened to cut off altogether the usual supplies of produce which we received from them.

The subjoined comparative statement of the charges for freight and insurance, will enable us to form some adequate idea of the degree of restriction, amounting almost to prohibition, which the anti-commercial character of the war imposed upon the importation of foreign agricultural produce.

The freight and the premium of insurance from St. Petersburg to London, in 1809 and 1822, on the average of the seasons, were as follows:—

	1809.	1822.
	£. s. d.	£. s. d.
On Hemp, <i>per ton</i> , . . .	30 0 0	3 0 0
„ Tallow, <i>ditto</i> ,	20 0 0	2 0 0
„ Linseed, <i>per quarter</i> ,	2 5 0	0 4 6 *

While increasing population went on enlarging the demand for agricultural produce, and while

* TOOKE, on High and Low Prices.

such enormous charges upon importation excluded foreign supply, we might, from general principles alone, confidently conclude that the value of the necessaries of life would advance; and, by consequence, that the rate of profit would fall, until the reclaiming of land of less and less fertility became the most beneficial employment which disposable capital could obtain. This conclusion from general principles is fully confirmed by facts. During the period under review, tillage was heightened and extended in a degree altogether unexampled. The eager avidity with which new accumulations of disposable capital were applied to soil, was indicated by the rapid rise of rents and increase of bills of enclosure.

It may be asserted, without the hazard of contradiction, that during those years of the war, the agriculture of England received a more powerful stimulus than it can ever again experience until the restrictive system be abolished, and until the consequent increase of wealth and population shall have created a very enlarged demand for those productions of the soil which do not enter into the labourer's subsistence, or which, from their

bulk and perishable nature, cannot be imported from abroad. Extraordinary circumstances, which cannot be expected again to concur, contributed to enhance the value of land. These it may be proper to enumerate.

The improvements in manufacturing industry, which, during this period, were in rapid progress, diminished the productive cost of wrought goods; and thus, in the manner explained in a former chapter, counteracted, to a certain extent, that tendency towards a fall in the rate of profit which the increasing difficulty of obtaining raw produce, if operating singly and alone, would have occasioned.

During the same period, improvements in agriculture contributed to counteract the effect which, other things remaining the same, resorting to inferior soils would have had in depressing the rate of profit.

While these two circumstances concurred to prevent the rate of profit from falling as the difficulty of obtaining raw produce increased, the political convulsions which shook the Continent of Europe checked the emigration of capital. So destructive

was the war, and so unstable were the governments in the neighbouring countries, that instead of British capital seeking foreign investment, foreign capital flowed into England for security.

Such were the circumstances which rendered the period of the late war a particular exception to the general principles, that an artificial elevation in the value of food and of the materials of other necessaries, lowers the rate of profit, forces capital abroad, and, in its secondary, but not very remote effects, diminishes the demand for the products of the soil, and reduces the revenue of the proprietor below the level which it might otherwise have preserved. Never can the landed proprietors of England expect such another concurrence of circumstances in their favour. It is not to be expected, that the future improvements in manufacturing industry will be equal in degree to those which the steam engine has already effected. Neither is it in any way probable, now that France, and Bavaria, and Wirtemberg, and the Netherlands, are tranquil and prosperous under the influence of representative governments, that a second series of political convulsions on the

Continent should reverse the natural order of events, and cause capital to flow, not from countries where it is relatively abundant to those in which it is relatively deficient, but, on the contrary, from places where it is scarce to those where it abounds. During the late war, the landed interest enjoyed in the home market a monopoly in supplying a rapidly increasing population with the first necessities of life, and enjoyed this monopoly (always complete, except during those intervals in which scarcity bordered upon famine) under such peculiar circumstances, that the high value of the products of the soil did not reduce the rate of profit; and by suspending the prosperity of the country, create a re-action destructive of the high scale of prices, and the forced extension of tillage. But even under these, to them most favourable circumstances, the landed interests could not escape from the inherent and essential evils of a restrictive system, namely, frequent and considerable fluctuations in the supply and in the price of produce.

The seasons performed their cycles of scarcity and abundance; and, as commerce was not per-

mitted to supply deficiency in one case, nor to remove superfluity in the other, the deep and irregular vibrations of the market confounded the calculations of the farmer, and rendered inevitable the periodical visitations of agricultural distress. The effects of the seasons, during the interruption of commerce occasioned by the war, are worthy of particular examination.

The summer * of 1792 was unusually wet, and the crops of wheat were every where injured. In the years 1793 and 1794, the seasons were unusually dry; and the crops, particularly in the last of those years, very generally failed. Thus the supply of corn was diminished by three deficient harvests, occurring in succession; and, as a necessary consequence, prices became excessive. In the early part of 1795 the growing crops were again injured, and in the August of that year wheat rose to the enormous price of 117s. the quarter. The severe dearth, approaching to famine, created the greatest alarm throughout the country; a bounty

* The facts and illustrations in the remainder of this chapter are extracted from Mr. Tooke's very valuable work on High and Low Prices.

of 20s. the quarter was granted on the importation of wheat ; and all neutral vessels conveying grain to France, where the scarcity also prevailed, were seized and brought into British ports, where their cargoes were forcibly sold in order to increase the supply of food.

During this period of deficient supply and high prices, the farmer realised extraordinary profits, and a new and powerful impulse was given to heightened cultivation and extended tillage. The number of enclosure bills, on the average of the three years, ending in 1797, was nearly double what it had been in 1792.

An abundant harvest in 1796, concurring with extended cultivation, occasioned a large aggregate produce ; and prices fell so rapidly that, on the 1st of January, 1797, wheat was only 55s. the quarter, or less than half its price in January 1796. The crops in 1797 and 1798 were remarkably abundant, and prices continued to fall ; until, in the autumn of the latter year, wheat sunk to 47s. the quarter. Considerable suffering was now experienced by the agricultural class, and complaints were made that the farmers were unable to pay their

rents. The extension of tillage received an immediate check, and the number of bills of enclosure which, in 1797, had been 85, fell to 48.

The season of 1799 was, perhaps, as unfriendly to the productions of the earth as any upon record, and that of 1800 was one of renewed and continued scarcity. Notwithstanding an importation of wheat to the extent of 1,242,507 quarters, the average price of that grain rose, on the 1st January, 1801, to 139s. In Mark Lane, in the course of the season, the price of wheat reached the exorbitant sum of 180s.; and, for four weeks, the quartern loaf was at 1s. 10½*d.*, being the highest price ever known, either before or since. So great was the alarm of the legislature at the terrific threatening of continued dearth and famine, that a bounty was voted for the importation of foreign grain, so framed, as to secure to the importer the high minimum price of 100s. a quarter.

Mr. Tooke, in his invaluable work on High and Low Prices, has entered into calculations which shew, that the additional surplus return above expenditure, divided during these two years of extraordinary advance in the value of agricultural

produce, amounted to £.15,000,000 *per annum*. Under these circumstances, there was an eager resort of fresh capital to the land. The impulse was irresistible; and the number of enclosure bills, which in 1799 had been only 63, became in 1800, 80, and in 1801, rose to 122.

This flourishing state of agriculture was of short duration. The season of 1801 was favourable; and as the orders given before the character of the crops was ascertained, rendered the importation of grain still very considerable, prices were rapidly depressed. This depression commenced before the preliminaries of peace with France were signed, and before the public entertained the slightest expectation of such an event. The crops of 1802 and 1803 were fair average crops; and these, with a slight importation, were sufficient to occasion a gradual decline of prices. In March 1804, wheat had fallen to 49s.

This fall of prices again occasioned great agricultural distress; and in the session of 1804, it was deemed necessary to pass a new Corn Bill, affording increased protection to the landed interest. The additional capital which had been applied to

the soil obtained no adequate return ; the extension of tillage was once more checked ; and the number of enclosure bills, in 1804, fell to fifty-two—exactly one half of what they had been in the preceding year.

An unusual sequence of unfavourable seasons now occurred. The crops of 1807, 1808, 1809, 1810, 1811, and 1812, were all more or less deficient. Agricultural produce continued at the highest range of prices ever known. Wheat was as follows :—

1809, January 1,	90 <i>s</i> .
July 1,	88 <i>s</i> .
1810, January 1,	102 <i>s</i> .
July 1,	113 <i>s</i> .
1811, January 1,	94 <i>s</i> .
July 1,	86 <i>s</i> .
1812, January 1,	106 <i>s</i> .
July 1,	140 <i>s</i> .
1813, January 1,	119 <i>s</i> .
July 1,	116 <i>s</i> .

This period of deficient crops, and of high prices, was one of renewed prosperity to the landed interest. The extension of tillage, and the applica-

tion of fresh capital to land already under cultivation, proceeded in full proportion to the great gains derived from the high value of the produce of the soil. Under these circumstances, rents, upon the expiration of leases, were advanced in full proportion to the high range of the price of produce; and, in several instances, they were raised to treble what they had been in 1792. Every purchase of land, previous to 1812, whether made with or without judgment, turned out favourably, according to the then market rates; and it was supposed, in consequence, that money could in no way be so profitably employed as in buying land. Speculations, therefore, in land, or, as it is termed, land-jobbing, became general, and credit came in aid of capital for this purpose. The number of enclosure bills was as follows:—

In 1808,	92.
1809,	122.
1810,	107.
1811,	133.
1812,	119.
1813,	111.
1814,	112.

The flourishing state of agriculture, however, was again suddenly suspended by the irregular course of the seasons. The harvest of 1813 was overflowing; that of 1814 yielded a fair average; and that of 1815 was remarkably abundant. Agricultural produce now fell with ruinous rapidity to half its former price. Wheat was,—

1814, January 1,	76 <i>s.</i>
July 1,	67 <i>s.</i>
1815, January 1,	65 <i>s.</i>
July 1,	67 <i>s.</i>
1816, January 1,	53 <i>s.</i>
July 1,	73 <i>s.</i>

The suffering of the landed interest, from this great and sudden fall of prices, was intense; and the Corn Bill of 1815, which was passed for their relief and protection, proved ineffectual in averting the depreciation of produce. The deficient harvest of 1816, however, intervened, and gave that respite from agricultural distress, which legislative enactments failed to procure. Grain rose upwards of 100 per cent.; wheat, which, in January 1816, had been 53*s.*, reaching in July 1817, 112*s.* and continuing 80*s.* during 1818.

This high range of prices, during the short period which it lasted, afforded renewed prosperity to agriculture, and tillage was resumed with increased spirit. But as the Corn Bill of 1815, enacted for the purpose of supplying the place of those obstructions to importation which the peace had removed, permitted the introduction of foreign wheat, when the price reached 80s. considerable supplies were received from abroad; and these, in conjunction with the unusually abundant crops of 1820, saturated the country with corn, and threw a decided glut upon our markets. The extreme agricultural distress which followed must be in the full recollection of the reader. So intense was the suffering, that the most wild and dishonest projects for relieving the landed interest were entertained; and proprietors and tenants evinced no unwillingness to go the full length of breaking faith with the public creditor, and of declaring a national bankruptcy.

The review which has now been taken of the course of the seasons, for the last thirty years, gives our general reasonings the fullest sanction of experience, and proves, by an extensive induc-

tion from facts, that obstructions to the importation of foreign produce, even when pushed to the verge of famine, are inadequate to correct the fluctuations of the market, or to prevent the periodical recurrence of agricultural distress.

CHAPTER II.

Examination of some of the Measures which have been proposed for correcting the Evils of sudden and considerable Fluctuations in the Supply and Price of Corn.

DURING the periods of distress, the agriculturalists often contended, that the evil could not arise from the excess of produce of home growth; because, if such had been the case, the excess of quantity would have compensated the farmer for the fall of price. They did not sufficiently attend to the principle, that when the market is overstocked with produce, prices fall in a ratio considerably greater than that in which the supply is in excess. If, in average years, our farmers, one with another, grew a hundred quarters of wheat, at eighty shillings the quarter, then each farmer would, for this part of his produce, receive £.400. But if a year of extraordinary abundance were to double

the supply of wheat, then the farmer could not sell his two hundred quarters at forty shillings the quarter, and thus obtain the same sum as before. As the people could consume very little more than their ordinary quantity of food, almost the whole of this extra supply would lie on hand; and as each farmer, in his solicitude to dispose of his whole crop, would seek to undersell his neighbour, a competition would necessarily arise, and occasion an excessive fall in the markets. The varying value of agricultural produce affords a striking illustration of this principle. The bullion price of wheat in 1816 was only one-fourth of what it was in 1801, and only one-half of what it was in 1811; but it is plainly impossible, that the quantity of corn in the country in 1816 should, with respect to the demand, have been four times as great as in 1801, or twice as great as in 1811.—When an abundant year overstocks the markets, the increase in the quantity of produce can never (unless in countries where the low natural price of corn allows of prompt and extensive exportation) indemnify the cultivator for the diminution in its value.

But though the agriculturalists have not been very successful in discovering the causes of distress, yet they have not been backward in recommending remedies.

In the Report of the Select Committee of the House of Commons, on the Corn Trade of the United Kingdom, plenty and low prices are represented as connected with a system of restricted importation; and it was confidently asserted, that the measure of very high protecting duties, which that Committee recommended, would render our prices gradually lower and lower, until we should become an exporting country, and be enabled to sell corn as cheap as it can be sold in the foreign markets.

The statements respecting the influence of restricted importation, in reducing prices, are as repugnant to the principles of political economy, as they are contrary to the maxims of common sense. They involve a fundamental error, arising from a total forgetfulness of the connection between productive cost and market price. While the former remains unabated, permanently to reduce the latter, is impossible. Unless restric-

tions upon importation could diminish the quantity of labour and capital necessary to the production of a given quantity of corn, they could not possibly effect a permanent reduction in our markets. But, instead of diminishing the quantity of labour and capital necessary to production, they would have a diametrically opposite effect. In cutting off the foreign supply, they would, in order to meet the growing demand for corn, and to feed our increasing population, force into cultivation lands which could not, under free competition, be profitably tilled. But, as such lands afforded the cultivator an adequate profit, better soils would afford a higher rent. Hence, the quantity of labour, of capital, and of rent, which the farmer paid for production, would be increased; and hence, the average price of the markets would necessarily rise.

Those who contended that the exclusion of foreign grain would lower prices, seem to have forgotten that England has not, like the continent of America, vast tracts of first-rate and unoccupied land, from which, at a moderate expense, abundant crops may be produced; and seem not to

be aware, that the capital, which artificial prices might force upon the soil, could be retained there, only while the continuance of such prices should secure to it the ordinary rate of profit. If, tempted by the monopoly secured to them, the agriculturists should be led into the error of overtrading, and produce a supply beyond the demand, then, indeed, the market would sink below the natural price. But the slightest knowledge of political economy is sufficient to convince us that such a state of things cannot last. If there be, in the whole compass of this science, a principle universally admitted, and completely incontrovertible, it is, that demand regulates supply; and that no article can be permanently brought to market, except at a price sufficient to replace, with an adequate profit, the expenses of its production. To increase the expenses of production, by forcing inferior lands into cultivation, and, at the same time, to lower the markets, is evidently impossible. Forced cultivation can be induced, and continued, only by excessive prices. The evidence given before the several Parliamentary Committees on the corn trade, shews that our inferior lands must be

thrown out of tillage, if our prices are not maintained nearly a hundred per cent. above those of other growing countries. If, therefore, restrictions on the importation of corn could have the effect of lowering prices, they would diminish cultivation, not extend it; and would counteract the object they were meant to attain. The supposition, that forced cultivation causes reduced prices, involves a palpable contradiction. The two facts are incompatible; they are mutually destructive of each other.

This subject has been ably handled by Dr. Crombie.—“ In order to quiet the apprehensions of the public, and to reconcile them to this measure, the advocates for the new Act confidently maintained, that its evident intention was, and its necessary effect would be, to reduce the price. The farmer was told, that he should receive a higher remuneration than the old law was calculated to afford; and the consumer was assured, that he would have less to pay for his quartern loaf. How assertions so contradictory are to be reconciled, it is not for a common understanding to comprehend. What the farmer receives, it is

presumed, the consumer must pay. If the agriculturist is not, by the new Act, to receive a higher remuneration, how is he to be benefited by its enactment? If he *is* to receive this higher remuneration, whence is it to come, but from the pockets of the public? If the former Act furnished the farmer with a sufficient protection, and secured to him an adequate return for labour and capital, then the new Act is manifestly a work of supererogation. If the reverse was the fact, then let it not be absurdly affirmed, that while the farmer is to receive a higher price, the consumer is to pay less.

“ It may be replied, that though the immediate effect of the new corn law might be an augmentation of the price of wheat, yet its ultimate tendency is, by increasing the supply, to lower the price. The argument is fallacious. It could be just only on the supposition, that the waste lands, when once broken up, inclosed, and cultivated, and the inferior soils, when once brought, as the farmers say, into good heart, will continue to afford the agriculturist a sufficient remuneration for labour and capital, at the reduced price of grain which

the advocates of the Act professed to have in contemplation. The supposition is almost ridiculously false. It is a notorious fact, that there are at present in cultivation, inferior soils, requiring a constant large expenditure of labour and capital, which would not remunerate the farmer, unless he should receive from ninety shillings to five pounds for every quarter of wheat which they may produce. And much of that waste land, which remains to be inclosed, is of the same character; the produce of which, therefore, if brought into tillage, must, in order to indemnify the farmer, not only now, but continue to fetch a high price. It is not to be expected that he will expend labour and capital without the prospect of remuneration; and, if he finds that the produce of inferior soils does not continue to indemnify him, by reason of the reduced price of agricultural produce, he suffers them to relapse into their former state of waste and infertility. It betrays, therefore, a most visionary hope, to imagine that the price of wheat can ever be reduced by the extension of agriculture over inferior soils; on the contrary, it is self-evident, that whatever is raised with greater labour and

greater expense, must be sold for indemnification at a higher price. Nor can we conceive a more palpable absurdity, than to suppose that the price of any article can be lowered by mixing it with another of greater value*.”

The advocates of restricted trade contend that “ While we depend, in any degree, upon a foreign supply of corn, the prices are constantly governed by the principle of scarcity, and not, as they otherwise would be, by the principle of abundance. The object of importing merchants being to import with the greatest possible profit, they will allow prices to run up very high, before they come into the market ; and will feed it only in such quantities, as shall keep down competition against themselves, but not to that extent as will have any great effect in lowering the price of corn.”

Now, even were we to admit, that when we depend upon foreign countries for a part of our supply of corn, this combination for stinting the market, and keeping up prices, could be formed

* Letters on the Present State of the Agricultural Interest, page 11. This is a very sensible and able pamphlet, written with Dr. Crombie's accustomed perspicuity and acuteness.

amongst the importing merchants, still, the objection would be perfectly invalid; nay, would completely refute itself. Supposing that free importation had so reduced prices, and, consequently, so discouraged agriculture, as to have rendered us dependent on foreign countries for a part of our supply of corn; then, as soon as our importing merchants began, as asserted in the objection, to raise prices, the market, would exceed the growing price of corn; unusual profits would be obtained by the domestic cultivator: and, consequently, tillage would be again extended. If the combination of the importing merchants raised the price of grain as high as it was before the opening of the ports, the whole of the discouragement occasioned by such opening would be removed, and agriculture would be restored to its former state. And if, as the advocates of restriction contend, the combination of the importers should advance prices beyond what they would be if the whole of our consumption were produced at home, then it is plain, that the stock invested in agriculture would obtain a higher profit than before; and that capital, ever seeking its most beneficial occupation, would

bring in new lands, and extend tillage beyond its former state. Thus, the two propositions, that free importation would discourage domestic agriculture; and that, by leading to combinations amongst the importers, it would advance prices, are inconsistent and contradictory. If a system of free importation discouraged agriculture, it could only be by reducing prices; and if, instead of keeping prices low, such a system of freedom should either immediately, or subsequently, occasion combinations which would raise the price of corn higher than it would be under a system of restraint, then, free importation would prove much more beneficial to the landed interests, than the restrictive protection for which they are contending.

But the combination contemplated in the objection could not possibly have existence. We reasoned on the supposition, merely to expose the nature of the argument, if argument it may be called, to which the advocates of permanent restrictions on the importation of corn are compelled to resort, when they would persuade the public, that receiving part of our supply from the foreign grower would advance our markets. A combina-

tion amongst all importing merchants, dispersed throughout all the sea-ports of the kingdom, and having all the growing countries of the world open to their speculations! A monopoly of corn, occasioned by rendering the trade in corn free! These are propositions, a formal refutation of which, would be a satire on the understanding of the reader. A free external trade could render us dependent on the foreign grower for a part of our supply only by throwing out of cultivation lands which require, in order to raise a given produce, a greater quantity of labour and capital than the lands under tillage in other countries: that is, by enabling us to procure corn at a cheaper rate than we raised it from our own soil. To say, that importing a part of our supply would elevate our markets, is tantamount to asserting a contradiction.

It has been maintained, by high authority, that restrictions upon import, forcing an independent supply, would be the means of rendering the price of corn steady, as well as low. Nothing can be more contrary to the principles of economical science. In whatever proportion we limit the ter-

ritory from which we derive subsistence, in the same proportion do we expose ourselves to the uncertainty of the seasons, and deprive ourselves of the benefit of the provision which, in the uniformity of her general results, Nature has made for the correction of partial irregularity in her operations. If we restrict importation, and, in order to raise an independent supply of food for our increasing population, force into tillage lands which have not hitherto been adequate to repay the charges of cultivation, then the expenses of production will be increased, and the average price of wheat will continue to rise. How, then, in abundant years, could our superfluity be exported so as to meet the competition of the continental grower? Our markets must be completely glutted,—must fall, at the very least, to half their average, before our produce could begin to be sent abroad with a profit. A forced independent supply, therefore, instead of giving steadiness to prices, would cause them to fluctuate perpetually, between the average price and the highest price at which, in abundant years, we could export, with a chance

of standing the competition of the continental grower.

Having thus shewn the effect which a system of restriction on the importation of corn must produce upon our commerce and wealth, we are prepared to resume the question, whether agriculture could receive any permanent benefit from legislative protection giving the value of produce an artificial elevation ?

We have already seen, that the direct and immediate effects of a system of restrictions on the importation of foreign grain, is to sustain, and, while the population continues on the increase, to extend our tillage. The benefit, however, which agriculture receives from such artificial encouragement, can be but of short duration ; and bears within itself the principle of its own destruction. Demand regulates supply ; and nothing can be permanently brought to market, unless there are consumers, able and willing to pay the expenses of production. Now, as manufactures and commerce decline in any country, the demand for agricultural produce fails. If we continue to exclude foreign corn, we may for

a time have an increased consumption of, and higher prices for corn of home growth; but, as these higher prices would raise wages and depress profits, and thereby shut out our manufacturers and merchants from the foreign markets, the ultimate consequence of restricted importation must be, that the impoverished domestic consumer would no longer have ability to replace to the farmer the expenses of cultivation.

This consequence of a system of restriction on the importation of corn, would not, probably, be immediate. Corn is an article of such prime necessity, that, if measures for keeping up its price are persisted in, the people will dispense with almost all other articles, in order to procure it. Thus, while the demand for all other articles is diminished, and their production, consequently, is checked, the value of corn will be sustained, and agriculture may flourish, for a time, amid the general decay of wealth. To continue such a state of things, however, will be evidently impossible. As the high value of subsistence and material deprives them of the power of selling with a profit at the low prices which foreigners find suffi-

ciently remunerative, our manufacturers will be deprived of employment, and, though willing to give up all other articles, will find themselves unable to purchase the same quantity of corn as before. By emigration, or by death, their numbers will rapidly diminish. Here, then, agriculture, after having, for a time, retained a preternatural vigour, under the influence of an artificial stimulus, would begin to exhibit the symptoms of decline. The deficiency in the home demand, which had, at first, affected manufactured articles only, will now extend to the productions of the soil. The market price of corn will suddenly fall; and the labour and capital which had been forced upon inferior lands, no longer obtaining an adequate recompense, such lands will be thrown out of cultivation. As, in consequence of diminished demand, and reduced prices, inferior lands are thrown out of cultivation, superior ground will be reduced in value, and yield a lower rent. The landlord, the farmer, and all the persons to whom they give employment, will be involved in the general distress.

In a former chapter, we traced the calamitous

effects which would follow a sudden opening of the ports to foreign corn, in a country where obstruction to importation had given a forced extension to tillage, and induced an artificial scale of prices. The derangement and embarrassment, however, occasioned by a rash and injudicious application of the principle of free intercourse, will appear light and transient, when contrasted with the depression and calamity which must ultimately overtake the landed interests, in consequence of the fall in the value of agricultural produce, which, now that the state of the Continent affords encouragement to the emigration of skilled labour and capital, manufacturers can no longer obtain the war prices for their goods, will be indirectly occasioned by the attempt to keep up the war price of corn, and thereby to lower the rates of profit and of interest in England. In the former case, the temporary evil would be gradually, but effectually corrected, by the operation of the very causes which had at first produced it. Free trade, though circumstances may sometimes render its sudden introduction inexpedient, is, in its nature, highly beneficial; and, however injudiciously admitted,

must, after the first calamitous shock and derangement, occasion more accurate divisions of employment, give labour and stock a more productive direction, and thus recreate the wealth it had destroyed. Now, it is the neighbourhood of wealthy markets which affords the best encouragement to agriculture; it is the quantity of other commodities offered in exchange for it, that determines the value of corn. As unrestricted intercourse began to extend manufactures and commerce, our farmers, under the natural protection afforded by the expense of carriage upon an article so bulky as grain, would, after the price of all things had settled down to the reduced scale, be enabled to carry tillage to a much greater extent than could have been possible under artificial encouragements; the necessary effects of which must be, to narrow the home market, which the farmer would monopolise.

While the direct injury inflicted on the landed interest, by a hasty and injudicious application of sound general principles, would, after a period of calamity, be corrected by the very causes which had produced it; in the evil which must be indirectly

occasioned by an attempt to give permanence to our artificial scale of prices, nothing of this redeeming spirit would be found. In proportion as we infringe on the liberty of trade, we destroy the elastic power which enables it to rebound after every decline; we take from industry the vital, renovating principle, by which, in a state of freedom, the national resources recover from every accidental decay, and the public prosperity, after each apparent check, receives a new impulse. A sudden opening of the ports would, after a time, increase the number and the wealth of consumers; and thus, by enlarging the home market, would compensate the domestic grower for the injury he might have sustained from foreign competition. But, when a permanent system of restriction, and its consequent artificial scale of prices, had depressed the manufacturing and mercantile classes, and thus deprived the agriculturist of those opulent markets, the exclusive benefits of which, ignorance had asserted they would secure, the agricultural interest, in grasping at the shadow, would have lost the substance; in seeking for artificial, would have deprived themselves of their natural encourage-

ment; and no longer finding consumers in the country, which their avarice had impoverished and depopulated, would be compelled to go to foreign markets for remunerating prices.

Thus then, it appears, that a permanent system of restrictions on the importation of corn, and a consequent continuation of the artificial prices of the war, must ultimately diminish the home demand for grain, and render us once more an exporting country. This change, however, will be produced by causes, and will be the result of a process, very different from those which are contemplated by the advocates of a restricted corn trade. These persons contend, that the high prices, occasioned in the first instance by the exclusion of foreign grain, will lead to an extension of tillage; and that the increased supply, raised from our own soil, will reduce the price of corn, until it can be sent to foreign markets with a profit. In arriving at this conclusion, however, they totally omit the distinction which exists between cost and price; and seem absolutely unacquainted with the fundamental principle of political science, that it is impossible to increase the supply of any commodity so

as permanently to reduce its price below what will replace, with an adequate surplus, the capital employed in production. It is plainly impossible that, at one and the same time, it should be profitable to export corn, and profitable to extend cultivation to lands requiring, in order to yield a given produce, a greater quantity of labour and capital than the lands cultivated in other growing countries. To enable us to do the former, corn must be cheaper in the home, than in the foreign market; to enable us to do the latter, it must be dearer. While it remains impossible for the same thing to be, and not to be, it will also remain impossible for England to become an exporting country, in the manner contemplated by the advocates of a restricted external trade in corn. The real process, by which restrictions upon the importation, may, at no very remote period, lead to the exportation of corn, we shall briefly state.

The high price of food and materials, occasioned by restricted importation, will, in the first instance, exclude our manufactures from the foreign market. While ruin thus falls upon the manufacturing and trading population, the home demand for corn will

diminish, and its value become too low to replace with a profit the capital, which the first temporary rise in prices had forced upon inferior lands. These, therefore, will no longer be cultivated; and, from the same cause, the value of fertile lands will fall. In the progress of impoverishment and depopulation, a sufficient number of opulent consumers will not be found, to pay the expense of cultivation upon soils of third, or even of second-rate quality. Cultivation will be limited to tracts of first-rate quality: these requiring but a small expense of dressing, the cost price of the corn produced upon them will be lower than the cost price of the grain produced in prosperous foreign countries, which, being now nearer to populous manufacturing districts and commercial towns, can afford to cultivate second, or third-rate soils. When things have arrived at this state, our corn may be sent abroad with a profit; and England, bankrupt and depopulated, sunk from her place in Europe, and, perhaps, deprived of her existence as an independent nation, may again become an exporting country.

CHAP. III.

On the Manner in which our Restrictions on the Importation of Foreign Agricultural Produce contributed to bring on the present Commercial Crisis.

IN a judicious and able pamphlet, supposed to come from authority, on the causes of the recent crisis in the money market, and on the means of preventing the recurrence of the evil, the following remarkable passage occurs:—

“ The first of these causes appears to have been the great redundancy of capital in the early part of the last year, and such a consequent reduction of the interest of money, and in the rates of profits, as induced those possessed of it to seek for extraordinary means to employ their accumulations; and, under the avidity of gain, to embark in every perilous venture proposed to them. It is totally unnecessary to insist upon a fact now universally admitted. It is notorious that, under this abundance of money, the rate of interest in

the spring and summer of 1825 did not exceed three, or three and a half per cent., and that bills of high credit and short dates were discountable in the market at a much lower rate. In a word, money was so plentiful, that, consistently with security, there was no competition in the demand proportionate to the supply. The bankers were more ready to afford discounts than the merchants to solicit them. The best bills, instead of being sent to the Bank of England, were carried upon the Exchange, and there discounted at a lower rate. All Government securities became affected by this character of the markets; Exchequer bills, yielding only two and a quarter per cent., were frequently sold at 50s. or 60s. premium, and the three per cent. stock rose very nearly in the same proportion."

In perusing this passage, the first thing which strikes us is, that it does not go to the bottom of the question. It is true, that in the early part of last year, there was a great redundancy of capital, with a low rate of interest and of profit. It is also true, that the low rates of interest, and of profit, induced individuals to risk extraordinary

means for employing their accumulations; and, as the writer proceeds to shew, brought on the mania for speculating in foreign loans, in mines, in joint stock companies, in merchandise, and in discount, upon long and inconvertible securities, until the universal spirit of overtrading terminated in the calamitous re-action which has been recently experienced. But to complete the chain of causes, the first and the most important link is still wanting. The crisis was occasioned by over speculation; over speculation was occasioned by the low rates of profit and of interest; and the low rates of profit and of interest—what was it which occasioned those? This is the primary and fundamental question which it is necessary to solve.

In the spring of 1825, all the elements of national prosperity seemed working together in our favour. Every circumstance, whether internal or external, appeared calculated to open a boundless field to British enterprise, and scope without limit for the profitable investment of British capital. Agriculture and trade had been to a considerable extent relieved from the pressure of taxation; our increasing population, and our perpetually im-

proving machinery, had given to our manufacturing industry unrivalled, and almost miraculous, efficacy; we were at peace with all the world, with the exception of an obscure and semi-barbarous state in the extremity of Asia; while, in the vast regions of America, new independent nations had arisen, eager to give, upon the most free and favoured terms, the rich and varied products of their unexhausted soil in exchange for British fabrics. In the history of the world, no conjuncture ever had occurred so favourable to the prosperity of a manufacturing and commercial country. Nevertheless, during this extraordinary concurrence of the most favourable circumstances, when there seemed no natural bounds to the field of British enterprise, and no necessary limit to the profitable investment of British capital, there was in the country a great redundancy of capital, which could not be beneficially employed; and the rates of profit, and the interest of money, were so low, that those possessed of disposable funds were induced to seek for extraordinary means of employing their accumulations, and to embark in every perilous venture which was proposed. The question recurs, what was it which could have occasioned such a state of things?

This momentous question, it is hoped, the reader is now prepared to answer for himself. Commerce is the exchange of equivalents; the bartering between nations of the articles which each has relative advantages in producing. England possesses relative advantages in the production of almost every species of wrought goods; other countries, particularly those of North and South America, have relative advantages in raising raw produce. But England refuses to exchange wrought goods against raw produce. She closes against herself the sources of interminable prosperity; and, while boundless scope for profitable enterprise remains within her reach, she adheres to a barbarous system of commercial policy, which brings her prematurely to the limits of her resources, and to the verge of decline.

Had we freely exchanged our wrought goods for the raw produce of our neighbours, there could not, while, in the commercial countries of the world, there remained fertile and well-situated land unreclaimed, have been a redundancy of capital, and an inadequate rate of profit and of interest, inducing individuals to employ their accumulations

in wild and hazardous adventures. But we would not receive the cheap and good timber of Norway, in order to enrich the timber merchants of Canada; we gave the exhausted soils of the West Indian islands a monopoly for supplying the home market with sugar, in order to enable the planter to perpetuate slave cultivation; and, above all, we closed our ports against the admission of foreign corn, in order to enrich the proprietors of land by enabling them to lay a grievous and iniquitous tax upon the food of the people. We forcibly contracted the field of commercial enterprise; we choked up the advantageous channels in which additional investments might have been made; we clung to measures, the necessary tendency of which, is to reduce almost to nothing the surplus of reproduction above expenditure; and thus we occasioned such a redundancy of capital, and such a depression in the rates of profit and of interest, that new and hazardous ventures presented the only openings in which accumulations could be employed.

In the preceding chapter of this work, as well as in the *Essay on the Production of Wealth*, I

have entered into ample illustrations of the important and fundamental principles, that the rate of profit falls, as the cost and the value of raw produce rise; and that a densely-peopled country, where additional supplies of food and material cannot be raised without resorting to soils of less and less fertility, must, unless she obtain supplies of foreign produce, speedily approach that stationary state in which additional accumulations cannot be productively employed. It is unnecessary, in this place, to repeat the demonstration of those principles. In the succeeding pages I will assume, as a matter proved, and therefore admitted, that, in an old and well-peopled country, the free importation of foreign agricultural produce is that which keeps the rate of profit high, and flings into viewless distance the ultimate limits of national prosperity and wealth.

And now we have completed the chain of cause and effect, by adding the prime link to which the writer of the Government pamphlet omitted to refer. By a system of commercial policy, disgraceful to the country and to the age, we restricted the importation of foreign agricultural produce, and thereby lowered the rates of profit

and of interest, until capital, excluded from the channels of beneficial investment and reproduction, existed in a state of redundancy; the low rates of profit and of interest, and the redundancy of capital, induced those who were possessed of it to employ their accumulations in every species of hazardous venture which was proposed to them; this desire to engage in new ventures, for the purpose of obtaining that adequate return for money which the ordinary transactions of business no longer afforded, rendered the spirit of speculation epidemic throughout the country; foreign loans and foreign mines, joint-stock companies, and inordinate speculations in merchandise, created an unusual demand for accommodation and currency; the directors of the Bank of England, and the country bankers, disregarding the legitimate principles of their trade, made issues upon long and unconvertible securities, and created a redundant circulation; the consequent high price of commodities, encouraging import, and checking export, with the engagements to be made good on account of foreign loans, and foreign speculation, turned the balance of payments, and the course of exchange, against us; the Bank, in order to protect

itself against the extraordinary demand for gold, suddenly contracted its issues; and the crash came.

When the series of cause and effect is thus completed, it appears obvious and self-evident, that the measures contemplated by ministers for placing the circulation of the country banks upon a more secure foundation, can have little tendency to prevent the recurrence of the calamitous re-action which is now experienced. These measures may, perhaps, be, to a certain extent, beneficial. My objection to them is, that they do not go to the root of the evil; and that, whether they be, or be not adopted by the legislature, the country, after the present crisis has passed away, will continue to be exposed to periodical returns of regorgement and revulsion. The progress of these ruinous alternations may readily be traced.

Under the present universal pressure for money, and destruction of confidence and credit, the mercantile and trading classes venture upon no purchases beyond those which are just sufficient to supply the immediate and indispensable consumption of the market. As the merchant and manufacturer cease to purchase, the manufacturer, from

the same cause, must cease to produce; and in consequence of the diminished production, the stock of goods on hand, and particularly of such goods as the foreign merchants may take off, will be rapidly reduced. This is the first step towards the removal of the present pressure.

After the stock of goods on hand has been in some considerable degree diminished, prices will recover; confidence and credit will be restored; merchants and dealers will renew their purchases; and, by a necessary consequence, the work of production will be resumed.

As, during the suspension of industry, labour must have been thrown out of employ, and wages depressed, the return of ordinary prices will, until wages recover their ordinary level, be accompanied by a more than ordinary rate of profit. Hence the capital lost or destroyed, during the period of revulsion, will be replaced by new accumulations.

A country which restricts the importation of food and material, can employ only a given quantity of capital in reproduction, and hence the new accumulations will exist in a state of redundancy;

the rate of profit, and the interest of money, will again become very low, and persons possessed of disposable funds will be again tempted to engage in any hazardous venture which seems to hold out a prospect of higher returns. The redundant capital will seek investment in countries where profits and interest are higher; this will lead again to the exportation of the metals, and to a drain upon the Bank for gold; the Bank, as a measure of precaution, will contract the currency; and another revulsion, as extensive and calamitous as the former, will ensue.—To go at once to the root of the evil, and thus to prevent the periodical recurrence of these ruinous shocks to public and private credit, we must abolish those absurd and iniquitous restrictions on the importation of food and material, which limit the quantity of capital which can be beneficially invested in domestic industry; and which render profit and interest lower in England than in other commercial countries.

Throughout this argument I have assumed, that a very low rate of profit is accompanied with a very low rate of interest. I do not, however, go the length of Mr. M'Culloch, that interest rises as

the rate of profit rises, and falls as it falls; and that the fact, whether the rate of profit is rising or falling, can be learned from the rate of interest paid for capital lent upon good security. Mr. Tooke, in an excellent and most useful work, which has just been published, clearly demonstrates, that several other causes, besides the rate of profit, contribute to determine the rate of interest. All that I contend for, and all that is necessary to my argument is, that the rate of profit is *one* main cause, and limiting circumstance, in regulating the market rate of interest.

Supposing that the surplus of reproduction, over and above the expenditure which creates it, is twenty per cent.; then, upon the principles of Mr. Tooke, the rate of interest might be five, or ten, or fifteen per cent., according to the proportion between the supply of, and the demand for, disposable money capital. But it is self-evident, that, under this supposition, the rate of interest could not permanently rise to *twenty* per cent.; because, if it did, the passive lender of the capital would obtain the *whole* of the surplus of reproduction which it created, while the active borrower of the

capital retained nothing to reward him for his labour, his skill, his risk, and his connection. On the same principle, if the surplus of reproduction above expenditure fell to ten per cent., money could not continue to be borrowed at so high an interest as ten per cent. Were this surplus to fall to five per cent., interest would necessarily be below five per cent. ; and should the high value of food, and of the materials of wrought necessaries, reduce the surplus of reproduction above expenditure to nothing, then, for the use of capital, nothing could be paid, and interest would altogether disappear. All this is self-evident, and requires no illustration.

In obviating the evils inherent in a restrictive system, which lowers the rates of profit and of interest, measures only going the length of placing the currency upon a secure foundation, must be completely inadequate and abortive. Though the provincial banks should be chartered companies, as stable as the Bank of England ; nay, though the whole circulation of the country consisted of standard coin, yet still the next revulsion and regorgement

may be more extensive and calamitous than the present.

It has been justly observed, in the Government pamphlet before alluded to, that, during the late panic, there were many circumstances which were favourable, both to the public and to the Bank; and which, if they had not existed in our condition at that crisis, or had existed adversely to us, would have extended the ruin to a most fearful point. If a failure of the last harvest had required large importations of foreign corn, or if any political convulsions of a menacing nature had occurred abroad, it is obvious that the demand for the metals would have been much more intense and protracted; that the consequent contraction of the currency would have been much more considerable; and that the Bank of England itself might have been again compelled to suspend its payments. It is easy to see that, when the next revulsion occurs, one or more of these adverse circumstances, operating in conjunction with it, may aggravate the calamities of the country in a much greater degree than the increased security of the provincial banks can

mitigate them. Measures for securing the public against the risks attending the circulation of provincial paper, are, particularly at the present period of alarm and distrust, just and expedient. All that I contend for is, that they cannot, in the nature of things, avert the recurrence of a crisis more calamitous than that which we have witnessed.

The speculations in foreign loans, in foreign mines, in joint-stock companies, in merchandise, and the departures from the legitimate principles of banking, were all only secondary effects of the great primary cause, which created a redundancy of disposable capital, and reduced the rates of profit and of interest. While this primary cause is permitted to remain in operation, it must continue to produce effects, different perhaps in mode and in form from those which have recently appeared; but certainly not less injurious to the wealth and prosperity of the country. When the capital lately destroyed has been replaced by new accumulations, and when the next repletion and revulsion come, we may not have foreign loans, nor excessive speculation in mines, in companies, in merchandise, and in discounts upon long and

inconvertible securities; but, nevertheless, our redundant accumulations, deprived by erroneous legislation of advantageous employment at home, will seek for profitable investment abroad. Under such circumstances, our capital and our skilled labour will emigrate; the seats of manufactures, and the marts of commerce, may be transferred to other lands; and, instead of temporary revulsion, we may experience a permanent decline. To continue the present system of corn laws, will be to apply the axe to the roots of England's prosperity. The downward steps towards national bankruptcy may easily be made.

It must be confessed, that restrictions upon the importation of foreign corn, increasing the profits of the farmer, during the term of existing leases, and, at the period of their expiration, raising the rent of the landlord, confer, in their immediate operations, an important benefit upon the landed interests. But the landed interests, even upon the principle of the narrowest selfishness, should look beyond the immediate effects of restricted importation, and should inquire, whether the benefit to be derived from establishing an artificial scale of prices, may not carry in

itself the seeds of its own destruction? To answer this important question, it is necessary previously to shew, how far restrictions upon importation, and an artificial scale of prices giving a forced extension to agriculture, are calculated, under existing circumstances, to affect the wealth and commercial prosperity of these countries, and, consequently, to the demand for corn.

To those who have embraced the opinions of the French Economists, it may appear somewhat paradoxical to say, that a measure which should extend agriculture, and increase the value of land, would be injurious to prosperity, and diminish wealth. Yet such would certainly be the case. Even upon the principles of those who assert that agriculture is the only source of wealth, it is demonstrable, that the general opulence of these countries must be diminished by restrictions upon importation, forcing our inferior lands into tillage; and that, by the operation of such restrictions, the national prosperity must be checked, in the exact proportion in which agriculture may at first be extended. Though it should be conceded, that agriculture is the only source of wealth, yet it

would still remain an incontrovertible proposition, that opulence is advanced by obtaining agricultural produce at the smallest possible expense of labour and capital. If, in consequence of our skill in manufactures, any given portion of our labour and capital can, by working up cloth, obtain from Poland a thousand quarters of wheat, while it could raise, from our own soil, only nine hundred; then, even on the agricultural theory, we must increase our wealth by being, to this extent, a manufacturing, rather than an agricultural people. Though the economist should establish the fact, that our manufactures brought none of this wealth into existence, but that the whole was created by the cultivator of Poland, yet this would not, in any way, alter the state of the case. We have a hundred quarters of corn more than we could have obtained by raising corn from our own soil. Though our manufacturers should not have increased the general wealth of the world, yet they would have increased the particular wealth of England. They have given us a species of property in the soil of Poland; and, from the agriculture of that country, have enabled us to draw a larger supply of

wealth than could have been raised at home. The theory of the economists is, indeed, in a high degree, incorrect; but it is not necessary that we should, in this place, enter into any formal refutation of their errors; because, even admitting their principles, it still remains true, that restrictions upon importation, compelling us to raise at home a less quantity of agricultural produce than might, at the same expense of labour and capital, be procured from abroad, would be, notwithstanding the extension given to tillage, injurious to the wealth of the country.

Having disposed of this preliminary objection, which might suggest itself to those who still lean to the doctrines of the economists; and shewn that, even on the principle, that agriculture is the only source of wealth, a measure which gives forced extension to tillage, and raises the value of our land, may, notwithstanding, cause our labour and capital to procure for us a less supply of agricultural productions, and diminish the general opulence of the country; we may now proceed to examine, more in detail, the effects which, if the legislature should continue a system of restriction on the importation

of foreign corn, would be produced on the productive powers of industry, and on the national prosperity. We shall examine a system of restriction, first, as it operates upon the labour and capital employed upon the soil; and then, as it operates upon the labour and capital employed on manufactures and commerce.

Should legislative restrictions for forcing an independent supply of agricultural produce be continued, it will become necessary, in order to feed our increasing population, to bring into tillage lands which, under the prices that have hitherto existed, have been found inadequate to repay the expense of tillage. The cost of producing will, therefore, receive a considerable and a progressive increase; or, in other words, it will gradually require greater quantities of labour and capital to procure a given quantity of grain. Now, as the cost of producing corn is increased; as it requires greater quantities of labour and capital to procure a given quantity of grain, it is self-evident, that the productive powers of the industry which supplies agricultural produce will be lowered, and that wealth and prosperity will decline. Every forced exten-

sion given to tillage, which, in its progress, elevates productive cost, does, in point of fact, inflict an artificial sterility upon the country, and take from us the advantages bestowed by nature.

In a former chapter it was shown that the ease or difficulty with which subsistence can be raised, is not only the measure of the productive powers of agricultural industry, but also governs, in a great degree, the productiveness of the capital vested in trade and manufactures. If the master manufacturer should give to the labourers whom he employs a quantity of the produce of their labour, or (what is the same thing) of the value of this produce, insufficient to purchase subsistence for their families, population must decay, and the supply of labour diminish, until the competition of employers should restore its market price to a level with its cost. Hence, when corn forms a part of the subsistence of the labourer, an increase in its cost necessarily occasions an increase in the cost of labour; or, in other words, when it requires a greater quantity of labour to procure subsistence, a greater quantity of labour, or of its produce, must remain with the labourer,

as his wages. But, as a greater quantity of his labour, or (what is the same thing) of the produce of his labour, becomes necessary to the subsistence of the labourer, and is consumed by him while at work, a smaller quantity of the productions of labour will remain with the employer; and any given quantity of manufacturing capital will create a less surplus of production above expenditure. Thus it is, that a restriction upon the importation of corn, forcing, in order to feed our increasing population, the cultivation of inferior soils, while, in its first operation, it increases the cost price of corn, or, in other words, renders a greater quantity of labour and capital necessary to the production of the same quantity of grain, increases, in the second place, the cost of every article wrought up by the consumers of corn, or, in other words, lowers the productive powers of every species of manufacturing industry.

While restrictions upon the importation of corn would thus, in every branch of industry, lower the productive powers of our labour and capital, they would tend to exclude our commodities from every foreign market. Indeed, this, to a certain

extent, at least, would be the effect of restriction, even if we had no commercial rivals eager to supplant us. As nothing can be produced without labour, the wages of labour must form a component part in the cost of all things; and, therefore, as we increase the value of subsistence, and, consequently, the rate of wages, we must, in whatever proportion wages may enter into cost, either increase the price of all commodities or sell for a less profit. If we raise our prices, we lose the foreign market; if we do not raise them, the manufacturer and merchant cannot continue their business. Under such circumstances, enforcing regulations for the purpose of increasing the price of subsistence, is little less than madness. If the industrious classes are compelled to purchase their corn at an artificially-elevated price, we must speedily cease to be manufacturing and commercial people.

This conclusion, which seems capable of being supported by a process of reasoning self-evident in all its steps, the advocates of restrictions on the importation of foreign agricultural produce have attempted to overthrow.

“If it were true,” it has been contended, “that the price of labour did advance with the price of corn, it by no means follows, that such an advance in the price of labour would expose our manufacturers to be undersold in the foreign market; because, it is not the cheapness of labour that has given us the superiority we have so long possessed; on the contrary, the price of labour has always been higher in this country than in those countries in which we have established markets. The cause of our superiority is to be found in the greater skill, better machinery, and more extended capital of this country, than exist in any other country in the world. As we should continue to possess these advantages, notwithstanding the price of labour might still be enhanced, such an enhancement of it could not be productive of that injury to our manufactures, which it has been hastily asserted must flow from it.”

The error which this passage involves is very obvious. A further enhancement of wages might completely counteract all the advantages of our skill, machinery, and capital. Supposing that, in consequence of our skill, capital, and ma-

chinery, a master manufacturer in England can, with a hundred workmen, bring to market a thousand yards of cloth; while, to produce a thousand of equal goodness, two hundred labourers must be employed in France. Here, then, we possess an immense advantage over our rivals. But supposing, on the other hand, that manufacturing labour in France could be had for half the price which it brought in England; then the English employer would be obliged to give to his hundred workmen exactly the same sum as the French employer gave to his two hundred; and, as far as the wages of labour might be a component part in the productive cost of the cloth, the article could not be made cheaper in England than in France. Here, therefore, the advantages which we gained upon the one hand, we should lose upon the other. The effects of our skill, capital, and machinery, in abridging labour, would be completely counteracted by the high value of subsistence and of wages.

In the above illustration, we have supposed, that England is to retain her present decided superiority in skill, capital, and machinery. But

this is manifestly impossible. As industry and commerce revive upon the Continent, the manufacturers of France, and of Germany, will gradually acquire capital, and imitate our machinery; and these advantages will lower the productive cost of all their articles. Now, if, while this process is going on, and productive cost is becoming lower in the rest of Europe, we permanently adopt an economical system, which must raise the wages of our labour, and, consequently, increase the cost of production, we shall be playing into the hands of our rivals; and the result will be, that we shall exclude ourselves from our foreign market, and that our manufacturing population will be reduced to the alternative of emigrating, or of starving. On this most momentous view of the question, the advocates of an independent supply of corn perversely close their eyes. Contrary to all sound theory, and in direct opposition to experience, those who would make provisions dear, contend, that the price of corn has no influence on wages, and cannot, therefore, give the foreign any advantage over the home manufacturer.

Lord Lauderdale, after having stated to the

Lords' Committee* his strong opinion, that the price of labour, like the price of every other commodity, was solely regulated by the proportion between the quantity of it, and the demand for it; and having given in a statement to shew, that, in years when corn was very dear, manufacturing labour was very cheap, proceeded with the following reasoning:—

“ In dear years, a working manufacturer, finding himself deprived of his usual enjoyments, is naturally excited to greater industry, and is desirous of working extra hours, for the purpose of obtaining those comforts to which he has been accustomed; and this disposition of the manufacturers must necessarily increase the supply of labour in the market. For example: supposing there existed, in any country, a demand for a thousand manufacturing labourers, who, on an average, worked eight hours a day, it is obvious that the stock of manufacturing labour, per week, would be 48,000 hours. If, in a dear year, the desire of securing their usual enjoyments induced

* Vide Parliamentary Papers.

them to work ten hours a day, the stock of manufacturing labour would become 60,000 hours per week; and, if the demand for it remained the same, the value of it, on all general principles, must fall. In cheap years, on the other hand, the working manufacturer, finding his family more than supplied by the wages he usually acquires, is apt either to relax his industry, and to work fewer hours, or to spend the surplus of his wages in an alehouse, which, by disqualifying him for work the next day, produces the same effect; and as the stock of labour must be thereby diminished, an increase in the value of it must follow, upon the supposition that the demand for it remains the same."

In the above passage, Lord Lauderdale has succeeded in placing, in a clear light, the obvious and incontrovertible principle, that, with respect to labour, as well as with respect to every thing else, market will occasionally vary from cost price. But this is looking merely on the surface of the question. The prices of the market, however fluctuating and uncertain they may seem, are always, upon the average, determined by the cost

of production. Labour, like every thing else, has its production, or cost price. When the labourer fails to obtain this, diminished births, and increased deaths, will speedily cut off the surplus labour which had glutted the market; and, in this manner, restore wages to their natural rate. Lord Lauderdale's statement proves nothing. Indeed, both his statement, and the argument which accompanies it, are totally foreign to the question at issue. In 1790, when wheat was at £.2 16s. the quarter, it cost 15*d.* to weave an ell of muslin; and in 1812, when wheat was at £.6, the same work was done for 6*d.*! This shews, that, when provisions are scarce, and commerce at a stand, the market price of corn may rise, while that of labour may fall. But it shews nothing more. Now, the question to be decided is, whether, if such a state of things were to continue, the manufacturing population would remain undiminished. If the population should fail, then the value of labour, in consequence of the withdrawing of the supply, would be increased; and the high price of corn would be found, notwithstanding occasional fluctuations, to have a powerful effect in raising

money wages: but, on the contrary, if under the dear provisions and low wages of 1812, our manufacturing population could be kept up, then, indeed, as the supply of labour would not be withdrawn, its value would not rise with the rising price of corn. The question resolves itself into a question of population. As long as abundant subsistence increases, and deficient subsistence diminishes, the numbers of mankind, and, consequently, the supply of labour,—so long will the money wages of the labourer (making, of course, allowance for occasional and temporary fluctuations in the market) be mainly regulated by the price of corn.

But it is not necessary to refer to the general principles of political economy, for a refutation of Lord Lauderdale's strong opinion, respecting the influence which the price of grain has upon the price of labour. The whole scope of the evidence given before the Committee, of which he was a member, controverts his doctrine, and furnishes an experimental proof, that wages rise with the rising price of subsistence. Mr. Buxton states, in his evidence, that, from the year 1792 to the year

1812, the annual sum which he paid for the labour employed upon his farm, rose from £.274 to £.816, though, in the first years of his lease, he had employed more hands than in the latter; and though, in 1805, he introduced a thrashing machine, which abridged labour to the amount of £.139. During this progressive rise in wages, the quarter of wheat gradually rose from £.2 13s. its price in 1792, to £.6. 8s. its price in 1812. But, to render the experimental proof as complete as evidence can make it, and to shew, by a statement of the fact, how powerfully the price of corn operates upon the price of labour, Mr. Buxton farther states, that latterly, wages have declined with the fall in corn; and that the farmers “dropped wages on account of the price of corn coming down.” The evidence of Mr. Birkbeck is to the same effect. He states to the Committee, that, within these twenty years, wages have been doubled; and that, in addition to this rise, the labourer, when corn is dear, receives from the parish a portion of what ought to be paid by the employer. The evidence of the Secretary of the Board of Agriculture is the same. He gives in to the Committee a state-

ment, shewing, that, from 1790 to 1813 (while, as appears from other documents, the quarter of wheat rose from £.2. 16s. to £.6.), the wages of the labour, necessary to cultivate an hundred acres, rose also, from £.85. to £.161. The evidence of Mr. Joyce proves a similar fact, with respect to manufacturing labour; his workmen obtaining double their former earnings.

But there is no necessity for further authorities, as the facts which Lord Lauderdale has himself stated to the Committee, afford a complete refutation of the opinions he maintains. He says, that “in Scotland, where the poor rates are comparatively trifling, the wages of a day-labourer, during the last century, have probably risen in a greater proportion than in England;” that, “at the Union the peck of oatmeal was $6\frac{3}{4}d.$ and a day’s wages $5d.$,” while, “at present, oatmeal is worth $1s. 3d.$ the peck,” and the labourer can earn better than “ $2s.$ a day.”

Here the rise in wages has been greater than the rise in corn. But no one contends, that the value of subsistence is the exclusive and the only cause that can operate upon wages. Education

has been much more generally diffused in Scotland than in any other part of the kingdom ; and this, giving force to the prudential check on population, and occasioning the labour market to be more frugally supplied, would co-operate with the high price of corn, in raising wages. Now, when a double cause produces an effect beyond what could be produced by a single one, it is not quite logical to infer, that the single one produces no effect at all. The circumstance, that, in Scotland, the rise in wages has been greater than the rise in corn, has no conceivable tendency to prove that this increased price of labour was not, in part, produced by the increased price of subsistence ; and leaves us at full liberty to disprove Lord Lauderdale's theory by his Lordship's facts.

But let us assume for a moment that Lord Lauderdale's theory is correct, and that an increase in the price of corn does not lead to an increase of money wages. In this case, restrictions on importation, enhancing the value of the necessaries of life, would be as gross a violation of humanity and justice as it is possible for the mind to conceive. It is not wise to hold such language to the people ;

it is not safe to tell them, that regulations adopted for the purpose of raising the money-price of bread cannot have the effect of raising the money-price of labour. Under this view of the question, those who would uphold the system for keeping rents and prices above their natural level, should be prepared to meet the tremendous vengeance which a perishing population may take for the infliction of artificial pauperism and famine.

CHAP. IV.

On the Measures which, in revising the Corn Laws, it would be expedient for the Legislature to adopt.

§ 1. *Importation of Agricultural Produce.*

IT is abundantly evident, that where free intercourse is permitted, no country, possessing any articles which can profitably be sent abroad in exchange for corn, will cultivate lands very much inferior to those under cultivation in adjacent countries. When, in the progress of wealth and population, tillage has been extended over all the fertile districts of a country, and when the expense of raising grain from soils of inferior quality would exceed the cost of bringing it from abroad, then, unless some arbitrary legislative interference should disturb the natural course of events, subsistence will be imported.

Even long before all the lands of superior quality have been brought under the plough, a country.

though wholly exempt from legislative interference with the direction of its industry, may yet be naturally led to import a part of her consumption, rather than to grow an independent supply of corn. To illustrate this, let us suppose, that there are, in England, unreclaimed districts, from which corn might be raised at as small an expense of labour and capital as from the fertile plains of Poland. This being the case, and all other things the same, the person who should cultivate our unreclaimed districts, could afford to sell his produce at as cheap a rate as the cultivator of Poland; and it seems natural to conclude, that if industry were left to take its most profitable direction, capital would be employed in raising corn at home, rather than in bringing it from Poland at an equal prime cost, and a much greater expense of carriage. But this conclusion, however obvious and natural it may, at first sight, appear, might, on a closer examination, be found entirely erroneous. If England should have acquired such a degree of skill in manufactures, that, with any given portion of her capital, she could prepare a quantity of cloth, for which the Polish cultivator would give a greater quantity of corn than she

could, with the same portion of capital, raise from her own soil, then, tracts of her territory, though they should be equal, nay, even though they should be superior, to the lands in Poland, will be neglected; and a part of her supply of corn will be imported from that country. For, though the capital employed in cultivating at home might bring an excess of produce over the capital employed in cultivating abroad, yet, under the supposition, the capital which should be employed in manufacturing, would obtain a still greater excess of produce; and this greater excess of produce would determine the direction of our industry.

Thus we see, that when trade is left free, and governments interfere neither directly nor indirectly with the course of industry, an agricultural country, though possessing within herself the means of feeding her population, may be induced to import a part of her supply of corn, by two distinct circumstances:—namely, by a deficiency in lands of first-rate quality; or, by advantages in manufacturing industry. In the present situation of England, both these circumstances unite. Our increased wealth, by rendering animal food a part

of the subsistence of all classes, and, consequently, causing a great proportion of the soil to be kept under pasture; and our rapidly advancing population, by creating a great and increasing demand for corn, have contributed to occasion some scarcity of land equal in quality to that under cultivation in the neighbouring countries; while our accurate divisions of employment, and the wonderful perfection of our machinery for abridging labour, have increased, to such an astonishing extent, the productive powers of our manufacturing industry, that a given portion of our capital, when directed to supplying the foreign demand for wrought goods, can obtain, in return, a larger quantity of corn than it could raise by cultivating wastes of the greatest fertility. In this state of things, therefore, if the obstructions to importation should be removed, it is obvious, that we shall become dependent upon foreign growing countries for a part of our supply of corn.

Now, from the principles established throughout this work, it is abundantly evident, that all obstructions to importation should be abolished, and that it is our safest and wisest policy, to receive from foreign growing countries such portions of our

supply of food and material, as they can furnish at a cheaper rate than that at which similar articles can be raised at home. With respect to an equable and cheap supply of subsistence, to the wages of labour, to the profits of capital, and ultimately to the rent of land, which can be permanently higher in England than in other countries, so long only as England is superior to other countries in manufacturing population and wealth; with respect, in fact, to the upholding of all the great interests of the country, it is necessary that the legislature should adopt measures for the cautious and gradual introduction of a free trade in all the productions of the soil.

§ 2. *Popular Objections against the adoption of Free Trade answered.*

Against the adoption of this liberal system, which has become necessary to our existence as a great manufacturing and commercial nation, some popular objections have been urged, which it may be proper to refute.

The advocates of high duties on the importation of foreign corn have attempted to terrify the public by the assertion, that an unrestrained commerce

in grain would lead to scarcity and famine. " If we allow importation, and consequently become dependent on foreign countries for a part of our subsistence ; and if, when the failure of our crops rendered their aid most necessary, these countries should themselves have deficient harvests, and require for their own consumption all the corn they had raised, then should we be placed in a situation infinitely more calamitous than if our agriculture had been forced, so as in average years to furnish us with an independent supply."

In the first place, this objection to a free trade supposes a state of things, the occurrence of which is, in a high degree, improbable. In the uniformity of her general results, Nature has made a provision for correcting her partial irregularities. It has probably never yet occurred, that, in the same season, the crops have been deficient in all countries. To a maritime people, navigating all the waters of the world, the attainable supply of subsistence may be considered as little liable to variation, from year to year. Were we to adopt a system of freedom in the external corn trade, ages might roll away without the earth being visited by such a universally deficient harvest as to pre-

vent our obtaining, from some country or other, the supply of which we stood in need.

But, in the second place, if a universal failure of crop, throughout the growing countries of the world, were of probable, or even of frequent occurrence, it could neither form a solid objection to a free external corn trade, nor prove, that deriving a part of our consumption from the foreign grower would render the supply of corn uncertain, or its price unsteady. It has already appeared, that a free external trade in corn, equalising subsistence throughout the countries of the world, and carrying forward the superfluity of one year to meet the deficiency of another, would occasion capital, to a vast amount, to be vested in this important branch of commerce, and cause grain to be accumulated to an incalculable extent. A free trade, while it might render us dependent on foreign supply, would establish granaries amply sufficient to secure us against want, in the event of that supply being cut off by a failure of crops throughout the world. This conclusion, demonstrable in theory, has also received the fullest proof from experience. Holland, in the days of her commer-

cial prosperity, had always in the stores of her merchants a supply of subsistence which exceeded her consumption; and, though not a corn country, became, by leaving the trade in corn free, the granary of Europe. Now England, from her position, from her more numerous harbours, not liable to be closed by ice, but navigable throughout the year; and more than all, from her decided naval preponderance, capable at all times of commanding the seas, is infinitely better calculated than Holland ever could have been, for becoming the great store-house of the nations. As the ports of the Baltic are closed for a considerable part of the year, the great growing countries of the North of Europe require a place of deposit, from which their produce may at all times be sent, to supply the demand of the foreign market. England, from her position, and from her natural and acquired advantages, seems ordained to become the *entrepôt* for the surplus produce furnished by the countries on the shores of the Baltic. Were we to adopt an enlightened commercial system, and to grant unlimited freedom, both of ingress and of egress, to the important article of corn, our

merchants and dealers would, at all times, have on their hands accumulations of grain far exceeding the consumption of our population. Though throughout the world, a failure in the crop should at the same time be felt ; and though every growing country, in order to ward off famine at home, should refuse to give us the customary supply ; yet, in consequence of the liberty which had been granted to commerce, and of the accumulations of produce thereby occasioned, our people would not be dependent for their food on the fertility of a single season, and would escape all participation in the general distress. Thus, the objection, even when we admit the very improbable fact on which it rests, is perfectly invalid. The granaries established by a free external trade in corn, would leave us nothing to fear, though the crops failing at the same time throughout the world should cause a temporary suspension of the supply we had been accustomed to receive from abroad.

Another objection to the principle, that a free external trade would insure us a steady supply of corn, it may be proper to consider : “ If any thing resembling the state of Europe under the late

Emperor of France should take place in future, when, instead of growing nearly our own supply of corn, we depended on foreign countries for the subsistence of some millions of our people, the difficulty and danger which we lately escaped would be nothing, in comparison with that which would be inflicted upon us by this renewed continental system."

On this objection it is obvious to remark, that the experiment of excluding us from commerce has been tried, and has failed. Though the continent of Europe received its impulse from a single mind, and though America, with a consentaneous movement, closed her ports, yet Napoleon found it impracticable to give efficacy to his system against the trade of England; and while his decrees were evaded or suspended, we received supplies of corn even from France. Now, that the continental system, the most extraordinary, and the most wide-wasting species of despotism which the world ever witnessed, should again be acted upon, is in the highest degree improbable. Supposing it possible, that we could import to such an extent as to feed with foreign corn an increased popu-

lation of some millions; then, this very circumstance, by rendering foreign growing countries so greatly dependent upon us for a market for their produce, would make them more reluctant to close their ports against us; while, as we should necessarily become, under a free external trade, a great granary and emporium of corn, the nations which, on the recurrence of deficient crops, received from us a portion of their food, could hardly be induced to combine against a commerce in the reciprocal benefits of which they so largely participated. In proportion as we afforded to foreign countries a market for their surplus produce, the probability of their shutting their ports against us would be diminished. A combination amongst the growing countries of the world to deprive England of supplies, and themselves of a market, is, to say the least of it, but a remotely possible limitation of the principle, that a free external trade in corn gives steadiness to the supply and to the price of that essential article.

Neither do the laws respecting the exportation of corn, which have been lately passed in France, form any valid objection to the principle, that

opening the ports of the United Kingdom would render our supply of subsistence steady. In the first place, the corn laws in France, prohibiting exportation after grain rises to about forty-nine shillings the quarter, have, with respect to their influence upon British prices, a necessary tendency to counteract themselves. In whatever degree they may check exportation, in the same degree they must discourage agriculture, and prevent the French grower from furnishing us with those supplies of corn, the sudden withdrawing of which might, it is apprehended *, occasion fluctuations in our markets. In the second place, even supposing that these laws should have no effect in checking cultivation in France, and in preventing her from growing such a surplus as could influence prices in other countries, yet still the objection would be nugatory ; because, as the inequality in the productiveness of the seasons diminishes—as the territory from which we draw subsistence is increased, and as the partial irregularities of Nature are rectified

* This apprehension is entertained by Mr. Malthus. See *The Grounds of an Opinion on the Policy of restricting the Importation of Foreign Corn*, p. 15.

in her general results, there is the strongest probability, that when a deficient harvest in France deprived us of our customary supply of corn from that country, an abundant harvest in other countries would indemnify us for the loss. Thirdly, were we to adopt a system of freedom in the external corn trade, and, consequently, to receive a part of our supply from France, the great accumulations of grain which we should have on hand would (as was the case in Holland) at all times exceed our consumption; would render us independent of the growth of a single season; and would prevent temporary suspensions of importation from France, or even from all Europe, from inflicting any distressing fluctuations in our markets. Fourthly, and lastly, were it demonstrable that the corn laws lately enacted in France could have the effect of inflicting distressing fluctuations in the British market, their existence might constitute a legitimate ground for laying restrictions on the importation of French grain, but could furnish no conceivable objection against opening our ports to the rest of the world.

The great increase in the expenses of cultivation, which have taken place in this country during

the last thirty years, furnish the landed interests with a favourite argument against the adoption of a free trade in the products of the soil. They contend, that unless the legislature shall secure to them a degree of protection equal to the difference between the expenses of growing corn in this, and the expenses of growing it in the other countries from which it might be imported, the British will be unable to compete with the foreign farmer, and tillage must be abandoned.

This obstruction to a free trade in the productions of the soil involves two fundamental errors. In the first place, it is not the difference between the positive expenses of growing corn in England, and the positive expenses of growing it in some other country (Poland, for example), which causes corn to be imported from Poland into England. It is only when, in England, the difference between the expense of producing corn, and the expense of producing some other commodity (say cloth), is greater than is the difference in Poland between the expense of producing corn and the expense of producing cloth, that corn and cloth will become articles of exchange between the two countries.

In the second place, the free importation of foreign agricultural produce would immediately reduce the expense of tillage. I will illustrate this by a reference to a table shewing the comparative expenses of cultivation in different years, which the late Mr. Arthur Young, then Secretary to the Board of Agriculture, laid before the Lords' Committee.

The table is given below *, and shews how all the items which enter into the expenditure of the farmer have increased from the year 1790 to the year 1813.

* Comparison of the Expenses of cultivating a Hundred Acres of Arable Land in 1790, 1803, and 1813.

	1790.			1803.			1813.		
	£.	s.	d.	£.	s.	d.	£.	s.	d.
Rent	88	6	3 $\frac{1}{4}$	121	2	7 $\frac{1}{4}$	161	12	7 $\frac{1}{4}$
Tithe	20	14	1 $\frac{1}{4}$	26	8	0 $\frac{1}{4}$	38	17	3 $\frac{1}{4}$
Rates	17	13	10	31	7	7 $\frac{1}{2}$	38	19	2 $\frac{1}{4}$
Wear and Tear	15	13	5 $\frac{1}{4}$	22	11	10 $\frac{1}{4}$	31	2	10 $\frac{3}{4}$
Labour	85	5	4 $\frac{1}{4}$	118	0	4	161	12	11 $\frac{1}{4}$
Seed	46	4	10 $\frac{1}{4}$	49	2	7	98	17	10
Manure	48	0	3	68	6	2	37	7	0 $\frac{1}{4}$
Team	67	4	10	80	8	0 $\frac{1}{4}$	134	19	8 $\frac{1}{4}$
Interest	22	11	11 $\frac{1}{2}$	30	3	8 $\frac{1}{4}$	50	5	6
Taxes	0	0	0	0	0	0	18	1	4
Total . . . £	411	14	11 $\frac{1}{4}$	547	10	11 $\frac{1}{2}$	771	16	4 $\frac{1}{4}$

It will immediately appear, on an inspection of this table, that in almost every item the increase of expense can be occasioned only by an increase in the value of agricultural produce. The charges for rent, for tithes, for seed, for team, and, in a great measure, for labour, must be determined by the price of produce. The charges for the wear and tear of tools and implements, and for that portion of wages which consists of wrought necessities, are determined by the value of raw materials, and by the efficacy of manufacturing industry. But as the efficacy of manufacturing industry has increased, not diminished, it also follows, that the increase in the charges for wear and tear, and the portion of wages, consisting of wrought necessities, can be increased only by the increased value of the produce of the soil. A return to the prices of 1790 would, with the exception of the two comparatively unimportant items of rates and taxes, bring down the expenses of cultivation to what they were in 1790. The manner in which a free trade in the products of the soil, and the consequent reduction of our artificial scale of prices, would reduce the expenses of culti-

vation, requires only to be stated in order to obtain assent.

Thus, it appears, that the existing panic among the friends of agriculture, lest, on the establishment of free trade, the expenses of cultivation should prevent the home from competing with the foreign grower is entirely without foundation. The level prices of unrestricted intercourse would, indeed, in the first instance, throw out of cultivation lands of a quality so very inferior as to require, for their tillage, a greater quantity of labour and capital than is necessary both to prepare the articles with which foreign produce might be purchased, and to bring such produce to the home market. But these level prices could effect no further diminution in our tillage. On the contrary, they would, except inasmuch as he might be pressed by a heavier taxation, replace the domestic on his former equality with the foreign grower. Now we have seen that taxation, except when it falls with disproportioned weight upon the soil, does not give the foreign grower any advantages in the home market. On the contrary, taxes which fall on necessaries,

and occasion a rise in wages; advance the price of wrought goods more than they advance the price of raw produce, and rather tend to keep foreign corn out of the market, by checking the exportation of the articles which might purchase it. The level prices, therefore, of unrestricted intercourse, would, except in regard to the imposts which may bear more heavily on the industry of the country than on that of the towns, secure the domestic cultivator from being undersold in the home market.

But, possessed of the great natural protection arising from his vicinity to the most opulent markets in the world, the British cultivator, after the level prices of free intercourse have lowered monopoly rents, and reduced the other items of his expenditure, cannot, unless he should occupy very inferior soils (the tillage of which is injurious to the capital and wealth of the country), have any thing to fear from the competition of the foreign grower, though the latter may be somewhat less heavily taxed. The corn of Kent and Essex is conveyed to the London market at a very trifling

expense, while the grain furnished by the foreign grower comes to that market, charged with the land carriage to the shipping port, with shipping costs, and with the freight and insurance on the voyage. In supplying the markets furnished by the great manufacturing population of the interior, the advantages of the home grower are still more decisive. The produce of the adjacent counties can be brought to Birmingham and Manchester at a very small expense of carriage; while the wheat of France and Poland, in addition to the land carriage to the shipping port, and to all the charges of lading and unlading, freight and insurance, must be brought to the consumers in these interior towns, loaded with the cost of a second land carriage. With reference to the home market, land in England is, by the whole amount of the expenses incident to bringing corn from abroad, more valuable than foreign land, equal in fertility, and cultivated with equal skill. As soon as the production price of our corn shall have been lowered by throwing out of tillage, lands requiring an enormous expense of labour and capital, British agriculture, enjoying the great natural protection of vicinity to

the most opulent markets of the world, can have nothing to apprehend from the freest competition of the foreign grower.

An unanswerable and irresistible argument against the alarm which at present exists amongst the agricultural interests, has been furnished by the most able and judicious of the writers on the side of restriction, and one who is himself an alarmist. Mr. Jacob, in his "Considerations on the Protection required by British Agriculture," enters into some judicious calculations, to shew, that the quantity of grain, of all kinds, consumed by Great Britain alone, amounts very nearly to 50,000,000 quarters. He states, that five quarters go to a ton; and that, by the accounts laid before Parliament, the whole shipping of the British dominions, European and Colonial, amounts to 2,500,000 tons. If, therefore, every other branch of commerce were abandoned, and all the shipping of the British dominions freighted with grain, the imported supply would amount to only 12,500,000 quarters;—that is, to about three months' consumption. Under this extreme case, this case of absolutely impossible occurrence, the British farmer

would have the supplying of the British market for nine months of the year. But let us look at the question, under circumstances of possible occurrence. Mr. Jacob informs us, that, in 1800, and 1801, years of the greatest scarcity and highest prices, the largest foreign supply which England ever received, was 4,500,000 quarters of grain; or, less than five weeks' consumption. Taking the average of these two years of greatest scarcity, the importation was 2,250,000 quarters, or little more than two weeks' consumption. Is it not, therefore, fair to turn the statements of this alarmist against himself, and to inquire, how it comes to pass, that, while shewing the difficulty, nay, the impossibility, of importing any considerable portion of our consumption, he should feel apprehensive lest agriculture should be ruined by the glut of foreign corn? Foreign competition would, indeed, bring down monopoly rents, and reduce every item which enters into the expenses of cultivation; but it could not throw out of cultivation any lands, except those of extremely inferior quality. In what concerns subsistence, Providence has been our legislator. In rendering

corn a bulky commodity, Nature has given the necessary protection to the domestic grower; and all we have to do is, to refrain from disturbing her admirable laws.

§ 3.—*Comparative Effects of free and of restricted Trade.*

Having thus refuted the popular objections against a free trade in the productions of the soil, it may be proper, before we proceed to the consideration of the specific measures which the legislature should adopt, briefly to recapitulate some of the leading arguments of the preceding chapters, and to place in juxtaposition and prominent contrast the effects which would be produced by imposing permanent restriction on the external Corn Trade, and those which would arise from giving perfect freedom to this important branch of commerce.

In tracing the operations of restricted, and of free intercourse, I have occasionally been led to contrast the effects of the two opposite systems, and to draw conclusions in favour of the latter. But, to render this contrast complete, and to give

those conclusions the irresistible evidence which belongs to them, it is necessary to place in juxtaposition, the results of restriction and of freedom, and to bring forward some considerations which, without breaking the connection of our discussions, could not, in the preceding chapters, have found a place.

1. It has appeared, that, in the present circumstances of these countries, and of the neighbouring states, restrictions on the importation of foreign corn would, for a short time, enable us to raise an independent supply, at a very high, and a very unsteady price; while the contrary system of free intercourse, by enabling us to obtain our consumption of corn, without keeping inferior lands under cultivation, and by enlarging the territory from which subsistence was drawn, would at once keep down our markets, and correct the evils arising from unequal seasons. As far, therefore, as the supply of subsistence is concerned, a system of free intercourse would be decidedly more beneficial than a system of restriction. To say one word upon the advantages of furnishing our numerous population with a cheap supply of food, would be

superfluous. Steadiness in the supply of subsistence is, perhaps, still more important, though its benefits may be less obvious. When the price of corn is liable to considerable and sudden fluctuations, the market price of labour has not time to accommodate itself to the natural price; and the lower classes of the community, unable, by any exertion of prudence, or of industry, to obtain an adequate support, are occasionally driven to the parishes, or to the compassionate, for relief. Hence, the respectable pride of independence, and the love of labour which it inspires, are gradually lost; and the peasant and the manufacturer acquire those habits of idleness, improvidence, and dissipation, which are ever the characteristics of those who, having no regular means of obtaining a livelihood, trust to chance for their support.

2. Restrictions upon importation, in their first and direct operation, extend tillage, and raise the value of land; but, in their second and indirect operation, they must, in whatever degree they may prove prejudicial to commerce and wealth, again contract cultivation, and involve the landed interest in the general decline. On the contrary,

unrestrained intercourse would, at first, throw out some inferior soils, and lower rents; but subsequently, in whatever degree it might be found to raise the rate of profit to encourage commerce, and to promote prosperity, would pour the accumulating capital back upon the soil, and bestow a higher relative value upon land. With respect, therefore, to the agriculture of the country, a free external trade in corn would, in its ultimate effects, be, beyond all comparison, more beneficial than the opposite system of restraint. A forced state of tillage, and an artificial elevation in the value of land, even if it were possible to sustain them, and if they did not bear within themselves the seeds of their own destruction, would be evils. A forced state of agriculture is the same thing as capital deprived of its natural and most beneficial occupation; is the same thing as a diminution in the productive powers of industry. An artificial elevation given to land, and, consequently, to its produce, would be worse. To increase the rent-roll of proprietors, by compelling all other members of the community to pay more for their corn than they otherwise need to do, would be as gross a viola-

tion of natural justice as it is possible for the mind to conceive. It would be tantamount to laying a tax upon bread. It would be nothing better than legalised robbery, taking the money out of the pockets of the poor and of the industrious, in order to lavish it on the idle and the rich. A forced state of agriculture, with its high scale of rents and prices, even if some extraordinary combination of circumstances should give it permanence, would inflict positive evil on the country.

But a combination of circumstances, similar to that which was experienced during the late war, can never be expected to recur. Artificial regulations, for the purpose of keeping the value of land above its natural level, must now, as has been already unfolded, lower the rate of profit, force our skilled labour and our capital abroad, and bring the country, not only to the stationary, but to the declining state. Such regulations ultimately deprive the home grower of his only legitimate and permanent encouragement, and tend to depress that very agriculture which they were intended to promote. The natural order of events we cannot with impunity invert. In any country, to extend

tillage beyond its actual state; two things are necessary, viz. lands susceptible of improvement, and consumers able to pay, with an adequate profit, the expenses of realising it. A high price of corn can be permanent and can promote cultivation, only when there are consumers capable of paying it. Now, artificial regulations, prematurely forcing inferior lands into cultivation, would diminish both the number and the wealth of consumers; and, in the second step of their progress, would visit proprietors and cultivators with all the evils which, at the first step of their progress, they brought on the other classes of the community.

The opposite system would produce diametrically opposite effects. As soon as the first embarrassment of withdrawing the very inferior soils from tillage, and of re-adjusting rents to their natural level, should have subsided, an unfettered commerce would exert the most friendly influence upon agriculture. Industry being permitted to take its most beneficial direction, the number and wealth of consumers would gradually increase; the immediate vicinity of larger and more numerous manufacturing towns, with the consequent im-

provements in the distribution of labour, and application of machinery, would increase the value of agricultural produce in relation to wrought goods ; while the growing demand of a wealthy population, for those productions of the soil which do not enter into the subsistence of labour, and which, from their bulky and perishable nature, cannot be brought from abroad, would give to the land a far higher value than it could attain if devoted to the growth of corn and other necessaries. These constitute the only legitimate, the only permanent encouragement, which agriculture can receive. It cannot be too often repeated, that the interests of the landed, and of the trading classes of the community, are identical. The rent of proprietors, and the profits of cultivators, must ever be determined by the quantity of other commodities which the manufacturer and merchant are able and willing to give in exchange for agricultural produce. Though it were possible (and, I firmly believe, it is not) that the land-owners should be uninfluenced by a regard for the good of the public, and for their country's prosperity and power, yet a sensibility to their own true interests should render them

solicitous for the adoption of an economical system, which would increase the productive powers of industry, and promote manufactures and commerce. With the flourishing or declining state of these, the value and the rent of land must ultimately rise or fall. The superiority of a free external trade in corn, with respect to its influence in promoting agricultural improvement, must, in the last analysis, be estimated by its superiority in promoting wealth and commerce.

3. Permanent prohibitory duties on the importation of foreign corn would almost annihilate our manufactures and commerce; while a free trade in this important article would afford them all the encouragement of which they are susceptible. These propositions, which were fully unfolded and established in the two preceding chapters, are, even if we confine our attention to the indirect influence which commerce exerts upon agricultural improvement, sufficient to impress us with the vast superiority which a free external trade possesses over a system of restriction. But if, in estimating the benefits conferred by commerce, we were to

confine our attention to the indirect influence which it extends to agriculture, our views of the subject would be extremely narrow and inadequate. It may be proper to present a comparative display of the degrees of wealth, prosperity, and power, which a country may obtain when her industry is limited to the supplying of the home market, and when her productions are exchanged against those of foreign countries. This will place, in a full and perfect light, the advantages that a free external trade in corn possesses over a system of restriction.

It is self-evident, that a state which refuses to receive agricultural produce from other countries, can never possess a population beyond that which its own territory is able to subsist. It is demonstrable, that a people who, by the nature of their situation, or by the errors of their economical system, are shut out from foreign trade, can never make any very considerable advances in wealth and power. The first principle of political economy informs us, that the divisions of employment, whether established between the individuals of the

same country, or between the individuals of different countries, are the sources from which every considerable improvement in the productive powers of industry is derived. Now, the people who deprive themselves of foreign trade, deprive themselves of the benefits of the foreign divisions of employment; and can neither cultivate exclusively the productions for which Nature has adapted their soil, nor devote themselves to those manufactures in which they may have acquired advantages. Hence, they will neither be so abundantly supplied with the comforts of life, nor be able to contribute so largely to the exigencies of the state, as if their situation, or their institutions, had been favourable to commerce.

But this is a very small part of the disadvantage to which a country, shut out from foreign trade, and relying on her internal resources, is necessarily exposed. Such a country has limits set to her population and wealth, which it is not only impossible to pass, but which it becomes every day more difficult to approach. Every step in the progress of prosperity is, to a merely agricultural state, more tardy and operose than that which preceded it.

Let us suppose, for example, that such a state has so far surmounted the obstacles thrown in the way of improvement by unfavourable situation or erroneous legislation, as to bring into cultivation all the good and middling lands which require little, or but a moderate quantity of capital. Now, as all those tracts of territory which, though of somewhat inferior quality, might, under adequate encouragement, and with a liberal application of capital, furnish large additional supplies of subsistence, remain by the supposition unreclaimed, it is evident that this state cannot, as yet, have even approached the limits of its possible population and power. Let us, therefore, suppose further, that population has so increased, that it becomes necessary to apply capital to land one degree inferior to the first-rate and middling soils already under tillage. Now, the necessary consequences are, that these soils, as soon as it becomes necessary to apply capital to inferior land, will afford a higher rent; and that the cost price of corn throughout the country will be increased. Now, a rise in the cost of producing corn is not only the same thing as a reduction in the pro-

ductive powers of the labour and capital employed in cultivation ; but is the same thing as a reduction in the productive powers of industry, in every branch of business carried on by the consumers of corn. In every department of industry the surplus of reproduction above expenditure will be reduced.

It is self-evident that, as the powers of production, and the rate of profit, are lowered, the march of prosperity must be retarded. Such a further increase, therefore, in the demand for corn, and in the capital applicable to cultivation, as would cause lands in the next degree of inferiority to be brought under tillage, could not be effected without great and growing difficulty. But we will suppose that this difficulty is surmounted ; we will suppose that, in consequence of some circumstances favourable to the growth of wealth, the revenue of consumers, and the capital of growers, have been so increased, that lands in the next degree of inferiority may be cultivated with a profit. Now, as soon as the cultivation of these is effected, the process just detailed will be repeated. Lands of third-rate quality will require,

in order to raise a given produce, a greater quantity of labour and capital than the first and second-rate sorts which were before under tillage. The latter will, consequently, acquire a higher value, and afford a greater rent. All the component parts of the farmer's expenditure will, therefore, be again increased; that is to say, the productive powers of industry and the rate of profit will be again diminished, and any other further advance in opulence and power rendered still more difficult than before. If, in the course of years, tracts in the fourth degree of inferiority should be reclaimed, then, the next step towards improvement would be made by a movement so slow as to be scarcely perceptible; and if, in the march of ages, soils in the fifth degree could be redeemed, the country, which relied exclusively on internal resources, might, with respect to any period of time which can form the basis of political calculation, be regarded as stationary.

Thus it is that countries, merely agricultural, begin, after cultivation has been extended over their most fertile districts, to lose the active principle of improvement, and scarcely ever attain

even to that limited degree of opulence and power which their own soil, if its capacities were developed, could supply. But this is not the worst. As the gradual diminution in the productive powers of industry retarded their advance, it would also render them slow in recovering from the effects of deficient seasons, or from the waste of war. Unless Nature should prove ever favourable, and the neighbouring states ever just, a country, merely agricultural, would not only cease in a short period to advance, but would probably become retrograde.

The country whose position and whose policy permitted her to participate freely in foreign trade, would experience every thing the reverse of that which has been described in the preceding paragraphs. To the possible increase of her resources no limit could be assigned; and her prosperity, instead of becoming every day more tardy, would advance with an accelerated pace. The divisions of employment established with other countries, would enable her to avail herself to the utmost of every natural advantage; and the rapid increase of opulent consumers would speedily bring into

cultivation all her lands of first-rate and of middling quality. When she had arrived at this point, she would not, at a great waste of labour and capital, force cold and sterile tracts into tillage ; but, adopting a more enlightened policy, would receive a part of her subsistence from the foreign grower. Hence, there would be no increase in the cost of obtaining corn, and hence no diminution in the productive powers of industry, and in the rate of profit. The number of opulent consumers would go on increasing, and capital would continue to accumulate as rapidly as before.

As capital accumulated, and as commerce extended, more accurate divisions of employment would multiply and cheapen all wrought goods. Hence, while the increasing number of wealthy consumers increased the demand for corn, the expenses of cultivation would diminish. Agriculture would flourish beneath the reaction of an enlightened commercial system ; the soil would acquire a higher relative value, from the abundance of commodities ready to be exchanged for its produce ; and, while the high effective powers of manufacturing industry lowered the value of wrought

goods, in relation to raw produce while the immediate vicinity of extensive markets reduced the expense of carriage, and while a wealthy population created a growing demand for produce, not consisting of necessaries, and too bulky and perishable to be imported from abroad, tracts of third, fourth, and fifth-rate quality could be advantageously tilled, and rents would experience a progressive rise without profits suffering a corresponding fall.

Now it must be obvious, that, in a flourishing commercial country, which freely imports the produce of her neighbours, the progressive reclaiming of inferior soils, and the consequent rise in rents, would proceed from causes, and would lead to effects, very dissimilar to those which an extension of tillage, and a rise in rents, could proceed from, or could lead to, in a country merely agricultural. In the agricultural country, the rise in rents, and the extension of tillage over inferior soils, would, as has been shewn above, have the effect of raising the cost price of corn, and of lowering the rate of profit; but, in the commercial country, these effects would not be produced. The competition

of an open trade would necessarily keep subsistence cheap. The cost price of corn would receive no increase, and, consequently, the productive powers of industry sustain no diminution. Prosperity would encounter no check. On the contrary, manufactures, commerce, and population, would acquire an heightened ratio of increase: for, every addition made to the quantity of agricultural produce imported, would, while it gave employment to a greater number of workmen, create, in the foreign market, an additional demand for the equivalents which purchased it.—The limits of commercial prosperity cannot be assigned.

These conclusions, from general principles, have received the fullest sanction of experience; and the superiority which, in point of opulence, population, and power, a commercial country possesses over one that is merely agricultural, has been confirmed by the history of all ages. In ancient times, Sidon, Tyre, Corinth, Athens, Syracuse, and Carthage; and, in modern times, Venice, Genoa, Pisa, Florence, the Hanseatic Towns, and Holland, not only acquired, by their industry and commerce, an opulence, of which there is no example

amongst nations whose position or whose institutions have been unfriendly to foreign trade, but attained a degree of political power and consideration, to which, had they been limited to the resources of their own territories, they could never have ventured to aspire. Venice, Hamburgh, and Holland, if they had refused to cultivate commerce, must always have remained perfectly insignificant states; yet, by adopting an enlightened system of external intercourse, what fleets and armies they put forth;—what kingdoms, what confederations they resisted;—and what a leading,—what a preponderating part they acted in the affairs of Europe!

To this it may be objected, that security and independence are of still higher importance than great wealth and population; that, as foreign trade is liable to perpetual fluctuations, the power and preponderance which it confers must be unstable; and that the commercial states, once so formidable in Europe, have been swallowed up in the great territorial monarchies, and, deprived even of their political existence, retain nothing of their former splendour but the name.

The objection proves too much; it applies equally to every institution, the origin of which is human. Empires rise and fall, flourish and decay. The power which is derived from extended commerce is, perhaps, less unstable than that which is derived from extended territory. Ancient Egypt, though possessing the most fertile territory in the world, was subjugated in succession, by every preponderating state which arose within her neighbourhood. China, of whose agriculture such wonders are related, has been unable to defend herself against the hordes of Tartary. Poland ceased to be a kingdom, before Venice lost her independence.

The question, however, is not, whether extended commerce, or extended territory, be the most stable foundation upon which national greatness can rest; but, whether a country possessing a given territory, should, by the prosecution of external trade, establish a species of property in the territory of her neighbours, and acquire accessions of population, wealth, and power, which would be unattainable if she confined herself to her internal resources. The question, as it

respected Venice, was, whether the inhabitants of a few rocks in the Adriatic should remain in helpless insignificance, exposed to the depredations of every horde of pirates; or, whether they should place themselves in a condition to contend successfully against the Ottoman Empire, when its power was at its height, and when it seemed ready to subjugate the mightiest monarchies of Europe? The question, as it respects England, is not, whether her power would be more independent and stable, if she possessed the extended territory of France, or Austria, or Russia; but, whether, being inferior to these great continental states in natural resources, she should avail herself of the artificial, and even, perhaps, less permanent advantages, placed within her reach; and, by the wonders of her commerce, create for herself the means of holding the ascendancy in Europe.

If the persons who, in their admiration of the independent and permanent resources which are derived from domestic agriculture, would adopt measures dangerous to that species of power which our industry has established, and which has so long rendered us the wonder and the envy of our

neighbours;—if these persons possessed an enchanted wand, by the touch of which they could change the waters between the British Islands into fertile plains, and thus give us territorial resources equivalent to the commercial ones they seem solicitous to under-rate, and to destroy;—then, indeed, their doctrine might patiently be heard. But as long as the abandonment of commerce cannot create additional lands, so long must we cherish that compensation, that substitute for extended territory, which a flourishing external trade confers. When the advocate of independent and self-derived power urges the instability of commerce, instead of advancing a reason for neglecting the advantages it bestows, he furnishes an irresistible argument against the adoption of any measure which might in any way endanger the resources by which our position in Europe, if not our national independence, is maintained.

The argument respecting the expediency of compensating, by the resources growing out of commerce, the deficiency of territorial power, applies, with peculiar cogency, to insular states. Without extended commerce, there can be no naval

preponderance ; and without naval preponderance, an insular state must, in all her foreign relations, be perfectly insignificant. To a continental power, commerce and naval affairs are objects only of secondary, but, to an island, they are objects of primary importance. France may invade her neighbours, and dictate to Europe, without a fleet ; and, though she rode unrivalled on the waters, might be invaded on the land side and subdued. To England, on the contrary, superiority at sea is the best means of *defence*, and the only means of *offence*. Without our navy, we should be excluded from all participation in the affairs of Europe ; and our army, however numerous, and however brave, could never be brought into contact with an enemy, unless to repel the descents to which we should be perpetually exposed.

Popular sentiment, though occasionally liable to unsteadiness and excess, has, in general, a better foundation in reason than the pride of philosophy is willing to allow. The public voice, in favour of our naval ascendancy, is the expression of consummate political wisdom. Our maritime greatness is the only foundation on which our military glory can

rest. Our squadrons are not only floating fortifications drawn around our coasts, but constitute the military bridge over which our armies must move. Now, we should never cease to remember, that manufactures and commerce are necessary, not only to compensate for our deficiency in extent and population, but also as the sources of that justly cherished naval preponderance, without which an insular empire can take up no position among the nations of the world.

§ 4.—*Effects of Free Trade on the Value of Money.*

When the material from which money is manufactured is a native production, and when the working of the mines which produce it is open to competition, the causes which determine the value of money are easily ascertained. Under these circumstances, the value of money will be regulated by the proportion which exists between the cost of producing* the precious metals, and the cost

* It is universally admitted, that the exchangeable value of commodities is regulated by the cost of production. A controversy exists, indeed, as to the elements into which, in a

of producing the other articles for which they may be exchanged. Thus, if the same given cost with which an ounce of gold is obtained from the last mine resorted to, can, in the same period of time, produce a quarter of corn, a bale of broad cloth, or a ton of iron, then, internal trade being free and equal, the sum of money coined from an ounce of gold will be the ordinary price of each of these articles in the market. Increase the comparative cost of obtaining gold by the necessity of resorting

last analysis, the cost of production may be resolved; some economists maintaining, that cost may be traced to pure labour—others contending, that it consists of the ingredients of capital,—and others, again, asserting, that it is composed of labour and profit. In the Chapter upon Value, I have stated my reasons for believing, that, when labourers and capitalists become distinct classes, cost of production is made up of, and must be estimated by, a reference to the several ingredients of capital advanced. In this place it is only necessary to add, that the *scientific* controversy, respecting the elements into which cost may be resolved, has no bearing upon the practical principle, that, when competition freely operates, the exchangeable value of commodities is regulated by their productive cost. In this principle, political economists are agreed.

to inferior mines, or diminish the comparative cost of producing corn, broad cloth, and iron, and then, in either case, the prices of these latter productions will fall :—on the other hand, diminish the cost of obtaining gold, or increase that of producing other things, and then, in either case, the value of money will fall, and general prices will rise.

When the precious metals are native productions, any infringement upon the freedom and equality of the internal trade, giving to some branches of industry comparative advantages over others, would have the effect of altering the value of money. If the several costs of producing an ounce of gold, a quarter of corn, and a bale of cloth, were all equal, and if no disturbing cause interfered with the distribution of industry, then the money coined from an ounce of gold would be of equal value with each of these commodities. But, supposing that a tax were imposed upon agricultural and manufacturing industry, while the working of mines was exempt from all impost, then, if an ounce of gold continued to be of the same value as a quarter of corn or a bale of cloth, the capital invested in agriculture and manufactures would

obtain a less profit than that invested in the working of mines. Hence the floating and disposable capital of the country would be drawn to the mines in a greater proportion than to the soil, or to manufactures ; and the supply of gold would be increased until its falling value brought down the profit upon working the mines to the general level.

Thus we arrive at a practical principle of some importance, namely, that when the material of money is a native product, taxation, when it does not attach to the capital invested in the mines, has a necessary tendency to increase the supply, and to reduce the value, of money.

When the precious metals are foreign products, the value of money is regulated upon principles very different from those by which its value is regulated when the material composing it is a native commodity. In the two cases, however, the effect of taxation upon the value of money will be perfectly analogous. While gold and silver are imported duty free, and while, at the same time, all other foreign commodities are either prohibited, or subjected to considerable

duties on importation, the amount of money will be greater, and, by consequence, its value will be lower, than if an unrestricted and equal trade were established with other commercial countries. Thus, when England sends a quantity of manufactured goods to South America, in exchange for gold and for cochineal, the quantities of these two articles brought home will be so proportioned, that their importation and sale in the home market will be attended with equal advantage. Should there be no duty in England upon the importation, either of gold, or of cochineal, then the merchant would obtain an equal advantage from both parts of his venture, when the quantity of gold and the quantity of cochineal, which, in the American market, were each equal in value to the same quantity of English goods, continued to be equal to each other in value in the English market. But the case would be different, should England admit gold free of duty, while she laid a duty of twenty per cent. upon cochineal. Under these circumstances, equal advantages could not be obtained from the importation of gold, and of cochineal, unless the quantity of cochineal, which was

equal, in the American market, to a given quantity of gold, became, when both commodities were brought to the English market, more valuable, by the amount of the duty, than the same given quantity of gold to which it was equal in America. Hence, the merchants exporting British goods to South America, would bring back a less proportion of their returns in cochineal, and a greater portion in gold, until the diminishing supply of the former raised its value in relation to the latter, by the amount of the duty. But, as a greater portion of the returns of the British merchants was made in gold, the supply of that metal in the British markets would be increased, the value of money would be lowered, and general prices raised.

If the duty upon the importation of cochineal were taken off, while the supply of this article, in the British markets, continued such, that the quantity of cochineal, worth a given quantity of gold in America, exchanged, in England, for the same given quantity of metal, plus the amount of the abolished duty, then a greater advantage would be obtained from importing cochineal than from importing gold; and, consequently, the merchants,

until the balance should be restored, would bring a greater portion of their returns in the former, than in the latter article. Thus, as the imposition of the duty was followed by an increase in the quantity, and a diminution in the value of money, so the removal of the duty would have the contrary effect of diminishing its quantity, and increasing its value.

The reasoning here employed, respecting a duty upon the importation of cochineal, applies, with equal force, to duties on the importation of all other foreign articles. *Cæteris paribus*, the country which, while it allows the precious metals to come in without charge, imposes high protecting or prohibitory duties upon the introduction of all other foreign commodities, will retain in circulation a more plentiful supply of gold and silver, and will have a currency greater in amount, and lower in value, than the country which adopts a more liberal system of commercial policy. Against the advantages of free trade, are to be placed, particularly in a country burthened with debt, the disadvantages of a currency somewhat contracted in amount, and increased in power.

It is impossible to ascertain, with precision, the manner and the degree in which a free, or restricted trade, influence the value of money, when its standard is a foreign product, without an inquiry into the circumstances which determine the exchangeable value of foreign commodities.

These circumstances are as follow, namely, the difference between the comparative cost of producing commodities in one country, and the comparative cost of producing them in others; the rate of profit; the expense of carriage; and the proportion which exists between the demand for foreign commodities in the home market, and the demand for domestic commodities in foreign markets. The operation of these circumstances I will now proceed to examine.

No difference, however great, in the cost of production universally in one country, and the cost of production universally in another, can occasion an interchange of commodities between them. Though England produced all commodities for half the cost required to produce them in Poland, yet, between the two countries, no exchanges would take place. For if, in England, a quarter of corn, a ton of iron, and a bale of cloth, &c.

were each produced at the same cost represented by 10, and were therefore, in England, all equal to each other in exchangeable value; while, in Poland, these commodities, which are taken as standing for the whole mass, were each produced at a double cost, represented by 20, and were therefore, in Poland, all equal to each other in value; then it is evident, that an interchange of articles between the two countries, instead of being accompanied by a profit, would be attended with a loss. In Poland, a quarter of corn is just worth a bale of cloth, or a ton of iron; and if this corn were sent to England, where it is also just worth a bale of cloth, or a ton of iron, it would purchase, in the foreign market, exactly the same quantity of all other commodities which it could have purchased in the home market; and consequently all the expense, incurred by the export and the import, would be so much pure and unnecessary loss.

On the contrary, a difference in the cost of production between two countries, affecting commodities in each, not universally but partially, gives immediate occasion to an interchange of commodities. If, in Poland, the cost of producing cloth and

iron, &c. &c. continued to be twice as great as in England, while the cost of raising corn fell to an equality with the cost of raising it in England, then Polish corn would be exchanged for English cloth and iron. Under these circumstances, a quarter of corn, in Poland, would be worth only half a bale of cloth, or half a ton of iron; while, in England, it would be worth a whole bale, or a whole ton. A Polish merchant, after purchasing a quarter of corn for half a bale of cloth, might send the corn to England, and bring back, in exchange, a whole bale, thus realizing a profit of one hundred per cent., less the expense of carriage. Should this expense upon the two articles amount to 10 per cent., then would his profit be 90 per cent.

Should the customary rate of mercantile profit, for the time required for those transactions, be only 10 per cent., then it is evident that competition would so regulate the value of Polish corn, in England, and of English cloth, in Poland, that the merchant would obtain this rate of profit, and no more. Now, his profit might be brought down to the customary level of 10 per cent., in

three different ways; namely, by a fall in the value of corn in England, while cloth retained its value in Poland, or by a fall in the value of cloth in Poland, while corn retained its value in England, or by a contemporaneous fall of corn in England, and of cloth in Poland.

The precise manner in which the profit of exchanging English cloth for Polish corn would be brought down to the customary level, would be determined by the extent of the demand for corn in England, as compared with the extent of the demand for cloth in Poland.

If the demand for corn in England were such, that, notwithstanding the importations from abroad, it continued to retain its former value with respect to other commodities represented by cloth and iron, then cloth would be poured into Poland until its increasing supply caused 100 bales, worth 100 quarters of corn in England, to be worth 120 quarters in the Polish market; for, when 100 bales, worth in England 100 quarters, fell in the Polish market from 200 to 120 quarters, then, after defraying the expense of carriage, the merchant, who sent out English cloth

and brought back Polish corn, would just realise the customary profit of 10 per cent. If the demand for corn in England was so intense, that, notwithstanding all that could be imported, 100 quarters were exchanged there for more than 100 bales, then the rate of profit would be brought to the customary level, by competition increasing the supply of cloth in Poland, until, in that country, 100 bales ceased to be worth 120 quarters of corn.

Again, by the supposition, the cost of producing a bale of cloth in Poland is equal to that of producing two quarters of corn; therefore, without foreign intercourse, one bale must be worth two quarters. Now, if the demand for cloth should become so great, that, after the opening of a free trade with England, a bale of cloth continued, notwithstanding the importation of the article, to be worth two quarters of corn in the Polish markets, then, in the English markets, a decided fall in the value of corn must take place. For the Polish merchant, who purchased 100 quarters of corn with 50 bales of cloth, would, after paying the expense of transport, realise the customary

profit of 10 per cent., if he disposed of 100 quarters of corn in the English market for 60 bales of cloth. Thus, this great demand for cloth in Poland, would, in England, depress the value of corn, until 100 quarters, formerly worth 100 bales of cloth, or 100 tons of iron, &c. exchanged for no more than 60 bales, or 60 tons, &c.

Once more : If the demand for corn in England were such, that, after the importation obtainable from Poland had increased the supply, its value only so fell, that 100 quarters, instead of exchanging for 100 bales of cloth, or 100 tons of iron, exchanged only for 80 bales, or for 80 tons, then, to enable the merchant to defray the expense of transport, and to realise his customary profit, the value of cloth must so fall in the Polish market, that 80 bales, instead of exchanging for 160 quarters of corn, as would be the case if no importation existed, would exchange for no more than 120 quarters. On the other hand, if, in Poland, the demand for cloth were such, that every 100 bales which could be imported in exchange for corn, were worth, not 100 tons of iron, or 200 quarters of corn, which would

be the case were foreign intercourse prohibited, but only 80 tons, or 160 quarters, then 160 quarters of corn, in England, would become worth no more than 120 bales of cloth, or 120 tons of iron, because, carriage and profit being each 10 per cent., carriage would be covered, and the customary profit realised, when the English merchant, after selling 100 bales in Poland for 160 quarters, could sell these quarters in England for 120 bales.

Thus it appears, upon an analysis of the principles of commercial intercourse, that the value of foreign commodities is determined by *comparative* difference in productive cost; by the expense of carriage; by the rate of profit; and by the relative degrees in which different countries demand the commodities of each other. *Cæteris paribus*, an alteration in any one of these circumstances would alter the value of home products in the foreign market, or would alter the value of foreign products in the home market; or would, at one and the same time, alter the value of home products in the foreign, and of foreign products in the home market.

Having thus explained the circumstances which determine the value of foreign commodities, we shall be able to trace, with more precision and distinctness than could otherwise be done, the manner in which free trade influences the value of money, when its standard is a foreign product.

Let us suppose, that, with respect to productive cost, and to exchangeable value, commodities in general have the same relation to each other in England, which they have to each other in Poland; while England can produce a bale of cloth at half the cost at which she can produce a quarter of corn, or a ton of iron,—and Poland can produce a quarter of corn for half the price at which she can produce a bale of cloth, or a ton of iron, &c. Let us suppose, further, that, between England and Poland, commercial intercourse is prohibited, while both countries export cloth to South America, and bring back gold in return, cost of carriage and customary profits together, amounting every where to 20 per cent.

Under these circumstances, gold will be of much less value in England than in Poland.

The cloth of the two countries is assumed to be of the same quality, and will necessarily sell in the American markets for the same quantity of gold; say 100 bales of the manufacture for 100 ounces of the metal. Now, when these 100 ounces of gold are brought to England, they must, to cover the cost of carriage, and to give the merchant his customary profit, be worth there 120 bales of cloth. And as, by the supposition, 120 bales of cloth are, in England, equal in productive cost, and, therefore, in exchangeable value, to 60 quarters of corn, or 60 tons of iron; so 100 ounces of gold would be worth only these quantities of such commodities. But the 100 ounces of gold, for which the 100 bales of Polish cloth sold, would also, to cover carriage, and to afford the usual profit, be worth 120 bales of cloth, when brought to Poland. Here, however, 120 bales of cloth are equal in productive cost, and in value, to 120 tons of iron, and to 240 quarters of corn. Consequently, 100 ounces of gold would, in England, be the price of 120 bales of cloth, 60 quarters of corn,

or 60 tons of iron, &c.; while, in Poland, they would be the price of 120 bales, of 120 tons, or of 240 quarters, &c.

Assuming that profit and carriage amount to only 10 per cent. in England, while they continued at 20 per cent. in Poland, then, all things remaining as before, prices in the two countries would be as follows:—*viz.* in England, 100 ounces of gold would purchase only 110 bales of cloth, or 55 quarters of corn, or 55 tons of iron, &c.; while, in Poland, the same quantity would procure, as formerly, 120 bales, or 120 tons, or 240 quarters, &c.

These illustrations are sufficient to establish the principle, that a country possessing comparative facilities for the production of articles extensively in demand in the countries yielding the precious metals, will draw to herself a more abundant supply of these metals than her neighbours, and will, consequently, have a higher scale of general prices. A lower rate of profit, or a less expense for carriage, may, either severally or conjointly, add to these effects; while a higher

rate of profit, or a greater cost for carriage, may, severally or conjointly, contribute to counteract them.

We have now to consider in what manner a free trade would alter that distribution, and that value of the precious metals, which take place when countries, importing gold and silver, are restricted in their commercial intercourse with each other. We will employ the same illustrations as before; and, in order to ascertain with precision the nature and extent of the change which the adoption of free trade would introduce, it is necessary to retain a distinct conception of the pre-existing circumstances. These, as we have just seen, are as follow:—

In England, a quarter of corn, and a ton of iron, are equal in cost, and in value; while a bale of cloth is produced at half the cost, and possesses half the value of either of the other articles. In Poland, a ton of iron, and a bale of cloth, are equal in cost, and in value; while a quarter of corn, obtained at half their cost, is of half the value of each of the other articles. Both countries send cloth to America, where, from the

demand, 100 bales sell for 100 ounces. In England, carriage and profit amount to 10 per cent., and, therefore, the English merchant replaces the expense of transport, and realises the customary profit, when the 100 ounces, which he gets for his 100 bales, are worth, in the English market, 110 bales of cloth, or 55 tons of iron, or 55 quarters of corn. In Poland, carriage and profit amount to 20 per cent., and, therefore, the Polish merchant covers the one, and realises the other, when the 100 ounces, which he obtains for his 100 bales, are worth, in the Polish market, 120 bales of cloth, 120 tons of iron, or 240 quarters of corn. In England, the price of cloth would be 10 per cent., that of iron 100 per cent., and that of corn 300 per cent. higher than in Poland.

Such being the comparative scale of general prices in England and in Poland, what effect would be produced on the value of money in England, were she, instead of prohibiting Polish corn, to permit its importation duty free?

As, by the supposition, the value of gold, in relation to each and every commodity, is lower in

England than in Poland, the merchant who should send corn from Poland, would bring back his return in gold ; because, by so doing, he would realise the greatest profit. This profit, in the first instance, would be enormous. In Poland, 100 ounces of gold purchase 240 quarters of corn ; and, when conveyed to England, the 240 quarters purchase 436 ounces of gold ; so that the profit upon the transaction would amount to upwards of 300 per cent. Such an extraordinary rate of return would excite universal competition for pouring Polish corn into England, and English gold into Poland, until, in consequence of increasing supply, the value of corn fell in the markets of the former, and that of gold in the markets of the latter country.

The self-same process which increased the supply and diminished the value of gold in the Polish markets, would diminish its supply and increase its value in the English markets. It is self-evident, indeed, that Poland cannot acquire a greater quantity of the metals than before, and England retain the same quantity as before, unless a more abundant importation of them should take place from

the countries of the mines. But, by the supposition, South America has already as much of the commodity for which she exchanges gold as she is able and willing to purchase at the price of 100 ounces for 100 bales; and, consequently, more cloth cannot be sent to America, in exchange for the metals, without reducing the price of 100 bales below 100 ounces of gold. Now, if the price of 100 bales of cloth fall, in America, below 100 ounces of gold, then, in order to cover the cost of carriage, and to give the merchant his customary profit, 100 ounces of gold in England must become more valuable than 110 bales of cloth. Thus it amounts to a perfect demonstration, that opening the ports of England to the free admission of Polish corn would diminish the supply, and raise the value, of the precious metals in the English markets. The fall in the price of corn would be accompanied with a general fall in the prices of all commodities.

If Poland acted on the principle of reciprocity, and admitted the importation, duty free, of English cloth, then, under the circumstances given, the rise in the value of gold, and the fall in general

prices in England, could not amount to quite 10 per cent. Before the establishment of free trade between the two countries, 100 ounces of gold were worth, in Poland, 120 bales of cloth, and in England only 110 bales; and it was in consequence of this low comparative value of the metal in England, that, when the trade was opened, gold, instead of cloth, was sent to Poland in exchange for corn. But, when the exchange of gold for corn has raised the value of the metal in England until 100 ounces are there worth 120 bales, and depressed its value in Poland until 100 ounces are worth less than 120 bales, then it is evident, that exporting cloth in exchange for corn will be more profitable than exporting gold in exchange for corn. It is obvious, therefore, that, before the value of 100 ounces of gold, in the English market, rose from 110 to 120 bales of cloth, the exportation of the metals, and the fall of prices, would be arrested.

If Poland refused to act upon the principle of reciprocity, and continued to prohibit British products, the result would be different. In this case, the Polish corn imported would continue to

be paid for in gold; and the limit to the export of the metals could only be attained, when gold should have so fallen in Poland, and corn so fallen in England, as to bring down the profits of the merchant to the ordinary level. If, in Poland, 100 ounces of gold, which were originally worth 240 quarters of corn, should become worth no more than 180 quarters, then, in England, 180 quarters would be worth 110 ounces of gold; for the English merchant, purchasing, in Poland, 180 quarters of corn for 100 ounces of gold, and selling these 180 quarters, in England, for 110 ounces, would just pay the cost of carriage and realise the customary profit. If, however, gold became lower in Poland, then corn would become higher in England; and if corn became lower in England, then gold would become higher in Poland. But at whatever point the demand fixed the value of corn in England, and, by consequence, the value of gold in Poland, it is obvious that, in the circumstances assumed, the free importation of Polish corn into England, while Poland prohibited the products of British industry, would occasion, in the English markets, some very considerable

diminution in the quantity, and rise in the value, of the precious metals.

The diminution in the quantity, and the rise in the value, of the metals, would be prevented, as has been already shown, by prohibiting Polish corn; and would be counteracted, to a certain extent, by a duty, not amounting to a prohibition, on the importation of this article. The effect which a duty on the importation of corn would have on the value of the precious metals, I will now endeavour to explain.

We will assume that, while Poland prohibits English goods, and England admits Polish corn duty free, the English merchant gains the 10 per cent. necessary to cover cost of carriage and to realise customary profits, by purchasing, in Poland, 180 quarters of corn for 100 ounces of gold, and by selling these 180 quarters, in the English market, for 110 ounces. This being the previous state of things, we will assume, further, that England imposes upon every 100 quarters of corn imported, a duty of 20 ounces of gold. The question is, what effect will this duty have upon the value of corn in England, and of gold in Poland?

It is quite evident, that, if 180 quarters of corn continued to be purchased, in Poland, for 100 ounces of gold, and sold, in England, for 110 ounces, the merchant who engaged in the transaction, instead of gaining 10 per cent. to cover carriage and profit, would, after paying the duty, at the rate of 20 ounces for every 100 quarters, suffer a loss of 31 ounces of gold; for, by the supposition, he pays 100 ounces for corn, 5 ounces for carriage, and 36 ounces for duty,—equal, in all, to 141 ounces, while he sells this corn for no more than 110 ounces. Under such circumstances, the importation of corn, in exchange for gold, must necessarily cease, and cannot be renewed until a rise in the value of gold in Poland, or of corn in England, allows the trade to be carried on with the customary rate of profit.

When gold ceased to be sent from England to Poland, its diminished supply, in the latter country, would raise its value, while its accumulating supply in the former would lower its value; and, in like manner, when corn was no longer sent from Poland to England, the subtraction of the customary supply would raise its value in the latter country, while redundancy would reduce its

value in the former. From the different nature and uses of the two commodities, however, corn would rise in England, and fall in Poland, in a much greater proportion than gold could rise in Poland, and fall in England.

If the increased price of corn in England should not give encouragement to tillage, and occasion an increased supply of grain of home growth, importation would speedily be resumed, to the same extent as before; and, in the Polish market, the former proportion between the value of corn and of gold would be pretty nearly restored. In the English market, the price of corn, in ordinary years, would be raised by the amount of the duty on importation; but, as the same quantity of grain as before would be purchased from Poland at nearly the same price, gold would flow out as formerly, and there would be no permanent retention of the precious metals, lowering their value and raising general prices.

It is quite certain, however, that the suspension of foreign importation, and the consequent rise of prices, would give a new impulse to tillage, and call forth increased supplies of corn of home

growth. The necessary effects would be, that less corn would be brought from Poland, and less gold sent there in payment; and that the precious metals would increase in quantity, and fall in value, in England, and decrease in quantity, and rise in value, in Poland.

From these illustrations it appears, that a duty upon the importation of corn would, in proportion to its amount, counteract that efflux of the metals, and that rise in general prices which would take place in a country circumstanced like England, if foreign corn were admitted duty free, while the countries supplying it refused to act upon the principle of reciprocity.

If a duty should be imposed, *after* importation duty free had raised the value of the metals in England, and lowered their value in Poland, then the permanent rise in the price of corn in England would not be so great as the amount of the duty, because the duty, as has been already shown, by checking the importation of corn, and exportation of the metals, would have the effect of raising the value of gold in the Polish markets. But in whatever proportion the value of gold rose in the

Polish market, in that same proportion a less rise in the value of corn in the English markets would be sufficient to indemnify the importing merchant for the duty which he paid.

On the other hand, if a given duty on the importation of foreign corn were imposed, *after* a system of prohibition had increased the quantity, and diminished the value, of the metals in England, and decreased their quantity, and raised their value, in Poland, then the opening of the ports, upon the payment of this given duty, would occasion a less permanent decline in the value of corn than that which might be deduced from a calculation of the actual prices of corn in England and in Poland. The reason is this: as a stream of the precious metals flowed from England to Poland, in exchange for corn, gold would increase in quantity, and fall in value, in the Polish markets. Now, as corn and gold cannot be interchanged between the two countries, except the difference between the price of corn in England and Poland be sufficient to cover carriage, duty, and customary profits, it is evident that, in whatever proportion the value of gold may fall in

Poland, in that same proportion the price of corn, in England, must rise above the point at which it would have settled had no alteration in the relative worth of gold and corn taken place in Poland.

The principle here explained is of immediate practical importance. After having, for a considerable period, adhered to a prohibitory system, with respect to corn, we are about to open our ports to foreign grain, upon the payment of a protecting duty. This alteration will have a necessary tendency to increase the quantity, and to reduce the value, of the precious metals, in the growing countries of the north of Europe. It is self-evident, that, as the price of corn rises in the countries from which it is exported, the price at which it can be imported into England must rise also. The duty upon the importation of foreign corn, at whatever amount it may be fixed, will afford a more effectual protection to domestic agriculture than is at present apparent, from the actual average prices of corn in England, and in the growing countries from which importation may take place.

In endeavouring to explain the effect of free trade upon the value of money, the importance,

as well as the unexplored nature of the subject, has led me into illustrations somewhat intricate and operose. It may, therefore, be proper, in concluding this section, to recapitulate, briefly and connectedly, the practical principles which appear to have been established.

1. High protecting and prohibitory duties, on the importation of foreign commodities, have the effect of increasing the supply, and of lowering the value, of the precious metals; and the adoption of a more liberal system of commercial policy must have the contrary effect, of diminishing their quantity, and of raising their value.

2. A country possessing comparative advantages in the production of the commodities most extensively in demand, in the countries supplying the precious metals, will draw to herself a more abundant supply of these metals than her neighbours, and will, consequently, have a higher scale of general prices.

3. The increase in the quantity, and the fall in the value, of the metals, will be carried to a still greater extent, if the country possessing comparative advantages in the production of commodities

most in demand, should, at the same time, have a lower rate of profit, or have less to pay for the transport of her products, than her neighbours.

4. The country which, from the above causes, draws to herself a more abundant supply of the precious metals, may be deprived of this more abundant supply, either wholly or in part, if she permit the importation, duty free, of foreign commodities extensively in demand, while the country producing such commodities refuses to act upon the principle of reciprocity, and receives only gold in return.

5. The subtraction of the precious metals, described in the above paragraph, and the consequent fall in general prices, might be prevented by retaliating the prohibitory system, and diminished by imposing duties on the importation of foreign commodities coming from countries refusing to act on the principle of reciprocity.

Having now explained the principles which determine the value of money in different countries, and pointed out the manner in which a free or a restricted trade modifies their practical operation, one other question remains for consideration,

namely, how far it may be expedient for a country to frame its commercial system with a view to the retention of the precious metals, and to the maintenance of a high comparative scale of general prices?

The leading doctrine of the mercantile system, "that foreign trade enriches a country, by causing the importation of gold and silver," is now universally admitted to be erroneous. When the low comparative value of the precious metals, in the home market, renders them the most eligible articles with which foreign purchases can be effected, then their exportation occasions a greater immediate addition to the wealth of a country, than the exportation of any other commodity. It admits of the clearest demonstration, that it would be a positive sacrifice of wealth, to prohibit or restrict foreign importations, because such importations, if admitted, must be paid for in gold and silver. Are there not particular occasions, however, on which the making of this sacrifice of wealth might, for some time at least, be expedient?

It is of no importance whatever, in respect to domestic transactions, whether the value of money

be high or be low, provided the engagements to which individuals, and the public, are liable, continue to be dischargeable in a currency of the same value with that in which they were contracted. Fluctuations in the value of currency are the tempests which disturb, the hurricanes which devastate, the commercial world. After a country has, as it were, *dammed up* the precious metals, by prohibitions and high duties upon the importation of foreign commodities, and when all existing contracts, whether of a private or of a public nature, have been made in a circulating medium thus artificially reduced in value, a free trade, permitting the metals to find their natural level, should be introduced with the utmost caution and circumspection, and by slow and almost imperceptible gradations. If the legislature, without previously adopting measures, either direct or indirect, for re-adjusting the standard of money, were suddenly to admit foreign corn, duty free, a commercial crisis would ensue, more terrific than any which has hitherto occurred; the pressure of taxation would become intolerable, and the national creditor could not be paid.

With the evils incident upon a sudden opening

of the ports to foreign corn, duty free, we are not very likely to be visited ; the danger with which we are at present threatened, is, lest the legislature should err, by falling into the opposite extreme, and should, by injudicious and short-sighted efforts for sustaining prices at an artificial elevation, ultimately depress them below the level which they would naturally preserve under a system of Free Trade.

It has been already sufficiently shown, that the main circumstance, which enables a country to attract to herself a more abundant supply of the precious metals than her neighbours, is the possession of comparative advantages in the production of commodities extensively in demand, in the countries supplying gold and silver. England does not, like France, in the case of wines, possess any comparative advantages in raising peculiar agricultural products, extensively demanded in foreign countries; her comparative advantages consist in her manufacturing superiority. Now, it has been repeatedly demonstrated throughout this work, that our manufacturing superiority cannot be preserved, unless the importation of corn, and other agricultural products, be permitted upon liberal terms.

High protecting and prohibitory duties upon the introduction of food, and of the materials of necessities, would lower the rate of profit in England below the general level ; would cause capital and skill to emigrate ; would transfer to France, to the Netherlands, to Switzerland, to Germany, and, ultimately, to the United States, that manufacturing superiority which we now possess. Hence, in their ultimate, and no very remote consequences, such duties and prohibitions, instead of retaining in this country a more abundant supply of gold and silver, would be, altogether, destructive of the cause which has hitherto rendered this country the centre towards which the precious metals gravitate.

§ 5.—*On the Specific Measures which, in revising the Corn Laws, the Legislature should adopt.*

And now, if we have been at all successful in unfolding the principles of the external corn trade, in examining the exceptions to which these principles are liable, and in tracing and comparing the effects which freedom and restriction would respectively produce, the irresistible conclusion must be, that the introduction of a free trade in agri-

cultural produce is the great object which the Legislature should pursue. In effecting this most important improvement in our economical system, however, difficulty and embarrassment may occur, and considerable caution will be required. We may lay it down, as a universal maxim in political science, that sudden change is evil. The truth of this principle, as it applies to the case of a precipitate fall from an artificial scale of prices, has been fully established, as well by general reasoning as by a reference to facts. Now, in order to guard from impending calamity a very numerous and a most important class of the community, as well as to prevent that waste of the national resources which must ever accompany an alteration in the value of currency and a sudden breaking up of the accustomed channels of industry, it becomes highly necessary that the Legislature, without ever losing sight of the great ultimate object of introducing a free trade in agricultural produce, should afford the domestic grower a temporary protection.

In order to accomplish the double object of affording the farmer temporary protection, and of gradually introducing a free trade in the produc-

tions of the soil, the Legislature should substitute, for the present system of averages, a duty on the importation of foreign corn, which duty should annually diminish, and fall by degrees to nothing.

The fixing of the amount of the protecting duty, in the first instance, is of much less importance than the adjusting of the graduated scale for its ultimate cessation. It is obvious, that, at its commencement, the duty should be sufficiently high to secure, as far as legislative protection can secure, the customary rate of profit on the capital already invested in the soil, and to prevent any material diminution in the quantity, and rise in the value of the precious metals. To determine with precision the amount of duty which might attain, without going beyond these objects, would, probably, be impracticable. But, of the two errors, it would be better to begin with too high, than with too low a duty. If we were to commit the error of fixing the duty too low, a calamitous contraction of the currency would ensue; and if, after a considerable importation from abroad, an abundant harvest should follow, an excessive supply, requiring years to absorb it, might be thrown upon the market; and

the country might be visited, for a period more or less protracted, with severe agricultural distress, which no legislative measure could remove. On the other hand, if we were to commit the error of fixing the duty too high, and, if a deficient harvest followed, reducing the supply of corn below the ordinary consumption, Government might immediately rectify the mistake by lowering, or, if the dearth were severe, by suspending, for a short period, the duty upon importation. The advocates of free trade, therefore, need not to be apprehensive of granting the agriculturists, in the first instance, whatever amount of duty may be deemed necessary to the protection of the capital already invested in the soil.

The object about which we should be solicitous, is the graduated scale by which we may provide for the final and total abolition of all duties and restrictions on the importation of raw produce. On the same principle, that the duty should not commence too low, the scale should not decline too rapidly. The object to be attained is, that, as the current leases expire, and as the capital already invested in the soil requires to be replaced, those who pos-

sess disposable capital should have due and timely warning not to direct it to the cultivation of lands too inferior in quality to be profitably tilled under the natural protection afforded by the cost of carriage. This object, a slowly declining scale of duties would sufficiently attain, while it would protect capital already invested from unequal competition, and prevent, as far as foreign importation might be concerned, that excessive supply of produce, which, as often as it occurs, brings distress and ruin on the cultivator.

It is ever to be remembered, however, that periods of excessive supply, and consequently of agricultural distress, are inherent in a restrictive system. We may prevent foreign corn from coming in, but we cannot prevent two or three abundant harvests from occurring in succession, and suddenly bringing down the high artificial prices which protection had created, to that extreme point of depression at which British corn may be sent with a profit to the foreign market. So long as our declining scale of duties shall continue to force an independent supply of corn in average years, so long in abundant years our markets will be glutted,

and agricultural distress will prevail. To mitigate this distress, a bounty should be granted upon exportation, equal in amount to the duty imposed on importation.

In a former part of this work* it was shown, that when a tax is laid upon a domestic commodity, a duty of equal amount on the importation of the similar foreign article, accompanied by a bounty, also of equal amount, on the exportation of the domestic commodity, is necessary in order to restore domestic and foreign industry to that equilibrium which they would have preserved had no taxation been imposed. To whatever extent ill-regulated tithes, poor rates, or other charges, fall more heavily upon agriculture than on other branches of industry, to that extent the farmer, on the principle of equal dealing, is entitled to a bounty upon exportation. He would be entitled to a bounty to this extent even if he could, as in the case of the manufacturer, regulate with exactness the quantity of his products. But, in agriculture, the seasons have a

* Page 219.

powerful influence in regulating the quantity of products. When the farmer cultivates to such an extent that, in average years, the supply of corn is equal to the demand, then two or three abundant years, following in succession, throw a glut upon the markets, which glut, if it cannot be removed by exportation, leads to protracted agricultural distress. Now, if the unequal pressure of tithes, rates, and taxes, forms one of the causes why British produce cannot be exported until it has fallen ruinously below the remunerative price, the landed interest have an equitable claim to a bounty equivalent to the unequal burthen they sustain. A bounty to this extent would be strictly conformable to the principles of free trade, as it would, with respect to the supplying of foreign markets, replace the British and foreign capital invested in agriculture on the same relative footing upon which they would have stood, had the British farmer not been pressed by unequal taxation.

It is scarcely necessary to repeat, that the duty on importation and the bounty upon exportation are to be regarded as temporary measures, and that, conformably to the correct principles of eco-

nomical science, they can be tolerated only so long as may be strictly necessary to protect such portions of capital as our restrictive system has already forced towards the soil, and to prevent a rise in the value of money from increasing the pressure of the national burthens. The declining scale should be rigidly applied, as well to the duty as to the bounty, until both be finally extinguished, and until the industry of this manufacturing and commercial country be permitted to obtain its full developement under the influence of a free trade in the productions of the soil.

In a former part of this work it was shown, that the only exception to a free trade in corn is formed by the actual existence of a forced state of tillage, and of a currency artificially depressed in value, and that even this exception is founded entirely upon the derangement occasioned by precipitate change. Precipitate change, therefore, is the only evil against which, in conferring upon the country the incalculable advantages of a free trade in corn, the legislature has to guard. In doing this, no difficulty can arise. While the gradually declining scale of duties and bounties is in progress, the Government will have abundant time to regulate

tithes, to repeal whatever taxes may fall with disproportioned weight upon the soil, and to provide for an equalization of all rates and assessments, and to devise the means for relieving the country from some considerable portion of the debt. Should these desirable measures be effected before the final extinction of the protecting duty, then capital will every where flow into its natural and most productive channels; and the free external trade in corn, without inflicting depression on any class of individuals, will, with respect to agriculture, to manufactures, and to commerce, to wages, to profits, and ultimately to rents, produce those generally and greatly beneficial consequences which we have, throughout this work, endeavoured to unfold and to determine.

The principle of free trade which we have applied to corn, is more or less applicable to every species of agricultural produce, as well as to every description of raw material, whether derived from the soil, from forests, from mines, or from fisheries. It is applicable in a peculiar manner to sugar, as a general article of food; and to timber, and iron, as important ingredients of capital.

The application of the principles of free trade

to all the productions of the soil, and to all the ingredients of capital, provided it be made with sufficient caution to obviate the evils of precipitate change, will afford unlimited scope for British enterprise, and for the advantageous investment of new accumulations; and will effectually prevent the recurrence of those low rates of profit and of interest which led to the unproductive speculations which we recently witnessed, and which brought on the calamitous reaction from the effects of which we are only now beginning to recover.

While the Legislature, by a cautious introduction of a liberal system of commercial policy, prevents the recurrence of a crisis similar to that which we have recently experienced, it may adopt, with considerable advantage, immediate measures for mitigating the remaining distress. Of these, the repeal of the usury laws should unquestionably be one. It is a singular fact, and one which is calculated somewhat to abate our expectations respecting the progress of enlightened principles, that Mr. Bentham's very logical and convincing Treatise on the Usury Laws should have been so long before the public without having

effected that beneficial change in our monetary system which it recommends. Every subsequent writer distinguished for acute discernment and profound inquiry, who has alluded to this important subject, concurs with Mr. Bentham in recommending the repeal of the usury laws.

In his evidence given before the Committee of the House of Commons on the Usury Laws, in 1818, Mr. Holland, partner of the house of Baring, Brothers, and Company, and one of the best informed merchants in the country, says, "The laws against usury drive men in distress, or in want of money, to much more disastrous modes of raising it than they would adopt if no usury laws existed. The land-owner requires capital to increase his live stock, or improve his land, or for any other purpose, at a period when the Government is borrowing money at above *5 per cent.*, or when the funds give a greater interest than *5 per cent.*; no one will then lend to the land-owner, because his money is worth more to him than the law allows him to take; the land-owner must, therefore, either give up his improvements, or borrow money on annuity interests,

on much more disadvantageous terms than he could have done if no law existed against usury. The man in trade, in want of money for an unexpected demand, or disappointed in his returns, must fulfil his engagements, or forfeit his credit. He might have borrowed money at 6 per cent., but the law allows no one to lend it to him ; and he must sell some of the commodity he holds at a reduced price, in order to meet his engagements. For example ; he holds sugar which is worth 80s., but he is compelled to sell it immediately for 70s. to the man who will give him cash for it, and thus actually borrows money at twelve and a half per cent., which, had the law allowed him, he might have borrowed from a money dealer at six per cent. It is known to every merchant, that *cases of this kind are common occurrences in every commercial town, and more especially in the metropolis.* A man in distress for money pays more interest, owing to the usury laws, than he would if no such laws existed ; because now he is obliged to go to some of the disreputable money lenders to borrow, as he knows the respectable money lender will not break the laws of his country. The dis-

reputable money lender knows that he has the *ordinary risk* of his debtor to incur in lending his money; and he has further to encounter the *penalty of the law*, for both of which risks the borrower must pay. If no usury laws existed, in common cases, and where a person is respectable, he might obtain a loan from the respectable money lender, who would then only have to calculate his ordinary risk, and the compensation for the use of his money."

The able author of the article "Interest," in the Supplement to the Encyclopædia Britannica, tells us that—

"It is most absurdly supposed, that, were the laws limiting the rate of interest repealed, every individual who has capital to lend, would henceforth indulge in all those mean and disgraceful practices which at present characterise the lowest class of money brokers. But it might just as reasonably be supposed, that were country gentlemen allowed to sell game, they would immediately become addicted to all the vices of the poacher! The truth is, that if the rate of interest was left to be adjusted by the unrestricted competition of

the parties, there would be almost no employment for the inferior class of money dealers. Except when the *market* rate of interest is below the *legal* rate, the usury laws prevent all persons, whose credit is not extremely good, from obtaining loans from capitalists of the highest character, and force them to have recourse to those who are less scrupulous. Supposing the market rate of interest to be six or seven per cent., an individual, in ordinary good credit, might, were the usury laws abolished, easily obtain a loan at that rate. But the law having declared, that no more than five per cent. shall be taken, and consequently having affixed a species of stigma to those lenders who bargain for a higher rate, necessarily excludes the rich and more respectable capitalists from the market, and obliges borrowers to resort to those of an inferior character, who, in addition to the premium for the risk incurred by entering into an illegal transaction, must receive an indemnification for the *odium* which, in such cases, always attaches to the lender. It is idle and ridiculous to attempt to secure individuals against the risk of imposition in pecuniary, more than in any other species of transactions.

But, although the object were really desirable, it could not possibly be obtained by such inadequate means. The usury laws generate the very mischief they are intended to suppress. Far from diminishing, they most unquestionably multiply usurious transactions in a ten-fold proportion, and powerfully aggravate all the evils they were designed either to mitigate or remove."

Dr. Crombie, in the judicious pamphlet already referred to, says :—

" It might also materially contribute towards alleviating the present distress, not only of the agriculturist, but also of the manufacturer, if the existing statute against usury were either amended, or repealed. This statute is impolitic in its views, unjust in its principle, inefficient in its purpose, and detrimental in its effect. While it aims at restraining the rapacity of individuals, it obstructs the free circulation of floating capital. It is iniquitous ; because the owner of money has as just a right to fix a price on the use of his commodity, as the landholder, or the manufacturer. It is inefficient, because the statute is easily, and daily evaded ; and it is detrimental, not only to the community,

but also to the very individuals whom it aims at protecting, by compelling them to resort to unprincipled and rapacious usurers for precuniary accommodation. Few capitalists will be inclined to lend money on any mortgage, much less on precarious security, who can obtain, as at present they may do, a larger *per* centage in the public funds. The amendment, or the total abolition of this statute, would, it is conceived, be highly beneficial. Money, like every other commodity, should be allowed a free and open market."

Another beneficial measure which the Government may immediately adopt for maintaining confidence, and thereby preventing the recurrence of distress, is that of placing the country banks of circulation upon a basis of perfect security. Hitherto, the Legislature has restricted individuals, under the severest penalties, from establishing private mints, and uttering metallic money of intrinsic and indestructible value; yet, with a degree of inconsistency which strikes us as more extraordinary the more attentively we consider it, our law-makers have permitted individuals to establish private banks of circulation, and to utter

paper money, possessed of only a conventional value, which a breath of panic may at any time destroy. On the self-same principle that Government protects the public against the probable insecurity which might arise from individuals being permitted to utter metallic currency, it should also guard the public against the more probable, nay, certain insecurity, which is created when individuals utter a paper currency. In every civilised country, supplying and regulating the circulating medium is a function of the sovereign prerogative ; and when, for the convenience of commerce, this function of the prerogative is delegated to private individuals, every principle of justice and expediency demands, that this delegation of the sovereign authority should be made under restrictions and securities completely adequate to the protection of the public against the occasional insolvency of those who are permitted to substitute, as the circulating medium of the neighbouring markets, their promissory paper for the sterling money of the state.

The evil to be guarded against, in placing the private banks of circulation upon a basis of perfect

security, is that of a contraction of the currency. Such contraction, by enhancing the value of any specific sum in the circulating medium, would necessarily increase the real magnitude of the debt, and heighten the pressure of taxation. Under ordinary circumstances, a contraction of the currency occasions embarrassment, by lowering prices and reducing the accustomed amount of mercantile discounts. It is unnecessary to add, that, at the present crisis, the bare apprehension of such results would bring on an increased access of embarrassment and dismay.

Perhaps the best mode of affording security to the holders of provincial paper, without at the same time risking a contraction of the currency, would be, to grant to such banking establishments, whether now existing or hereafter to be formed, as might apply for them, charters of incorporation from the crown, upon the principles, that the acting partners or directors should, as at present, be responsible to the whole amount of their fortunes; but that the dormant partners or share-holders should be responsible only for double the amount of their subscribed capital. In every populous and

opulent neighbourhood, there are individuals possessed of disposable funds, who would willingly partake in the profits of banks of circulation, provided they could do so without risking more than twice the sum subscribed; but who would prefer the lowest interest yielded by government securities or mortgage, to the highest profits rendered to the banking business, should the receipt of such profits compel them to stake their whole fortunes upon the discretion and integrity of the acting partners.

The chartered banks of circulation should be called upon to give ample security, on landed or funded property, for the payment of the notes they issued; and should be required to give, not only to the shareholders but to the public, half-yearly statements of their affairs. Under such guarantees, these banks would be placed upon indestructible foundations; and their superior security would give them such a decided preference in public estimation, that establishments conducted upon the present narrow and tottering basis would be unable to stand in competition with them. From the force of public opinion, no bank of circulation could con-

tinue its transactions without applying for a charter, and conducting its business under the securities required. All such banks would become chartered companies ; and the limitation of the responsibility of the shareholders to twice the amount of their shares, by rendering them the channels of safe and profitable investment, would draw to them an abundant portion of the disposable capital of their neighbourhood. The public would obtain the double advantage of a full and of a secure currency.

It is to be apprehended, that, without some plan similar in principle to that which has now been sketched, the country banks of circulation cannot be regulated so as to attain the twofold object of a full and secure currency. Many of the existing establishments may not have a sufficient command of capital to enable them, at one and the same time, to give adequate security for the paper they circulate, and to conduct their business on a scale commensurate to the legitimate demands of trade. But, while giving the securities necessary to protect the public would require capitals double the amount of those at present employed by the provincial banks of circulation, it is extremely

improbable that, after the example of such numerous failures, these establishments should be able to obtain the aid of additional funds without charters limiting responsibility. Fortunately, the Act of last session, facilitating the formation of chartered companies, and the recent relinquishment by the Bank of England of so much of its monopoly as went to limit banking firms to six partners, have removed the difficulties which were opposed to the establishment of those extensive and duly regulated associations, without which, provincial banks of circulation must remain inadequate to afford to their respective neighbourhoods the combined advantages of a cheap, a full, and a secure currency.

Having ventured to suggest that which, at the present crisis, the Government should do for the security of the public, it may not be improper, in conclusion, to point out that which the public should do for the security of the Government.

For the first time in the history of the country, the ministers of the crown have avowed themselves the advocates of liberal and enlightened principles, in whatever respects our commercial policy. The present ministry have, in several instances, re-

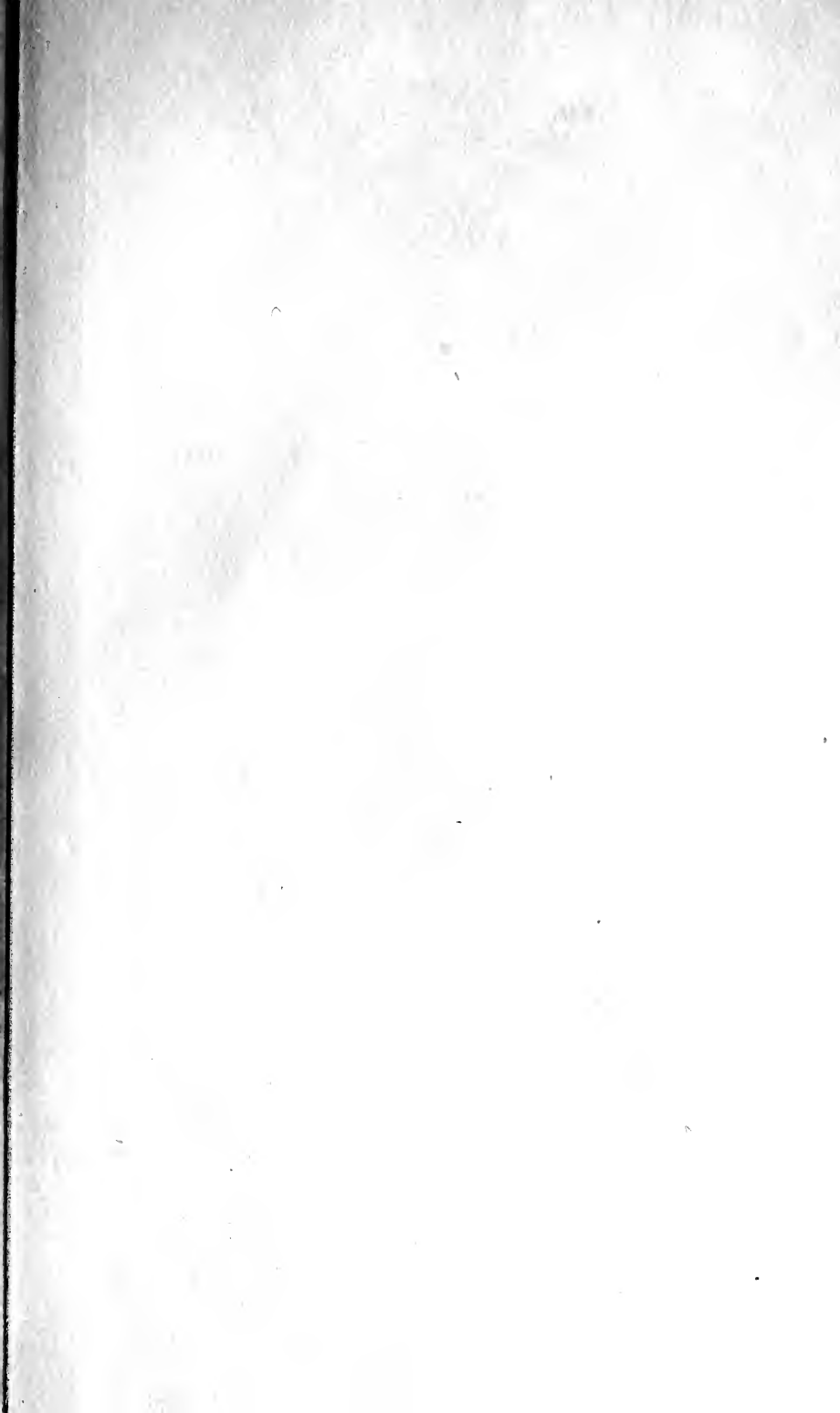
moved the absurd regulations and restrictions imposed in the olden times of comparative darkness; and they have given sufficient indications of their intention to pursue still further the honourable course of commercial reform which they have commenced. But, in pursuing a course as glorious to themselves as it must be ultimately beneficial to the empire, ministers have to encounter the most formidable opposition. The landed proprietors deprecate the temporary reduction of rents which a free trade in the productions of the soil might occasion; the farmers, ignorant of their own true interests, concur with their landlords in the demand for protecting duties and high prices; the West India proprietors contend, that they have a prescriptive right to compel the people of England to purchase dear sugar, in order that they may be enabled to continue the cultivation of their exhausted estates with the expensive instrument of slave labour: in short, all classes of monopolists, and all kinds of sinister interests, are prepared to enter into a solemn league and covenant to counteract, by all possible means, the introduction of that liberal system of commercial policy upon

which the general prosperity depends. It is impossible that the enlightened members of the Government should be able to make way against this most formidable combination, unless they are backed and supported by the country at large, and borne along upon the resistless and all-prevailing current of public opinion. All party questions, nay, all other questions involving political principle, sink, at the present crisis, into comparative insignificance, when contrasted with the vital, the all-important question of a free trade in corn. Should this great question be lost, the seats of manufacture, and the marts of commerce, will depart from our ill-fated country;—should the voice of an enlightened public cause it to prevail, paths of interminable prosperity will open to us;—and England, still advancing in opulence and grandeur, may continue for ages the emporium of the world.

FINIS.

LONDON :

PRINTED BY T. BRETTELL, RUPERT STREET, HAYMARKET.





5
10
32
30

77

31 x
55
32
30
150
24

7718 Ec.H
S, Robert (1780-1864) T6918e
on the external corn trade. Ed.4.

NAME OF BORROWER.

**University of Toronto
Library**

**DO NOT
REMOVE
THE
CARD
FROM
THIS
POCKET**

**Acme Library Card Pocket
LOWE-MARTIN CO. LIMITED**

