A MANUAL

OF

POLITICAL ECONOMY:

NOW

FIRST EDITED FROM THE MSS.

OF

JEREMY BENTHAM.
MANUAL OF POLITICAL ECONOMY.

CHAPTER I.
INTRODUCTION.

Political Economy is at once a science and an art. The value of the science has for its efficient cause and measure, its subserviency to the art; and according to the principle of utility in every branch of the art of legislation, the object or end in view should be the production of the maximum of happiness in a given time in the community in question.

In the instance of this branch of the art, the object or end in view should be the production of that maximum of happiness, in so far as this more general end is promoted by the production of the maximum of wealth and the maximum of population.

The practical questions, therefore, are—

How far the measures respectively suggested by these two branches of the common end agree?—how far they differ, and which requires the preference?—how far the end in view is best promoted by individuals acting for themselves? and in what cases these ends may be best promoted by the hands of government?

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2. Generally speaking, it is moreover likely that the measures of government may be possibly more useful, or even obstructive, with reference to the attainment of the end in view. Each individual bestowing more time and attention upon the means of preserving and increasing his portion of wealth, than is or can be bestowed by government.

3. It is, moreover, universally and constantly pernicious in a way more or less direct—more or less perceptible, with reference to the attainment of the end in view. Each individual bestowing more time and attention upon the means of preserving and increasing his portion of wealth, than is or can be bestowed by government.

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The cases in which, and those measures or operations by which, the end is promoted by measures of government, may be said to arise from the collateral and occasional one.

What the legislator and the minister of the interior have in their power to do towards either of these objects, is in nothing in comparison with what is done of course, and without thinking of it, by the judge, and his assistant the minister of police.

The cases in which, and the measures by which, the common end may be promoted by the hands of government, may be termed agenda.

With the view of causing an increase to take place in the mass of national wealth, or with a view to increase the means of subsistence or enjoyment, without some special reason, the general rule is, that nothing ought to be done or attempted by government. The motto, or watchword of government, on these occasions, ought to be

—BE QUIET.

For this quietism there are two main reasons:—1. Generally speaking, any interference for this purpose on the part of government is needless. The wealth of the whole community is composed of the wealth of the several individuals belonging to it taken together. But to increase his particular portion is, generally speaking, among the constant objects of each individual's exertions and care. Generally speaking, there is no one who knows what is for your interest, so well as yourself—no one who is disposed with so much ardour and constancy to pursue it.

2. Generally speaking, it is moreover likely to be pernicious, viz. by being unproductive, or even obstructive, with reference to the attainment of the end in view. Each individual bestowing more time and attention upon the means of preserving and increasing his portion of wealth, than is or can be bestowed by government.

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the field of coercion is vastly more extensive. Encouragements are grants of money, or the forcing of money, applied in some shape or other to this purpose. But for this, any more than any other, in being to induce any particular source of money to be supplied by government being supplied by the application of any particular mass of government money-so disposed of by government being supplied by any particular source, makes no sort of difference. Forbear levying the amount of that defalcation thus resulting from the mass of wealth which has fallen to his share. Among the cases in which the action of government may be justified as exceptions to that rule, such exceptions are not very considerable; for the purpose of regulating the exertions of individuals in respect to the increase of wealth, are those in which it is necessary to regulate the pursuit of the several objects in view, according to the order of their importance. In giving to the matter of wealth that modification which adapts it to the several purposes of subsistence and defence, security in respect of substance, and security in respect of defence— in preference to that which adapts it to the mere purpose of enjoyment. With few exceptions, and those not very considerable ones, the attainment of the maximum of enjoyment will be most effectually secured by leaving each individual to pursue his own ends, and to accustom himself to the interposition of government, respects the general rule in this behalf. The correspondent practical division of acts and operations, the effect of which is to exert an influence on the quantity of the national, to which may be added the mundane stock of wealth, is 1. Sponte acta; 2. Agenda; 3. Non-agenda.

In the track of political economy as in any other, whatever is done towards the attainment of the object, must be on the principle of inclination, or by bestowing power.

Inclination can only be operated upon by inducements, as:

1. By applications of a coercive or obligatory nature, which are either injunctions or prohibitions.

2. The circumstances of the several political communities. In regard to deficiencies from general expense, the objects of the object, must be on the principle of inclination, or by bestowing power.

Inclination can only be operated upon by inducements, as:

1. By applications of a coercive or obligatory nature, which are either injunctions or prohibitions.
2. By applications of an invitative nature, or encouragements, — which are either direct or indirect.

Power may to this purpose be distinguished into — 1. Legal; 2. Physical; 3. Intellectual, or knowledge.

1. Legal power may be conferred — 1. By forcing to impose on the party proposed to be assisted coercion of any kind; 2. By coercing others in such a manner as to prevent them from obstructing his making use of the power of the preceding kind; 3. By compelling others to afford him assistance. In the two first of these cases, power is no more than liberty.

2. Physical power is conferred by giving to a party the physical instruments requisite to the attainment of the end proposed; viz. money, or something that is to be had for money. This can only be by legal power of one or other of the three kinds above mentioned.

Knowledge is either — 1. Of the modes of operating towards the end proposed; i.e. which are good, which are bad, and which neither good nor bad; 2. Of matters of fact; — which may be conducive to this end.

Indirect consist in — 1. Active power; or, 2. Knowledge. If active power is given by law, it can only be in some indirect way, through physical and thence through legal power.

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one belonging to it in its opacity of an article of subsistence, the other in its capacity of an article of mere enjoyment.

It is out of the fund for enjoyment that the portion of wealth allotted to defense, and the portion, if any, allotted to security, of respect of subsistence, must be taken for out of the portion immediate use, when it is applied to its most immediate use, viz., subsistence, security, or enjoyment.

It is an article of subsistence when, though it is not immediately applicable to its most immediate use, and it is not yet an article of immediate use, and it is not immediately applicable to the immediate use of an article of subsistence.

The matter of wealth considered in respect of its modifications, may be distinguished, in the following three grades: 1. Discovery—viz. the raw material from which portions of matter in an improved state are extracted. 2. Discovery of this or that portion of land, considered as the source from which portions of matter in an improved state are extracted. 3. Extraction—viz. the raw material from the portion of land which is its source.

The matter of wealth is increased by the same quantity as one hundred pounds of potatoes,—the pound of potatoes selling for a halfpenny had been given up by the farmer, and the potato increasing in quantity increased in price. But this supposes that the potato would have been received by the farmer in the raw state, for consumption, or for re-employment in agriculture.

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it can only be partial in cases where decrease to a greater or less amount is indispensable, as in cases of taxes. Taxes may be imposed either to furnish means for future expenditure, or to afford an encouragement to rival branches, to those who in times past have furnished the means for expenditure which then was future; in other words, for growing expenses. The amount of taxes imposed for growing expenses, takes from the amount of national wealth in certain ways, and adds to it in other ways, more or less, according as it is simple. It takes from the means of institutions, and security, present or future, immediate or more or less remote, according as it would have been spent, lent out, or hoarded, had it not been for the tax. It adds to the security of the whole, in proportion as it is employed for the purpose of national security, in the way of national defence and otherwise. It adds to the subsistence and enjoyment of a part, in proportion as it is applied to those purposes, by those among whom it is employed for the purpose of national defence and other purposes. The amount of taxes imposed for growing expenses, or for discharge of debts, may be described as those which are conducive either to the increase of the national stock of the matter of wealth, or to the application of it in the most efficient mode, to any of its uses, viz., subsistence, security, and enjoyment; and which not being attended with preponderant vexation, are not to be expected to be performed by the spontaneous exertions of individuals: of the three conditions requisite for the production of this or any other effect, viz., inclination, power, and knowledge, in some one or more being wanting on the part of individuals.*

CHAPTER III.

OF WEALTH.

§ 1. Spontaneous Acts.

The national wealth is the sum of the particular masses of the matter of wealth belonging respectively to the several individuals of whom the political community—-the nation—is composed. Every atom of that matter, added by any one such individual to his own stock, without being taken from that of any other individual, is so much added to the stock of national wealth. Measures of this kind, particular stocks, and to add in each portion of time more than one by use or otherwise is taken from it in that same portion of time, if, with a very few exceptions, the constant sin and occupation of every individual in every civilized nation. Enjoyment is the object of wealth, the labour of wealth. What men want from government is, not incitement to labour, but security against disturbance—security to each for his portion of the matter of wealth, while labouring to acquire it, or occupied in enjoying it.

For the purpose of increasing wealth, individuals require neither to be forced to labour, nor allured. The want of which is to be had without labour is sufficient force: the assurance of being able to enjoy it, is sufficient allurement. Leave men to themselves: each man is occupied either in the acquisition of wealth (the instrument of enjoyment,) or in some actual enjoyment, which, in the eyes of the only competent judge, is of more value. If idleness be to be encouraged, it must be encouraged without violence, as in case of taxes.

5. An illustrious and more useful example—because more noble, as well as more extensive, than all others—of the advantages of the division of labour is afforded by the universities and other education-establishments now setting on foot in the United States (of America). The same process of division, the same periodical comparison of talents and methods, the same encouragement to the exertion and the improvement of those talents and methods, have produced a reason for their expectation of payment for their exertions. And even in the primitive stage of the acquisition of wealth, we must acknowledge the same principle in many instances to have been practiced, and have afforded a reasonable expectation of payment for the exertions of individuals.

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OF WEALTH

No kind of productive labour of any import-
ance can be carried on without capital. Hence it follows, that the quantity of la-
bourers that can be applicable to any object is limited by the quantity of capital which can be employed on it.

If I possess a capital of £10,000, and two species of trade, each yielding twenty per cent. profit, the whole of both these advantages may be employed on the one of them; but it will not do to employ the whole of my capital on the other; for that purpose, only £1,000 can be spared. In the former case, the mode of encourage-
ment is direct, for the money being given at the expense of national wealth, and thence, if not necessary to defence, given away. In the latter case, the mode of encouragement is indirect, for the money being given at the expense of national wealth, a sacrifice of enjoyment to subsistence.

If, on the other hand, in that same coun-
try, seasons are continually liable to recur in times of extraordinary scarcity,—an institution of this sort would hardly be thought of, much less be re-
quired. But in times of extraordinary scarcity,—an institution of this sort was the reflection that the world is


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The quantity of capital being given, in any nation, to a certain branch of trade, or to a certain purpose, it would not be a reason for employing authority in creating its adoption. Publicity alone would produce this effect; the more real the advantage, the more certain the operation of authority.

To justify the regulatory interference of government in the affairs of trade, one or the other of these two opinions must be maint-
ained:—that the public functionary understands the interests of individuals better than they do themselves; or that the quantity of capital in every nation being infinite, or that the new branches of trade not requiring a new capital, the wealth produced by a new and favourite commerce is so much clear gain, over and above what would have been pro-
duced, if these advantages had not been con-
sidered.

These two opinions being contrary to the truth, it follows that the interference of government is altogether erroneous—that it operates rather as an obstacle than a means of advancement.

It is hurtful in another manner. By im-
posing restraints upon the actions of indivi-
duals, by the exercises of authority, to an extent that much liberty lost so much happiness destroyed.

Divide the aggregate mass of profit-seeking industry into any number of branches; each
one, or at least has an equal right to call upon government for encouragement,—for encouragement at the expense of the public weal; or, at least, no injury on the one hand, no profit on the other. Gratify any number short of the whole,—inequity is certain,—profits ques-
tionable.

The measures which present themselves in the character of non-agenda, may be dis-

* Considered as a measure of special encour-
agement, having for its object the increase of the aggregate mass of wealth, it would be the first of all the non-agenda. Operating by discour-age-
ment applied in any of them, as the act of government, is in the character of security funds, belongs, by the supposition, to the catalogue of non-agenda.
The effect of forced frugality is produced by paying off national debts. In this case, the production of the effect is not only unexampled in the way of unproductive expenditure, but necessary: for the suffering of this tax is not those who have received it, but the suffering by the increase of national opulence. Their utility rests on the perpetual impending danger of their being capable of being reduced and partly compensated. This he scrupled not to do: but by the increase of national debt, or for defraying the consumptive part of its expenditure.

As in the case of paper money issued by a banker to a borrowing customer, agriculturists, miners, fisher, manufacturer, or merchant, to be employed in the market, received on account of his debts, or for defraying the consumptive part of its expenditure.

To the opulence of the Prussian empire, Frederick gave some real additions, and some imaginary ones. The imaginary ones consisted in encouragements given to this and that branch of profit-seeking industry: the real ones consisted in money given on condition of being employed in the shape of capital. But by the increase of national debt, the only benefit to the mass of future wealth, the value of the mass of money would be increased, and the prices of the vended decreased. It is in a certain degree, though in a very inadequate degree, compensated for by the same means.—viz. by the amount of the additional made to the quantity of sensible wealth.—of wealth possessing a value in the way of use. Here, as in the above case of forced frugality, national wealth is increased at the expense of national com- fort and national justice.

On those who receive no share of the fresh addition to money—on those whose sole in- come consists in an unincreasing sum of mo- ney, the income tax bears with all its pres- sure; while those who receive a share of the fresh money equal to the amount of the depreciation, receive beforehand a compensation adequate (in money at least, however it may be in regard to feelings) to their loss by the indirect tax.

In this case, the measure coincides with the one already reproduced, —the increasing the mass of real capital by money raised by taxes. The difference is, that the mode in which the additional money is thus produced

§ 4. Non-agenda — Broad measures.

Example I. Forced frugality.

raising money as other money is raised, by taxes (the amount of which is taken — individuals out of their expenditure on the store of maintenance,) government has it in its power to accelerate to an unexampled degree the augmentation of the mass of real wealth.

By a proportionable sacrifice of present comfort, it may make any addition that is pleasing to the mass of future wealth; that is, to the increase of comfort and security. But though it has in its power to do this, it follows not that it ought to exercise this power to compel the community to make this sacrifice.

To a certain degree,—to a degree which in the ordinary course of events, is, at least in the ordinary state of things, insufficient for the purpose,—the community may make such a sacrifice. This voluntary sacrifice is, at least, in the ordinary state of things, sufficient for the purpose of the individual. The hands to which this money is turned, have their value, but for which, by the exchange: paper money, having in view of its being capable of being exchanged for that money, or as an equivalent for the money of which it contains and conveys the promise.

The following illustration of the indirec- tness of this increase of real wealth by money raised for the purpose of paying off the national debt, is in its application unconformable to justice, and produces a wrong impression of the matter of wealth: for money, as an equivalent for such money, which it contains and conveys. 

The effect of forced frugality is also pro- 
duced by the creating of paper money by go- 
vernment, or the suffering the creation of 
real income to the people, or rather the stock 
of real income, as before, must employ it 
in the shape of capital, or lead it to others, who will employ it in that shape.

If the sum of money paid by government to such annuitants on the redemption of their annuities be greater than the sum re- 
ceived by government on the creation of those same annuities, the quantity of the sum thus raised by forced frugality, and poured into the money market, receives a proportionable in- 
crease. This he scrupled not to do: but money would be increasable through the paper money on the part of individuals. By a proportionable sacrifice of present comfort, it may make any addition that is pleasing to the mass of future wealth; that is, to the increase of comfort and security. But though it has in its power to do this, it follows not that it ought to exercise this power to compel the community to make this sacrifice.

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money is raised is disadvantageous to a de- 

gree of usefulness much beyond anything 

ever exemplified under that name;—the 

money being raised at so and so much per 

cent., payable for ever by the possessors 

of fixed incomes—subject to a small deduc-

tion as is equivalent for the goods produced 

in each year by the addition made to the 

mass of real capital. No sooner, however, 

does such additional sum of money pass on 

from the hands by which it is employed 

in adding to unproductive expenditure, than 

its operation in the way of making an 

addition to real wealth is at an end. No sooner 

does it go in addition to money employed in 

the purchase of articles for consumption, than 

its power of producing an addition to the 

mass of the matter of real wealth is at an end; 

therefore and for ever it keeps on an 

contributing by its whole amount to the increase 

of prices, in the same manner as if from the 

mines it had come in the first instance into 

an unproductive hand, without passing through 

any productive one.

In all cases where the addition thus made 

to wealth is not illusory in totum, it is so as to 

part, and that by far the greater part. Of 

the proportion between the illusory and the 

real part of the supposed addition to real 

wealth, the rise of prices in a country 

where no fresh money has been poured into 

unproductive 

hands, without first passing through 

a productive hand, is at once a demonstration 

and a measure. So much of the added wealth 

as has not been accompanied by a counter-

vailing addition to wealth, whether it have 

contributed anything to that addition or no, 

is over and above that portion which has 

been solely employed in producing the rise of 

prices.

Supposing that within the last half century, 
in the whole commercial world together, 

wealth has received an increase to the amount 
of one-fourth, and at the same time prices 

have doubled;—it follows, that of that part 

now existing in that world, nearly half has 

to a certainty been worse than thrown away, 

and part of the money so thrown away 

may be carried into effect at any time, in the 

poorest country as well as the richest, in the 

most declining as well as the most prosperous, 

accelerating and aggravating the decline.

The mischief that would be produced by a 

reduction in the rate of lawful interest, is 

two-fold:—and above the constant mischief 

produced by the fixation of that rate.

§ 7. Rates of interest—ills of fixation.

As to an increase in the ratio of money to 

the produce of the ground, it would make no addition:—if by impoverish-

ment it forced some who, by anterior opu-

lence, had been able to withdraw from trade 

or withdrawn from it, to embark in trade 

as much capital as they thus embarked in trade; 

in that case, the supply of capital 

would be reduced, and the demand for it enlarge; 

intermediate mischief consists in granting 

this money at the public expense, though, 

it is said, it would be lent to the public, 

and in its amount in some measure 

unphilosophical and questionable, but sudden 

and determinant. Reduction from 5 to 4 per 

cent. would be a tax of exactly 4s. in the pound.

As to the effect in the way intended, it 

would be purely illusory. To the proportion 

of money employed in the shape of capital it 

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In France, there is one branch of commerce at least, in which it is possible to limit the portion of property that it is safe to risk in any one transaction. It is in the business of banking. The sum employed in this manufactory cannot be ex-compassed. If this liberty be useful in this branch of commerce, why should it not be equally so in every other, and especially in those branches recently discovered? The difficulty is not to be found in the number of natural obstacles to overcome, which it is needless to increase by legal interferences. It is to be regretted that, under the crown to limit and discriminate, the saries of genius may direct, which will rise in public estimation in proportion to merit of every kind. The energy of commerce and the progress of science, to be increased by the use of property, without the possibility of losing the capital of which they stand in need.

The cause which condemns projects, falls upon every species of new industry. It is a general attack upon the improvement of the arts and sciences. Everything which is routine to-day was originally a project; every manufacture, how old soever it may be, was once new; and when new, it was the production of that miscellaneous and bold race who were to destroy—the race of projectors! I know not what can be replied to this. Unless it be that the past projects have been useful, but that all future projects will not be so. Such assertion would be, however, require proof, strong in proportion to its opponents. It is a proper question to government to consider. In every career, experience has shown that there is something in literature, when new, so resembling a project; the warning to be derived from past failures may contribute to future security, if not to success.

There are some who are natural enemies to merit of every kind: every contest is studiously discouraged; and the opinion is entertained that the spirit of gaming, diverted from its pernicious direction, might serve to increase the productive power of commerce and art.

There are some who are natural enemies to merit of every kind: every contest is studiously discouraged; and the opinion is entertained that the spirit of gaming, diverted from its pernicious direction, might serve to increase the productive power of commerce and art. The aggregate of the good economy has always been increasing; but had that been the ease, no one should not have attained our present degree of prosperity. But they drive away a great many projectors, and they do not universally, when they have their work of Adam Smith—truths precious and irrefragable, which no one has more success-fully been proved to be false than this illustrious politician. But if these principles are followed out, so laws ought to exist for the restraint of projectors, and for preventing them from obtaining loans of the capital of which they stand in need.

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[Ch. III]

six, it labours in grief, in darkness, in awkwardness, embarrassment, and false shame— the bugbear of love and of esteem, but the frequent and afflicting companion of those cruel enemies, of merit and solitary genius. No

Not to speak of the obstacles which oppose the progress of an inventor innumerable with his projects and his wants, before he reaches the anti-chamber of the rich, or the noble, whom it may be necessary to persuade— suppose these obstacles overcome, and that he is admitted to their presence; how will the poor inventor, the incessant man of genius, behaviour whom he has arrived there? Often times he will lose his mind of forget, mind what he was about to say, stammer out some disconnected propositions; and finding himself disapproving, indignant that his merit should be thus treated, he will retire, resolving never again to expose himself to such an adventure.

And even when he is not devoid of courage, there is nothing more different, though in certain points the connexion may appear most intimate, than the talent of conceiving new ideas of certain kinds, and the talent of developing these ideas. Altogether occupied with the idea itself, the inventor is most frequently incapable of directing his attention to all the accessories which must be reunited before his invention can be understood and approved; his attention being entirely occupied with that which is passing in his own mind, he is incapable of attending to what passes in the minds of others— incapable of arranging and directing his operations, so that he may make the most favourable impression upon them.

Thus the ingenious philosopher, who has delivered the most excellent instructions requiring the art of developing the thoughts of others, and who possessed in so perfect a degree the talent of developing his own, well knew how necessary it was, that every career of invention should be understood of that eloquence, which is the very career of invention.

How many difficulties did Diderot experience in effecting this development— he who possessed this talent in so excellent a degree— where the two parties were agreed, had a common interest, and were equally wise and disposed! How numerous were the difficulties experienced by the ingenious artists of every description to whom he applied, in making him comprehend the fruits of their studies, when they had for their interpreter the man who was the most capable and the best qualified to understand them? How much more difficult would they have found it, if they had been applicants for the assistance necessary to render their projects available to a rich ignoramus, filled with the idea of the necessity which existed for his assistance, and puffed up with that pride which always accompanies wealth, when unattended by that politeness which education teaches, and of full that distrust which a poor project cannot fail to inspire in the mind of an individual favoured by such rank.

Should the inventor succeed in making his plan understood, let us see which opposes the interest of the capitalist accordin the desire: it is in this respect that the prohibition displays itself. How shall the poor inventor dare to propose a loan at the ordinary rate of interest? This rate of interest is the only rate of interest which will pursue all other conditions, thereby safe the capital from a burden. Is it possible that it could be otherwise than disadvantageous to him? A loan at the ordinary rate of interest cannot be hoped for; it is only to a most intimate friend that such a loan would be granted. Deposed of this resource, how shall be due to propose to the individual whose assistance he seeks, to expose himself to the rigor of the laws? Scarcely daring to ask for the assistance he needs, under the most secure and unquestionable conditions, how shall he propose conditions which the laws consider criminal? Whilst there are laws against usury, it may be said, there will still be usury. Yes, and whilst there are laws against theft, there will still be theft. You would forbid theft, without effect, and that theft is as common as if there were no laws against it.

In the same proportion as the tendency of these prohibitory laws is unfavourable to true merits in the field of invention, it is favourable to the cheat which assumes the appearance of merit, were it ever so banished, given to imposture, by preventing merit from entering into the competition. The essential requisite is not merit, but the gift of persuasion: this gift most naturally belongs to the superficial man, who knows the essence of half and half; and not to the studious and laborious individual, who is only acquainted with the abstract objects of his studies. It is true, that at all times truth possesses powerful advantages; but these advantages are less in proportion to the degree to which it relates is more removed from the ordinary routine, requiring great minds are capable of forming a judgment upon what is presented to them. It has therefore happened that, the arts which have been treated with the greatest confidence, whose projects are not so vast, meditate its universal application, have been the most facile to form; whilst that is possible to ascertain the amount furnished under the existing laws against theft, and the amount that has been sent to the authors of useful and practicable projects, it would most probably be found less than the amount which in the same space of time has been drawn by the professors of alchemy from the insatiable credulity of the ignorant or half learned.

RATES OF INTEREST— EVILS, &c.

Truth possesses, however, this advantage over error of every kind: it will ultimately prevail, however strong or how deplorable so ever may have been the disgraces it has undergone. This error respecting prohibitory laws is the only one which is nearly closed for ever. As the world advances, experience will show, that the principle, which inexperience has found in the path of inventive industry, will be filled up by the former and the minds of those who have fallen into them and been ruined. In this, as in every other career, the ages gone by have been the forlorn hope, which has received for those who follow them the blows of fortune. There is not one reason for hoping less well of future projects than of those which are passed; but here is one for hoping better.

The more closely the reasons, on account of which Adam Smith would have desired to discourage projects, are examined, the more astonishing it appears that he should have so widely deviated from the principles he had himself laid down. It is probable that his imagination had been pre-occupied with the idea of certain inculcations of dishonesty, projects, the history of whose proceedings had fallen under his own observation, and that he had a little too promptly taken these few individuals as exact models of the whole race. To preserve himself from the error of too hasty inferences, and to allow any proposition to escape without making all the reservations necessary to confuse within the limits of the exact truth, it is last humility, and even now the ideal

hope wise, useful, and successful projects, in the contemplative and idle, which useless and rash projects are justly covered, should be guarded against. Such is the character, for example, of the works of Swift. Under the pretense of ridiculing projects, he seeks to deliver up to the contempt of the ignorant, the sciences themselves. They were hateful in his eyes on two accounts: the one, because he was unacquainted with them; the other, because they were the work, and the glorious work, of that race which he hated ever since he had lost the hope of governing part of it.

The projector who seeks to deceive ought to be subjected; those who are deceived, to be instructed; the interests of science and justice equally demand that they should be distinguished. I cannot discern what purpose ridicule can serve, if it be not to confound the distinction between useless and useful projects.

In conclusion, some general conclusions might be added for the use of those who, little versed in the fundamental sciences in which the respective projects take their rise, may find themselves in a situation to be addressed by the author of a project, with the design of
When an excess of population in relation to the means of sustenance is a very proper measure. As a means of increasing the general wealth of a country, or of completing the security of its inhabitants, it is a very improper measure. All the cases upon which this subject are founded in illusions.

That colonies add to the general wealth of the mother-country; as they are increased, wealth increases also, if not in quantity, at least in value. And if these new wants are in consequence to the manifest gifts which nature has bestowed upon them; but in regard to wealth, the Frenchman would devour the riches of Mexico and Potosi, their effect has been to add to the quantity of vessels composed of the precious metals, and to the quantity of coin. The addition to the vessels increases the amount of real wealth — the addition to the colonies has all been lost: the new mass of gold and silver has had no other effect than to depreciate the old, and to diminish, in the same proportion, the value of all necessary revenues, without adding to the amount of real capital or future wealth.

Colonization requires an immediate expense — an actual loss of wealth, for a future profit — for a contingent gain. The capital which is carried away for the improvement of the colonies, had it been employed in the mother-country, would have added to its increasing wealth, as well as to the existing stability of the nation. But, as to the produce of the colonies, which have misled both governments, it is at least an anodyne to the mother-country.

If colonization be a folly when employed for the benefit of mankind, at large, it is equally foolish to the philosopher's stone, and to the alchymist, after all the misfortunes of their predecessors, long continued obstinately to seek for the philosopher's stone, and to this day, we hear a universal cry raised against its existence. But a question of this nature ought not to be obscured by deception. He who has the habit of concealing the number of articles by which a system is supported, instead of supporting it by the arguments by which the system is supported, does not deserve to be believed; we shall not find a single case in which it is not in opposition to the interest of the people. So many merchants, — have they deceived themselves in so simple a calculation as that of the profit or loss of colonial commerce? The experience of two or three centuries, has it not opened the eyes of governments? Would it not be extraordinary that they should obstinately sustain the enormous weight of these distant establishments, if their advantages were not clear and manifest?

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mother-country; they exchange them for corn and cloth. Those who supply these commodities, if they had not obtained such produce from their colonies, would have sold them to others. Suppose that the inhabitants of the colonies, in the place of buying their corn in France, were to buy it in England; France would lose nothing, on the whole; the consumption of corn would not be less: England having supplied St. Domingo, would now supply the colonies; but the colonies may be obliged to supply other countries, which would be obliged to supply themselves from France.

Trade is in proportion to capital. This is the principle: the total amount of trade in each country is always in proportion to the capital which each country possesses. I am a merchant. I have a capital of $10,000, employed in commerce. Suppose Spanish America was opened to me, could I, with my $10,000, carry on a great trade than I do at present? Suppose the West Indies were shut against me, would my $10,000 become useless in my hands? Should I not be able to apply them to some other foreign trade, or to make them useful in the interior of the country, to or employ them in some enterprise of domestic agriculture? It is thus that capital always preserves its value: the trade to which it gives birth may change its form or its direction, may flow in different channels, may be directed upon one manufacture or another, upon foreign or domestic undertakings; but the generation of active capitals always produce; and they produce the same quantity, the same value, or at least the same difference of their product does not deserve attention.

It is therefore the quantity of capital which determines the quantity of trade, and not the extent of the market, as it has been generally believed. Open a new market,—the quantity of trade will not be increased by some accidental circumstance, be increased; shut up an old market,—the quantity of trade will not be diminished, unless by accident, and only for a moment.

An advantage, however, of this nature can only be destructive. When you have made a profit in your colonies, it is necessary to keep the doors carefully shut: you have to use your colonies, whether upon importation or upon exportation, to furnish them to the mother-country, and never yield an equal return; that, far from constituting the strength of a state, they are always its weak and vulnerable points; that they keep up among maritime states, as a necessary tax on the seamen of the people of France, and in England, are subjected to heavy taxes, which have no other effect than to render the productions of the colonies dearer than if they were free.

To these considerations opposed to the colonial system, drawn from political economy, many others may be added, derived from justice and humanity. This system is
often mischievous to the people submitted to it; governments almost always, as it respects them, are a state either of jealousy or indifference: they are either neglected or pillaged, because the places of punishment for the reception of the vilest part of society, or places to be pillaged by minions and favouritism, whom it is considered as a public advantage to enrich. The sovereign, at two thousand leagues distance from his subjects, can be acquiesced neither with their wants, their interests, their manners, nor their character. Their most legitimate and weighty complaints are weakened by reason of distance, stripped of everything which might excite sensibility—of everything which might soften or subdue the pride of power, are delivered without defense into the cabinet of the prince, to the most insidious interpretations, to the most unfilial representations: the colonists are still too happy, if their demand of justice be not construed into a crime, and if their most moderate remonstrances are not punished as acts of rebellion. In a word, little is cared for their affliction—nothing is feared for their resentment—and their despotism is despised.

The most violent procedures are easily disguised under an appearance of necessity, and the best intentions will not always suffice to prevent the sacrifice of the public to private interests.

If we proceed to consider the situation of colonies in detail, we shall not fail to be struck with its disadvantages. Have the colonists any lawsuits in their mother-country?—any lawsuits in which they may be concerned, or which may concern them?—we have ever found a new source of wealth in the independence of the United States. The natural development of their population has thereby increased the number of men, more capital, and more industry. Great Britain, relieved from the expense of defense and government, has carried on a more advantageous commerce with a more numerous and wealthy people; and it is thus that everything concurs in proving, that the prosperity of a nation is a benefit in which all others participate, every one in proportion to his means; and that the colonial system is hurtful to Europeans, only because it is hurtful to the colonies.

Let us, however, see the consequences which we ought to draw from these data.

1. Ought we not to form any colonial establishment? Certainly not with the intention of enriching the mother-country: it is always a certain expense, for a contingent, for distant profit. But we have seen that, as a means of relieving the population—of preventing its excess, by providing a vest for those who find themselves overburthened upon their native soil, colonies become advantageous resource; and when it is well conducted, and free from any regulations which may hinder its prosperity, there may result from it a new people, with whom we shall possess all the advantages and resources of natural habits, of natural and political ties.

2. Ought colonies already possessed to be emancipated? Yes, certainly, if we only consider the saving of the expenses of their government, and the superior advantages of a free commerce. But in considering what is due to colonial establishments— to a family which has been abandoned—what should be looked after not to be abandoned. Can they maintain themselves? Will not their internal insignificance be interrupted? In the consideration of the class of the inhabitants being sacrificed to an extent that can only be in consequence of positive regulations of government, in the reduction of the number of slaves, or the slaves to the free men? Is it not necessary that they should be protected and directed, in their condition of comparative weakness and ignorance? Is not their protection due to the natural developments of dependence against anarchy, murder, and pillage? Such are the points of view under which this question has to be considered.

When we shall have ceased to consider ourselves for a moment, the eyes of Society, the greater number of their inconveniences will cease of themselves. Let governments lay aside all false mercantile notions, and all jealousy of such subjects, and everything shall be far better than in others—in the one 10 per cent., for example, in the others 15—

The greater the portion of capital employed in this most productive branch, in preference to the other less productive ones, the greater the annual addition to the aggregate mass of national wealth.

But so long as they do but know which of all the branches to open to them is most productive, individuals that have an engaged pecuniary capital to employ, are already as completely disposed to employ it in this most profitable branch, as all the exertions that can be employed by governments can make them be.

When, by the exertions of government, a mass of capital, which otherwise would have gone into a branch of productive industry producing but 15 per cent., is directed into a branch producing 10 per cent., the profit of these exertions is not the 16 per cent., but the difference between that and the 15 per cent., viz., the one per cent. It is for the 10 per cent., however, and not the 1 per cent., that credit is commonly taken by those statesmen who go to market for glory with the merit of affording encouragement to trade; and if 10 per cent. be the profit upon stock in the new branch, the whole 10 per cent. is taken credit for as profit by the measure, though 5 per cent. less have been the true fruit of it.

It is for the encouragement or creation of particular branches of trade or industry that statesmen have founded and defended, or attempted to conquer colonies. It is for the sake of colonies, more than for anything else, that governments have been levered or weakened, and finally destroyed. It is for the sake of a marine that they have conquered or attempted to conquer colonies. But the colonies, which are governed pay for the expense: in Europe, they have been the benefit of a marine and the capital of a nation; and reciprocally for the benefit of a marine and the security of a nation.

In America, it becomes a principle that those colonies are the points of view which renders their yoke burdensome will become free? Since then and when it is well considered, to the aggregate mass of national wealth, it may however, happen in some instances, that a branch of industry, which if pursued would be more profitable than any other, requires a mass of capital of such magnitude as individuals separately taken, or in small numbers, are not able to raise. But where this happens, it is in the power of government to take under consideration the whole under one management, and to bring to the aggregate mass of national wealth, by limiting the number of individuals who shall be allowed to contribute to it, and by not suffering a man to embark in trade any part of his property without embarking the whole, or giving an encouragement to this shape, government does little or nothing more than what the obstacles of its own creating, and the good it does, if any, is done at no expense.

* Each being multiplied by the number of
who govern should pay the expense. It is in Hindostan alone, that men pay in wealth for that security which before they never paid. A bargain on both sides was never made. Ambition, always blind, stumbles sometimes upon profit—sometimes upon a loss, at the expense of common wealth. Man is always ready to govern, no matter what the bargain.

Divide productive industry into any number of branches,—for instance four, as with Adam Smith:—husbandry, including mines under it; mining; manufactures for home consumption; manufactures for foreign consumption; and carrying trade. Every encouragement afforded to any one of the four branches operates to the amount in discouragement of all the others. If, however, the encouragement be given in the shape of capital granted or lent, it will make an addition, to the amount of capital, to the aggregate of real capital, and thence, to the amount of a per cent upon that capital, to the annual aggregate of growing wealth. But the addition thus made to wealth will depend for its magnitude, not on the choice made of the branch of industry, unless it is to an extremely minute part of it, but on the addition made to the productive capital of the community at the expense of its income. A mode that would bid as fair for disposing of the money to the best advantage, would be to let a certain number of commercial men draw lots for the money, with liberty to apply it each in his own way. But what, again, would contribute in an equal degree to the same end, is, if the nation has a debt, to employ the same sum in the buying in or paying off a portion of the debt; for in the way of course, under his own management, or that of somebody to whom he lends the money.

The first course is attended with expense, the other not. In the first way, the money being levied by taxes, which whether direct or indirect bear principally upon income, is so much added to national capital at the expense of national income,—in the other way, the money is so much taken from income on the contrary. The redemption of so much capital, it extinguishes or transfers the hands of government so much income: in the latter case, the community is exconsolated from a charge upon its income—a charge to which it is exposed subject to the other case.

Such are the general grounds upon which it appears, that these narrow measures deserve to be reckoned among the non-agenda;—we shall proceed to examine a variety of examples of measures of this kind more in detail.

§ 10. Non-agenda—Narrow measures.

Example 1. False encouragements—loans.

Of all the means whereby a government may give a particular direction to production, supply and demand is the most direct power to be employed in any particular branch of trade, is the least open to objection.

It ought, however, to be free from objection with respect to justice and to the convenience of the parties; and the latter, where does it arise but from taxes, and not from taxes paid by constraint? To take from one person, to pay to another, to diminish their actual enjoyments, or the amount which they would have laid in reserve, is to do a certain evil for an uncertain good—is to sacrifice security for the hope of increasing wealth.

If loans of this nature were always faithfully repaid, their injustice would be limited to a certain period. Let us suppose that the capital thus employed is £100,000, and that the whole sum has been levied in one year, the injustice of the measure will have begun and ended in a year; and if the money lent has produced an increase of industry, it is an advantage to be set in opposition to the evil arising from the tax.

But these loans have a natural tendency to be ill-employed, wasted, or stolen. Monarchs, prince or republics, are as liable to be deceived in the choice of individuals as in the choice of particular branches of commerce. Those who succeed with their money only that they possess the talent of persuasion, or understand the protocols of craft; but these are not the things which produce success in trade. It may be seen in the work of Mirabeau upon the Prussian Monarchy, that Frederick II., with all his vigilance and severity, was often deceived by the lightness of the courage of those who obtained from his aversive credulity the success of their designs. Thus, in the train of the first unjust tax for the formation of the capital lent, follow other taxes, rendered necessary to replace the sum, the same proportions to which the first has been exposed.

It is also most probable, that the capital thus obtained will be applied upon branches of industry less productive than those towards which it was naturally directed itself. What is the answer? To be levied by taxes; and upon the borrower? That the trade he wishes to establish shall be lost, if we consider the use which might have been made of it in lighting the public burthens. Suppose, then, that the government has been lent with this view without interest—sometimes at an interest below the ordinary rate. In the first case, if it be repaid, it is not the capital which is lost, but only the interest; in the second case, it is the whole, both the interest and the capital. The difference between the lower and the ordinary rate. It is the same false policy as to lend it; and all the difference is in the degree. It may be observed, that gratuities grants are more likely to be wasted than loans: it may be that, in the latter case, the property received as a gift tends to produce prodigality: as it has been obtained without the labour, it seems to have the less value.

In some cases, capital has been given, not only to encourage the consumption of money, but that of goods, by advancing to a manufacturer, for example, those articles which he wants for the completion of his work.

This plan may have the good effect of insuring the employment of the articles furnished upon the intended object. Those articles, however, with which the government interferes, are ordinarily dearer, and worse in quality, than those which the individual, with the same sum of money, could have obtained at his own choice. It is not the best method of treating men worthy of confidence; and it will not succeed with those who are unworthy of trust, since, after they are put in possession of them, they can correct the articles into money, and spend the amount. There may be measures which would oblige this danger: inspection, survey, &c.; but, when it regards a plan radically bad, the discussion of the comparative inconveniences of any particular scheme, whereby the risk may be diminished, is not worth the labour it would cost.

§ 11. Non-agenda—Narrow measures.

Example 2. Gift, or gratuitous loan.

We refer to the number of instances in which the receivers of the money, in lieu of annuities, would employ each of them his money in some branch of industry, in his own way of course, under his own management, or that of somebody to whom he lends the money.

The first course is attended with expense, the other not. In the first way, the money being levied by taxes, which whether direct or indirect bear principally upon income, is so much added to national capital at the expense of national income,—in the other way, the money is so much taken from income on the contrary. The redemption of so much capital, it extinguishes or transfers the hands of government so much income: in the latter case, the community is exconsolated from a charge upon its income—a charge to which it is exposed subject to the other case.

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§ 10. Non-agenda—Narrow measures.

Example 1. False encouragements—loans.
he has possessed other means of producing it. The bounty may have operated upon its estimation, but it cannot have contributed to its ability. "

The bounty has been bestowed upon particular branches of trade for all intents and purposes — not on account of their antiquity, on account of their novelty — because they were flourishing, because they were decaying — because they were advantageous, because they were disadvantageous — because there would be little or no loss in improving them, and because it was feared they would grow worse; — so that there is no species of commerce in the world which could not, by one or other of these contrary reasons, claim this kind of favour during every moment of its existence.

It is in the case of an old branch of trade that the evil of such measures must be most enormous, and in that of a new one that its influence is most striking. A long-established branch of trade is in general widely extended; this extenuates the force of the bounty for those who solicit these favours for their support; and, to give it effect, it ought at the same time to be represented as gainful and lucrative.— granting, that there may be a disposition to preserve it without doing it a disservice to it.

In the case of a new branch of trade or industry, the facility of the measures, and the effectual peculiar feature. Here, there is no reason which constitutes the mask of an apparent necessity — no pompous descriptions of the effect. All which can be alleged is, that, once established, it would become great and lucrative, but what it wants is to be established. What, then, is done for its establishment? Measures are taken, which can only operate after it is established. When the trade is established, it will bring such great success that it will yield, for example, fifty per cent; but, to establish it, it requires such large advances, that it is doubtful if those who propose the capital will make them, on account of the risks which are almost always insuperable from every new undertaking. What course does the author pursue? Does it lend capital? No, this would be too small. Does it lend stock? No, this would be too great. It will give a bounty upon the article when it shall have been made: till then, it says, they will give no money. Thus, to the fifty per cent. you will gain by your merchandize, we will give a bounty of ten per cent. Very well; and, according to this reasoning, at what time will you refuse assistance? You refuse so long as the bestowment of the bounty is such as you grant it in order that something may be done, not that it shall have been already done by means independent of you. 

The capital bestowed upon a new branch of industry for an experiment, is always composed, but what is charged upon a bounty is always, or at least it is always supposed, that it will be a large one; for unless a large quantity of the merchandise be manufactured and sold, and consequently, unless a large quantity of the bounty be paid; the object is considered as uselessly paid for its continuance known no bounds.

Although a bounty upon production adds nothing to the abundance of any article of general consumption, it diminishes the price to the buyer. Suppose that, in Scotland, there were a bounty upon the production of oats, and that the bounty were paid by a tax upon beer brewed from this grain; oats would not be more abundant than before; but they would be sold at a less price to the buyer; (though the merchant would make the same profit) whilst the beer brewed with this grain would be proportionally dearer: the consumer of oats would not find himself richer than before, but for the same price he could buy a greater quantity of this grain in the form of food, and less in the shape of drink. I speak here of relative abundance, in proportion to the ordinary consumption: I speak of superfertility, compared with habitual wants. The lower this commodity is in price, compared with those others, the greater will be the demand for it: more will be produced in consequence of the increased demand, more will not be produced than is demanded; the commodity, as it respects abundance, will remain upon the same footing as before. If a supernumerary bounty is required — if a quantity be required in addition to what is actually produced, other measures must be resorted to than a bounty upon production. If a bounty upon production could be justly justified, it would seem that it ought to be in such a state as to be an article of general consumption — as corn.

By a bounty upon production was meant an increase of abundance, on which account it was better than a bounty on exportation.

Bounties upon Production. In England, oats in Scotland, potatoes in Ireland, and rice in India; but it would only suppose so as a means of producing equality, and not under any other point of view. In fact, this measure does not tend to produce what it is intended to produce: what it does, is to take the money out of the pockets of the rich, to put it into the pockets of the poor. A commodity of general consumption is always the most necessary of all the articles of life — it is always that which the poor make the greatest use of. The wealthy man is the more he conveys of other commodities besides this universal commodity. Suppose, then, a bounty upon the production of oats in Scotland: if nothing be consumed there but oats, or if there be only a tax upon oats, the persons who reap the advantage of the bounty will be those who bear the burden of the tax, and in the same proportion, inasmuch as the expense of levying the tax would be the only result of this measure. But commodities of all kinds are consumed in Scotland, and taxes are levied upon a great variety of commodities. Oats, the commodity of the poor, being the object not of a tax but of a bounty, and the articles consumed by the rich being the object not of a bounty but of a tax, a proportion of the bounty upon the production of oats is paid; the result will be, that the poor will obtain the commodity of which they make the greatest use at a lower price.

I agree to this: but does it follow that their condition will be bettered? Not at all. Oats will be sold to the poor at a lower price, but they will have less money wherewith to buy them. All the means of subsistence in this class resolve themselves into the wages of labour; but the wages of labour necessarily depend upon the degree of consequence which a country possesses; that is, upon the quantity of capital applicable to the purchase of labour, in connexion with the quantity of labour; thequantity of labour, in connexion with the quantity of money which is paid for the work of labourers whilst they work for a ration of oats, they will no longer be as likely to accept the same, because the price of oats are at a lower price.

All that relates to this mode of encouragement may be summed up in a few words: —

The natural course of things gives a bounty upon production; its application to industry is the same thing -- in the same advantageous branches — a bounty of which the division will always be made in the most equitable manner. If artificial bounties take the same course as the natural, they are advantageous — if they take a different course, they are injurious.
A man who passed his light guinea, by cleverly both cases, the money is equally lost: the
produced, less is produced of that which is taxed.

If more of this untaxed merchandise be pro-
aparticular exempted has nothing which justifies this
cannot be blamed absolutely; for it is to be
were no taxes. But, relatively, any
other. If this rivalry be not
which is not, in the
capital in the hands of the
maker or seller, is a modification of a bounty
imposed upon any article in the hands of the
production.

Suppose an article of our manufacture, all-
any advantage

Suppose an article of our manufacture, al-
any advantage

The Irishman who passed his light guinea, by cleverly both cases, the money is equally lost: the
produced, less is produced of that which is taxed.

If more of this untaxed merchandise be pro-
aparticular exempted has nothing which justifies this
cannot be blamed absolutely; for it is to be
were no taxes. But, relatively, any
other. If this rivalry be not
which is not, in the
capital in the hands of the
maker or seller, is a modification of a bounty
imposed upon any article in the hands of the
production.

Suppose an article of our manufacture, all-
any advantage

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of a favoured manufacturer, and you at once create all the mischief of a monopoly. You enable the monopolists to sell at a higher rate, and you diminish the number of enjoyment. You grant them the singular privilege of monopolising inferior articles, or of raising prices, and improving them; you weaken the competition and emulation, which exists only when there is competition; in short, you favour the cutting of a small number of individuals, at the expense of those who would have enjoyed the benefits; you give to a few bad manufac-
turers an excessive degree of wealth, instead of supplying the wants of ten thousand good ones; you also wound the feelings of the people, by the idea of injustice and violence at-
tached to the partiality of this measure.

Prohibitions of foreign manufactures are most frequently applied to those objects which foreigners can supply less expensively, on ac-
count of some peculiarity arising from their soil or their industry. By such prohibi-
tions, you refuse to participate in this natural advantage which they enjoy; you prefer what costs you more capital and labour; you em-
ploy your workmen and your capital at a less, rather than receive from the hands of a rival what he offers you of a better quality or at a lower price. If you hope by these means to support a trade which would otherwise cease, it may be supported, it is true; but, left to itself, capital would only be transferred to another branch, where its disadvantages are unavoidable, to enter upon others where it would be employed with greater advantage. The greatest of all is this to suppose, that by prohibitions, whether of foreign or domestic manufactures, more trade can be obtained. The quantity of capital, the efficient cause of all increase, where its disadvantages are unavoidable, to

turn itself, capital would only leave this channel it may be supported, it is a source of capital, the efficient cause of all increase, whether of foreign or domestic manufactures, all agre-
ning to prevent this. I am afraid that the same objection may not be made to the measure which primary effect is to diminish the number of

importation, men have consented, at great ex-

The expense most evidently lost, is that of

taking the money is received with one

A tax upon one of two rival branches of trade can have no effect in favour of the other, but in so far as it operates as a prohibition. If the same quantity of the commodity meant to be discouraged, be sold notwithstanding the tax, the advantage gained by the commodity meant to be favoured, amounts to nothing.

For so far it operates as a prohibition, we have seen that good it can do nothing—it only transfers capital from one employment to another, without producing any increase of wealth; harm it may do, and is likely enough to do—though we have seen that it may also happen not to do any harm.

As a tax, it may do good or harm according to its particular nature:—good, if it stand instead of a worse; harm if it stand instead of one less burdensome.

Example 8. Taxation of rivals. In regard to the prohibition of rival im-
portation, it is entirely insufficient or miscible is here the alternative.

If the foreign article cannot import, 

be as cheap in comparison of its quality as the article meant to be favoured, it will not be imported—so long as that is the
case, a prohibition is put upon it by nature. If it had not been for the prohibition, it would 
have been sold cheaper, the prohibition is to be put upon us the amounts of the difference in prize. I say, in 
point of barter: for as to that benefit which it is the property of a real tax to produce, viz. a supply for expenditure, or a relief to an
diminishment from the bounties of other countries, it is of no use. As far as it falls of
preventing the import, it gives no encour-
agement to any other branch in question nor consequently to the particular portion of wealth employed in that trade: its effect is to tax the money on the subject, in quality of a tax; but the persons on whom the money is levied are our own people, as much as if it were among the articles produced at home. As such, it is good; either be a good or a bad tax: the question is, as far as it goes:—though in regard to its temporary consequences, it cannot be produc-
tive of all the mischief of a tax on which home manufacture is capable of being pro-
ductive.

Example 10. Drawbacks on exportation. What is called giving a drawback on export-
tation, is the restitution of a tax already lev-
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meant to be favoured, amounts to nothing.

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the various effects of all kinds—as well those which were direct and immediate, as those which were.

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under my cognizance, would be the most ad-

vantagous. Extra expenses there doubtless are, and difficulties, incident to the business of getting workmen from a foreign country, even if there are no laws in that country for our own to add to the amount; but all difficulties and expenses of this nature I suppose provided for and met, as in many instances they actually have been.

Still, then, the same argument, and still with undiminished force; the more evidently advantageous for the individual the employment of his money in this way, the more evidently unnecessary is it for government to employ that of the nation in this way.

In the first case, the burthen is borne by him who receives the benefit — in the other case, by those who receive no part of it: — in the first case, the probability of success in the project, and the security against unnecessary expense, are at their highest pitch — in the other, at their lowest.

On the part of governments in general, the passion for getting arts and bands from abroad does not appear so conspicuous as the dread of losing their own.

\[\text{§ 22 Non-agENTS -- Narrow measures.}\]

Example 13. Fixation of prices.

The limitation of the price of commodities may have two opposite objects. — 1. The first is in endeavoring them dearer; 2. The rendering them cheaper.

The first of these objects is least natural; so many commodities, so many means of enjoyment; to put them within the reach of the largest number, is to contribute to the general happiness. This motive, however, is not unexampled; and interesting it may be, as an instance of its exercise. Legislators have often endeavored, and without reason, to increase their price, with the design of limiting the consumption of their produce. Where is the farmer, where is the manufacturer, who will submit to employ labourers who cost them more than they yield? In a word, a regulation which fixes the minimum of wages, is a regulation of a prohibitory nature, which excludes from the competition all those whose labour is not worth the price fixed.

The fixation of the rate of wages, in order to prevent their excess, is a favour conferred on the rich at the expense of the poor — on the master at the expense of the workman. It is a violation, with regard to the weakest class, of the principles of security and property.

\[\text{§ 59. WeALTH -- Means of Increase.}\]

In no true progress of wealth in its natural channel, we shall clearly perceive that the interposition of government is only benefi-
cial and necessary when employed in the maintenance of security, in the removal of defects, and in the diffusion of knowledge.

Wealth may be increased —

1. By increasing the efficacy of labour.
2. By increasing the mass of capital.
3. By the more advantageous employment of capital.
4. By increasing the capital.

This subject might furnish most interesting and instructive details: we shall confine ourselves to a simple enumeration of the means whereby it may be accomplished.

\[\text{CH. III.}\]

The efficacy of labour may be augmented —

1. By increase of skill and dexterity.
2. By increase of the time occupied by superfluous movements.
3. In the improvement of machines.
4. By employing, instead of human labour, more powerful and less costly prime movers, — machines; bats, air, fire.
5. By the more advantageous employment of capital.

The two first advantages are obtained by the direct exercise of the navigating the channels of labour and to employ the merchants as their clerks.

The most common fixation has been that of the rate of interest. It has already been discussed. (See Ch. III. §§ 6 & 7.)

The fixation of the price of wages (espe-
cially with regard to agriculture) has often been proposed, and even carried into effect, for the most opposite reasons: to prevent what is considered as an excess — to remedy what has been regarded as a deficiency.

In this latter point of view, this measure is liable to great objection. To fix the maximum of wages, to exclude from labour many workmen who would otherwise have been employed; to aggrandise the distress you wish to relieve. In fact, all that can be done is limited to determining, that if they are employed they shall not receive less than the price fixed; it is useless to erect that they should be employed. Where is the farmer, where is the manufacturer, who will submit to employ labourers who cost them more than they yield? In a word, a regulation which fixes the minimum of wages, is a regulation of a prohibitory nature, which excludes from the competition all those whose labour is not worth the price fixed.

The limitation of the price of commodities

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certain quantity from your mines; with fifty
you will in future be able to raise the same
quantity. If it were necessary to support the
others in illnes, where would be the evil?
In some or other countries, where the
finished workers cannot easily get new
employment to which to apply themselves,
where there is no capital ready to furnish
him employment that suits him, this objec-
tion would not be without force. It is, how-
ever, a transient evil, to which transient
remedies ought to be applied.
II. By the increase of the number of la-
bourers.
I have nothing further to add upon this
subject to what is said in the chapter on po-
pulation (Ch. IV.) but I shall point out those
things which, in an indirect manner, tend to
produce this effect.
1. By the blighting of all prejudices un-
favorable to labour. Honour has tied the
hands of some—religion of others. Some have
been kept in a state of perpetual illnes—
others in a state of perpetual indigence. In
some Catholic countries, the souls' days oc-
cupy more than one hundred working days.
The loss of these days alone ought not to
only be considered, but also the bad habits
in which these illnes encourages. These
men had not worked upon the saint's day; they do not
work on the day following, because they
were intoxicated the day past.
2. The amount of labour may be increased
by giving productive employment to those
classes of men who, owing to their station in
life, are not fit for any other employment—nothing—
to prisoners, beggars, drones, and the
soldiers. It has been pretended that,
to make a good soldier, an individual ought
to follow no other trade: as exception
ought at least to be made in favour of those
men who may be useful in war, as the
digging of ditches, the construction of
bridges, the raising up of embankments,
and the formation and repair of roads. * These
employments afford an inexhaustible means
of increasing the most permanent part of the
capital of a nation.
In order to allure for coercive motives
—reward for punishment; with suitable pre-
cautions, abolish all services in kind, all forced
labour and slavery. A country populated
with seers will be always poor. Pay for labour
in money, and the reward, mingling drop after
drop, will encrease its litten-
ness: every free labourer is worth two slaves.
This reflection is often presented in this work.
* It is said that the success of the American
armies was partly owing to their skill in these
branches, they excelled distantly and the
country, with which they exchanged their seers,
possessed no such advantage in a still higher degree.

WEALTH—MEANS OF INCREASE.

large properties divided into three or four
parts, the proprietor would render them intelligent
and industrious. Where a nobleman employs
twenty gardeners in raising pines and pears,
taking care of bowling greens. Five manu-
cfacturers would employ twenty hucksters in
the sale of those goods to themselves and a hun-
dred workmen. But let it not be supposed
that I recommend agrarian laws and forced
labour: they would be to cut off an arm, in
order to avoid a scratch.
1V. By increasing the mass of capital.
1. The addition made to the wealth of a na-
tion in one year, is the total number of
the values destroyed or exported in the course
of the same year.
2. The increase of the money is increase of wealth. It
is, in the same manner, the
pecuniary price of all commodities not
produced by the individual, at the
pecuniary price of every article
after
the
x
y
z

The addition made to the pecuniary wealth of a community is, in the same manner,
the difference between the sum produced or im-
ported, and the sum consumed or exported in the
period in question.

The case is not the same with a nation. If
its coin be to-day £1,000,000 sterling, and
to-morrow it were to be £2,000,000, its
wealth would not be doubled as was that of
the individual. As it respects its internal
condition, the nation would not be richer than
before; instead of having at its command a
double quantity of productions, it would only have
the same.

It is true, that in exporting to other na-
tions this suddenly acquired mass, the com-
munity in question would obtain an increase
of the value of all commodities not pecu-
nary wealth but in proportion as this exchange is made, the
pecuniary wealth of the country will be the sam-
e: it ceases to possess the addition
of the coin.

This apparent contradiction between the
two cases is easily removed. When an indi-
vidual finds the quantity of coin which he
possesses suddenly doubled, the value of the coin
is not diminished by this addition: this
community to which he belongs does not pos-
sess more than before, supposing that the
amount has not been received from abroad.
The proportion between the amount of coin
and the things to be sold remains exactly the same.

The value of all the things sold in the
course of a year is equal in value to the sum
of the coin given in exchange for them; that is,
to the value of the actual quantity of the coin,
multiplied by the number of times it has been
exchanged. Each of these masses is equal in value to the other; since, by this
position, the one has been exchanged for
the other.

This equality exists, whatever may be the
difference in quantity between these two
cases, provided only that the coin produc-
tion of labour exceed the amount of pro-
ducts consumed.

In the case of an individual, increase of
money is increase of wealth. If his fortune
consist to-day of one thousand guineas, and
he has two thousand to-morrow, he will be
twice as rich as he was the day before: he
cannot increase the quantity of the pro-
duction of all kinds of labour.

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Upon this subject, see Vol. I. Principles of
the Civil Code, p. 322.
In the quantity of labour received, exceeding the quantity of labour given in exchange. It is not necessary in this place to examine to what degree soil, climate, situation, or any part of the price of commodities, all other things remaining the same, is important, in proportion to the coin, and a measure of its quantity. This deflation of value is equivalent to a direct tax upon pecuniary resources; and is in its effects as great as they are sudden, in the way of a sudden increase in the mass of pecuniary capital, whatever metallic or other contrivance may be adopted to prevent the existence of the precious metals. This is what has everywhere been experienced in France under the system of Law, or its imaginary wealth becomes the instrument of prudence; it ruins one part of its subjects. For the production of equality, some advantage results from every thing that one man has invented, all the others have encouraged cultivation as much as possible, depending upon foreign market is to be pursued, to insure abundance of the country to which it may refer. This particularly may happen to a small community in the neighbourhood of a large one. Establish an unlimited freedom of trade in the small community, the great one may ruin it by means of gold. In case of famine, it might purchase all its provisions; so the approach of war, it might procure them in the same manner.

The conduct to be pursued, to insure the preservation of the means of subsistence and defence, are infinitely diversified by the situation, the soil, the climate, and the extent of the country to which it may refer. The great difficulty to be overcome is returning to the advantage of trades of good and bad harvests. If the produce be less than what the consumption, the evil is evident: if it be greater, the abundance lessens the price, and the farmer is ruined or discouraged, and the year is not properly one of a deficiency. For the production of equality, some have established public granaries for storing up the superabundance of years of plenty; others have encouraged cultivation as much as possible, depending upon foreign upon practice. It is of greater importance to prevent this than to interfere to prevent those exchanges which require an expenditure of the precious metals. The advantage belonging to dexterity are greater benefits. Preventing the profits of every one, is less than the coin. The time is saved by ingenuity. The advantages belonging to dexterity are great, and may be compensated by the exclusion of the precious metals. There is a tax which requires an expenditure of the precious metals. This is what has everywhere been experienced in France under the system of Law, or its imaginary wealth becomes the instrument of prudence; it ruins one part of its subjects. For the production of equality, some advantage results from every thing that one man has invented, all the others have encouraged cultivation as much as possible, depending upon foreign market is to be pursued, to insure abundance of the country to which it may refer. This particularly may happen to a small community in the neighbourhood of a large one. Establish an unlimited freedom of trade in the small community, the great one may ruin it by means of gold. In case of famine, it might purchase all its provisions; so the approach of war, it might procure them in the same manner.

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The price of an article is an extra reward for an extra advantage, be it ever so small. To grant patents to a limited number of men. With respect to a great number of inventions in the arts, an exclusive privilege is absolutely necessary, in order that what is won may not be run. In new inventions, protection against imitators is not less necessary than in established manufactures protection against thieves. He who has no hope that he shall reap, will not take the trouble to sow. But that which one has invented, all the world can imitate. Without that protection, the inventor would almost always be driven out of the market by his rival, who would reap, without any expense, in possession of a discovery which has cost the inventor much time and expense, would be able to reap the advantage of all his deserved advantages, by selling at a lower price. An exclusive privilege is of all rewards the best provided for. The most natural, and the least burdensome. It produces an infinite effect, and yet costs nothing. Grant me fifteen years," says the inventor, "that I may reap the fruit of my labours; after this term, it shall be enjoyed by all the world." Does the sovereign say, "No, you shall not have it," what is in the exclusive peculiar to you then it is no thing. If an article which only costs you one day's labour, you think you may obtain a greater profit than this is from the adoption of this plan that England has enjoyed an abundance sufficiently regular. The different methods by which real wealth may be increased, we see that government may only rely upon the intelligence and inclination of individuals for putting them in operation, and that nothing is necessary to be done on their part but to leave them in possession of the power, to inspire them to the right of enjoy- ment, and to hasten the development of the general knowledge. All that it can do with success may be ranged under this small num- ber of heads: 1. To encourage the study of different branches of natural philosophy. The difficulties of science form a barrier between practice and theory, between the artisan and the philosopher. 2. To institute prizes for discoveries and experiments. 3. To cause the processes employed in every branch of trade to be published. The price of an article is an extra reward for an extra advantage, be it ever so small. To grant patents to a limited number of men. With respect to a great number of inventions in the arts, an exclusive privilege is absolutely necessary, in order that what is won may not be run. In new inventions, protection against imitators is not less necessary than in established manufactures protection against thieves. He who has no hope that he shall reap, will not take the trouble to sow. But that which one has invented, all the world can imitate. 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have been long established in England. An abuse, however, has crept into the system of granting them, which tends to destroy the advantage which results from them. The privilege, which ought to be gratuitous, has afforded an opportunity for plundering inventors, and the direction of the custom has converted it into a right. It is a real conspiracy against the interest of the national wealth.

We may picture to ourselves a poor and timid inventor, after years consumed in labour and uncertainty, presenting himself at the Patent Office to receive the privilege which he has heard that the law bestows upon him. Immediately the great officers of the crown pounce upon him together, as vultures upon their prey:—a solicitor-general, who levies his four guineas upon him; a keeper of the privy seal, four guineas and a half; a keeper of another seal, four guineas; a secretary of state, sixteen guineas; the lord chancellor, who cloes the procession, as the first in dignity, so also the first in rapacity,—he cannot take less than twenty-six guineas.* Need it be added, that in carrying on this process of extortion, recourse is had to fraud—that the individual applying for a patent is referred from office to office, that different pretexts may be afforded for payment—that not one of those officers, great or small, takes the trouble to read a single word of the farago of none-sense which they sign, and therefore that the whole parliament of corruption is only a farce! Suppose a law, granting the patent as an act of grace, condition—suppose another law, prohibiting the obtaining of a patent under a penalty of fifty guineas: what ex- clamations should we not hear against such contradictory laws and such folly! And yet this supposed folly is only half as great as the folly actually displayed. People always allow themselves to be duped by words. The law, or rather the customary abuse which has arisen from the force of law, instead of a permutation, is, as it respects the greater number of inventors, a real, although masked prohibition. If you wish to strip off this mask, translate the language into the language of sense.

These insults and oppressions have sometimes been approved as tending to repress the tendency of patent-operators; in the same man-

or, taxes upon law proceedings have been applauded as tending to repress the tenacity of suitors:—as if poverty was synonymous with poverty of spirit:—or even that the rich only had need of the assistance of the laws, or that they only were worthy of any regard. It was the reason why only half opening the doors of the temple of justice were not equally conclusive for closing the gates of vaccination. Much may be done on the part of the government to induce them to it as half as many others, by instruction:—more or less is required to be done, in proportion as by the moral influence of the people, operations of this class are excluded from the class of spine acts, and thence placed among the agenda.

CHAPTER IV.

OF POPULATION.

§ 1. Spontaneous increase.

With regard to increase of population by birth, every thing may be left to the spontaneous action of nature. All that governments need do is to prevent decrease by depopulation.

To prevent depopulation is to afford security — security against the extremity of all mischief, the destruction of man’s life. The sources of danger are — external hostilities, internal hostilities, and calamity. With regard to the first, the interference of government, as it is the duty of government to police and police the following are examples of insti-
tutions for preventing depopulation from causes of internal danger:

1. Hospitals for the use of curable sick and for the care of the poor who are the stewards of the poor where confidence and security are treasured up — where confidence and security are found — where the consolations of old age are may be treasured up — where we may behold ourselves replaced by other selves — where we may say, I shall not entirely die. A man wants an associate, a confidant, a counsellor, a keeper of life, a man who, in his eyes, is worth all others. It is the last in the senseless vocabulary of pride, but which the enlightened politician regards as the first.

It is in the country especially that men seek to marry. A bachelor does not possess the resources he can find in a town. A husbandman, a farmer, requires the con-
sistence of a wife, to attend to their concerns at all the hours of the day.

The population of the productive classes is limited only by their real wants; that of the unproductive classes is limited by their conventional wants.

With regard to these, instead of inducing them to marry by invitations, rewards, and menaces, as did Augustus, we ought to be relating to population was not a new idea. But what was not, was to make it a legal object of concern, and to secure a proper application of it; to deduce from it the solution of so many historical problems; to survey the whole of the subject. This was the work of many years anterior to his. This chapter, with many others before it, is addressed to the above-named institutions, and is addressed to the public opinion. It is the work of the Bibliographique Britannique, published at Paris, and was corrected in the 22nd volume in 1796. If Mr. Maltezus had known it, he might have enclosed it as an additional proof that his principle is also a means of increasing population, but there is only one: it consists in increasing the national wealth, or, to speak more correctly, in allowing it to increase.

Young women, says Montesquieu, are suffi-
ciently open to marriage, and therefore be.

is only permitted in this condition: that they are not expected from a double subject, and that they are placed at the head of a little empire. It is the young man, the noble, who need to be contented.

But why? Do the motives which lead men to marry want force? It is only by marriage that a man can obtain the favours of the woman who, in his eyes, is worth all others. It is only by marriage that he can live freely and publicly with an honest and respectable woman, and who will live only for him. There is nothing more delightful than the hope of a family, where proofs of the tenderest affec-
tions may be given and received, and where power blended with kindness may be exerted — where confidence and security are found — where the consolations of old age may be treasured up — where we may behold ourselves replaced by other selves — where we may say, I shall not entirely die. A man wants an associate, a confidant, a counsellor, a keeper of life, a man who, in his eyes, is worth all others. It is the last in the senseless vocabulary of pride, but which the enlightened politician regards as the first.

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and practice. Habits of industry are neither evil? A workman may in a moment be in the eyes of others, and his happiness is generally owing to a reverse in his condition. It is also a version into labourers.* Convents have been frequently imitated. Humanity was the motive that the class of idlers were not relieved. On the contrary, the more they increased. In fact, every individual requires a warning to other members. Cultivation increases in proportion to diminish their welfare is exactly in the inverse order to diminish their number is therefore affirmed, that circumstances may not have sufficiently encouraged marriage, or the introduction of new lands, have produced a benefit which had never thought of quitting their country, a mass of productions from that country, a mass of productions of fecundity. They would thus be prevented; the air would have been rendered more salubrious. The opposite regulations do not diminish the number of those who live in celibacy. The workmen and capitals carried away by emigrations to America. Could all the frontiers of a great country be closed, and the means for carrying this regulation of the corporation of the most fruitful, watchmen who should be stationed over the mean of consumption is less apparent. It is the ancient quarrel of the belly and the head of statesmen, whom it would be necessary perhaps to repress by violence, and who would become enemies when they found themselves treated as such. Others, who had never thought of quitting their country, would become uneasy when they found themselves obliged to remain; whilst others, who might have thought of establishing themselves there, would take care not to do it. For those individuals retained against their will, you lose those who would have come among you voluntarily.

England has sustained temporary losses of men and capital, by emigrations to America. What has happened? She has received from that country, a mass of productions which have more than compensated the loss. The man and capitals carried away by emigrations to new lands, have produced a benefit; the more the more individuals retained against their will. Cases must be distinguished in which the population of a great country be closed, and the means for carrying this regulation of the corporation of the most fruitful, watchmen who should be stationed over the mean of consumption is less apparent. It is the ancient quarrel of the belly and the head of statesmen, whom it would be necessary perhaps to repress by violence, and who would become enemies when they found themselves treated as such. Others, who had never thought of quitting their country, would become uneasy when they found themselves obliged to remain; whilst others, who might have thought of establishing themselves there, would take care not to do it. For those individuals retained against their will, you lose those who would have come among you voluntarily.

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Taxes take from present enjoyment; they diminish comfort as proportion as they are paid by a present contributor; and the vexation of the whole, which, had it not been for the tax, would have been spent on articles by the production of which real capital is increased; or even by being taken from that portion of his money which is expended in the way of maintenance, in so far as the money, had it not been taken from him by the taxes, would have been employed in the shape of pecuniary capital, by which real capital is increased.

Taxes, therefore, take from growing wealth — 1. In as far as they are levied on capital; via. on money destined for employment in the shape of capital, or on goods or labour, of which real capital is composed — 2. In as far as they are levied on income, or expenditure in the way of income, of men who lay up money to be employed as capital, or would have laid it up, had it not been for the tax.

Borrowing money to defray war expenses, takes from growing wealth, in the amount of the sums so raised — minus the amount of mercantile profit upon such part of the expense as consists of purchased articles.

Repaying money formerly borrowed for war, or other public purposes, adds to pecuniary capital — likewise to real capital — likewise to growing wealth, to the amount of the money so employed in such repayment or discharge; deducting such part, if any, as is exported without return to foreign countries; which the case with such part as is exported by the owner, who is to be employed abroad by the owner on his account without being reimposed, — that or the profit made by it.

The more discharge of a million worth of debt, as much, or more, is therefore done toward the increase of wealth, by a million given away of bounties for the encouragement of this or that particular branch of trade.

Those who in the one case receive the amount of the debt respectively due to them, give up that amount, the whole of the community is exonerated from the payment of it; those who in the other receive the million on the score of bounty, give up nothing in return for it.

Taxes, therefore, to borrow, borrowing it, in part at least of foreigners, is attended with two advantages. At the time of borrowing, it diminishes the consumption of home capital, the consequent check to production, and the loss to private borrowers as well as to government by the sudden rise in the rate of interest. At the time of paying off, it diminishes the loss produced by the extra demand of gold and silver in the market (money which must be held out in the shape of capital,) and in the rate of interest which is the consequence. By moneyed men, understand here — not the opulent, but all, to the very poorest, whose incomes arise out of the interest of money, and that interest redounded.

Some men grieve on this occasion, at the thoughts of the money that goes out of the nation to pay foreigners. A housekeeper might as well grieve at the thoughts of the money that goes out of the house to pay the baker. If to-day the money goes out of the house, it is because the other day the bread came into it. Do without bread, or lack the baker, the money will be saved.

Taxes are either on property, or on presumption of property. In both cases, they are either on income or on capital. Taxes on property in the shape of income, are either direct, or on consumption, called of late years, from the French, indirect taxes.

Taxes on a capital diminish present capital, and thence future and growing wealth, by the whole of the amount of the savings that would have been made out of income, and added to capital, instead of being spent in taxes, which had not been for the tax.

The fault of direct taxes on presumption of property is inequality — that of direct taxes on property in vocation. Indirect taxes have no fault beyond the more privations, which must be undergone at any rate: the vocation which in the case of direct taxes on property extends to everybody, is confined in the case of indirect taxes to the fabricators and venders of the articles taxed, who make themselves amends for it in the price.

§ 2. Of direct and indirect Taxation. When a tax is imposed on any commodity, a proportion of the value is taken or not intended — it is applied to the corresponding branch of profit-making industry, and thence to the commerce of the most immediately rival branches. In this way the branch of political economy which belongs to finance is unavoidably, though often perhaps undesignedly, entangled in the profitable branches of industry.

To an indirect tax, each man pays no more than he pleases; and the exacting as little as he pleases. When indirect taxes are levied upon articles of luxury, a man need pay no more than he pleases; but the case appears to be otherwise as it is the poor, when they are levied upon articles of necessity. — Ed.
relations. The become vacant by death, on failure of near inhibition, deprives a man of everything, by
is, the bulk of the community which gives to the prohibition in this to be so heavy upon medicine as upon justice.
proportionation upon health and life.
the patience of the people. The ne plus ultra
upon medicine.
poor and helpless suitors who want justice.
laid on again. A tried tax will always be n
applied to the aggregate of taxable articles,
the place at
ones, are,—the organization of that part of the financial system which concerns the mode of
miserability; the incapacity of a tax.
the worst that tax called direct or indirect,
which, as often as it acts as a pro-
depreives a man of everything, by depriving him of justice — the tax, I mean, upon
proceedings, by which the poor, that is, the bulk of the community — especially
the oppressed and afficted part of it — are put out of the protection of the law.
Abstractedly considered, the tax upon
might be stated as still worse: the prohibition in this case bearing more imme-
direct taxes is quite variable and uncertain, depending upon events and the temper of the times. Not knowing how soon it may arise,
etments are anxious to pay off debt — because, in proportion as debt is paid off, taxes, by
which the interest is paid, may be taken off; and being taken off, may in case of need be laid on again. A tried tax will weigh by a
more secure dependence than an untried one.
In the case of indirect taxes, a common notion
considers the ratio of the tax to the price of the article as limited to a maximum; — limitless, viz, by the extent which was imposed.
If the ratio be increased, it is supposed that more will be lost by the quantity that escapes
the tax, than will be gained by the addition to the amount of the tax on the quantity that
pays it. This notion, supposing it just, as applied to the aggregate of taxable articles, while
apt to be illusory, is applied to this or that sort of article, considered by itself.
In respect of difficulty of evasion and facility of collection, the scale of variation is
stretched to a great latitude by the bulkiness of the article, by the local circumstances of the place at which the tax is collected, and
by a variety of circumstances. But other causes of variation, and those very powerful
ones, are,—the organization of that part of the financial system which concerns the mode of
consideration; — and then the vigilance or re-
massiveness — the sufficiency or insufficiency in number, and the profity or impurity of the functionaries employed; — the good or bad
contribution of the taxation laws, in respect of the obligations imposed on the contribu-
tors for the prevention of evasion; the ampi-
tude or scantiness, the good or bad choice made, — of the power vested in the executive for the prevention of evasion; — and the
suitable or imuitable construction of the rules, judicial or executive, of the procedure on this subject, in-
cluding the rules of evidence.
The limits thus set to indirect taxation, are set — not by the nature of things, but by the
imposition of the laws. It is to this
importation that men are indebted for the inequality and vexation attendant on direct taxes, in comparison with indirect ones.
§ 3. Taxes — Effects on Production.
Taxes ought to have no other end than the production of revenue, with as little as a burden as possible.* When it is attempted to employ
them as indirect means of encouragement or discouragement for any particular species of industry, government, as we have already,
seen, only succeeds in deranging the natural course of trade, and in giving it a less ad-
direction.
The effects of particular taxes may appear very complicated and difficult to trace. By
considering the subject in a general point of view, and distinguishing the provisions from the temporary effects of taxes, this complexity will be diminished, and the difficulty
dispersed.
First question: What are the effects of a tax imposed by a foreign nation upon the
articles of our manufacture?
Permanent consequences: — 1. Whilst the consumption is not diminished, the operation produces so much clear gain for us. The
burthen of the tax is borne by the foreigner, and the profit is secured by ourselves.
If the consumption be diminished, the ex-
capital which loses this employment passes into others.
Temporary consequences: — Consumption not diminished, no difference to us: con-
sumption diminished, similar distress in proportion as in former cases.
It results from hence, that the permanent effect of these taxes is always of little im-
portance as to commerce in general; and that their temporary effects are evil in proportion to the diminution of the consumption. The
evil is greater or less, according as it is more or less easy to transfer capital and labour from one branch of industry to another.
The least hurtful of these taxes are those which are charged on our own productions con-
sumed by foreigners. If the same quantity be exported, and the tax as before, so far from
manufacture withdraws itself and passes into others.
Temporary consequences: — This immu-
nation of exportation occasions a proportional distress among the individuals interested in this species of industry. The workmen lose
their occupations; they are obliged to under-
take labours to which they are unaccustomed, and
which yield them less. As to the master manufacturer, a part of his fixed capital is rendered useless; he loses his profits in pro-
portion as the manufacture is diminished.
Second question: What are the effects of a tax imposed by ourselves, upon the manu-
factures of our own country consumed by foreigners?
Permanent consequences: — 1. If the con-
sumption be diminished, no other difference
is produced than the disadvantage of the
to the competition of foreigners, and a proportion of the advantage for the public.
3. Capital, is in this as in the preceding case, retiring from this branch, and passes into others.
Temporary consequences: — If the con-
sumption be not diminished, the tax causes no
difference: if it be diminished, similar distress, in proportion, as in the case above.
Third question: What are the consequences of a tax imposed by ourselves, upon the
manufactures of our own country consumed by foreigners?
Permanent consequences: — 1. Whilst the consumption is not diminished, the operation produces so much clear gain for us. The
burthen of the tax is borne by the foreigner, and the profit is secured by ourselves.
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makers, and which therefore most strongly excite their attention. 2. This commerce more particularly appears to them as their work: they imagine they are the creators; and inaction appears to them a species of impotence.

Chapter VI.

Operation of a Sinking Fund on the Production of Wealth.

The establishment of an effective and undeviating sinking fund, has been productive of effects in respect of increase of wealth, such as (to judge from any indications I have met with) had not presented themselves to those by whom the plan was adopted, or by any of those by whom it had been proposed. Money borrowed for and applied to war expenses, is so much taken from productive capital and growing wealth. Money employed in the discharge of such debt (whether by paying it off at par, or by buying it in, at an under price,) is so much given to productive capital and growing wealth.

If in a season of reimbursement, viz. peace, the space of time employed in the discharge of the debt were not longer than the space of time employed in the contracting of it, and the money employed in the reimbursement were no greater than the money borrowed, the quantity added to wealth would be equal to the quantity taken from it, bating only the loss of the interest at compound interest upon the several years' installments which are paid for the expenditure of it: as, if ten millions were borrowed every year for four years of war, and ten millions were paid off every year for the four succeeding years, being years of peace, there would be forty millions taken from wealth, forty millions added to wealth: but to put the nation into the same plight in respect of wealth, as if there had been no money raised for the war, it would require the interest of the first of the first ten millions for the four years, plus that of the second for the three years, plus that of the third for the two years, plus that of the fourth for one year, supposing the whole debt to be paid off at once, and in the first day of the year, and as by the supposition it would be paid off not so, but by installments as above, this would require a further addition on the score of the corresponding retardations.

On this supposition, it is evident that a nation could never be put by reimbursement in a plight exactly as good as it would have been in, but instead of spending it in war, spend it in any other way, — you will have as still producing wealth as you would have in the first place.

But, in point of fact, a circumstance attending the borrowing is, that the money paid and given to productive capital at the period of reimbursement, is upon the whole considerably greater than the money borrowed and spent, and taken from productive capital at the period of expenditure. Money borrowed from a person or corporation, is paid and given to productive capital; whereas money obtained by the state, is a new employment of a part of one and the same capital which was not idle before. It is a new service, which is performed at the expense of the old. The gap which by this operation is strangled through a new branch being diverted from another, gives a different product, but not an increase of produce.

The answer to it is, that if it be wealth — future wealth, you want, and you are willing to pay the price for it in present comfort, you have no reason to seek for it through any such disadvantageous measure as that of war: raise the same sum instead of spending it in war, spend it in any other way, — you will have as still producing wealth as you would have in the first place.

If this be just, it will enable us the more clearly to appreciate two opinions which have been advanced on the subject of national debts. One is, that a national debt is, to the whole amount of it, or at any rate to a certain part of it, not a defalcation, but an addition to the mass of wealth.

The other is, that admitting the debt to be a defalcation from the mass of national wealth, yet the discharge of it would be, not an addition to that mass, but a defalcation from it.

Both these opinions have had their partisans; for in the whole field of national economy, there is not a proposition, how clear soever, the contrary of which has not had its partisans.

As to the first opinion, one way in which it is maintained is, by looking exclusively to one side of the account — by looking at the income coming in to the annuitants, and not looking at the income going out of the hands of those by whose contributions the money for the payment of these annuities is supplied.

Another way is, by imagining the existence of an equal right to the capital borrowed and spent, and the income to the annuitants, as if these things, in the privation attendant on the parting with the money paid in taxes.

On this convenience attending the receipt of the annuity, is grounded another convenience, in respect of the facility attending the purchase and the sale of it — attending the process of converting capital into income, and reconverting income into capital, when capital happens again to be the thing wanted.

As to the ground of the other opinion — it appears to be, that if the money taken in taxes, to be applied in discharge of the debt, had not been so taken, but had been left in the pockets of those to whom it belonged, it would have been spent by them, each in his own way, and that exertion an addition would have been made to the mass of national wealth — but not so if applied in discharge of debt. But the fact is, that whatever is so applied is given, received, and employed — the whole of it is in the shape of capital — whereas, had it been left with the parties by whom it is paid in taxes, it would have been employed, more or less of it, as it was employed, when it is sold to be spent, without return or hope of return. What the proportion may amount to between the part spent as income, and the part employed as capital, and thereby employed in making a growing
addition to the mass of national wealth, will be considered presently. For the present, it is nothing, to say not sufficient, that in the one case it is found a part that is employed in making an addition to the mass of wealth, and in the other case the whole.

The support given to this opinion is given in two ways. One is, by thinking nothing of what has been said, and made over to the annuitants in discharge of the national debt, but considering it as annihilated or thrown away.

The other is, by considering the labour paid for by the money spent when by the proprietor, instead of being taken from him in taxes, as being employed, all of it, in the shape of pecuniary capital, in making a correspondent addition to real capital — just as would have really been the case with the labour paid for by that money, had it been made over to annuitants in discharge of so much debt.

That a part of it would really have been so employed, does not admit of doubt: for the last thirty-five years, increasing at the same rate, save and except in so far as the value of productive capital income must have gone on increasing at the rate of the national wealth to have been, even five and a half years. The most sanguine of the time is to expect to find come nearest to the truth.

The collection and publication of statistical facts being attended with expense, no institution should be set on foot for the furnishing any such articles, without a previous indication of the benefit derivable from such knowledge, and a conviction that it will pay for the expense. The expense needed for one purpose, may however be sufficient for the accomplishment of many purposes.

The Noscenda:—the most instructive indication of the benefit derivable from such knowledge, and consequently, to the legislator, the judge:—

1. Statistical tables, documents and costs, viz. the steps taken — the documents exhibited, in each case, of the expenses regularly attendant upon each.

2. To the ecclesiastical function, wherever established, the business of registering and transmitting Noscenda of this class (not to speak of others) seems a natural appendage. How can the shepherd feed his flock, if he know them not? — how know them, if he cannot number them?

3. Contracts of all sorts; viz. births, marriages, and deaths. For the subject of taxation, the collector of the revenue — in the case of the subject of enclosure, the owner of the land; as in each instance, so far as justice requires, and ability extends, the burthen may be thrown over to the party in the wrong.

To the legislator:—Uses to the legislator, and the public, reducing continually, and finally keeping to its minimum, by successive improvements, the quantity of injustice in both shapes, by collecting taxes as well as directly.

The expense of registration will be amply paid for, by the first of the uses to the legislator, added to the two uses to the judge.

The expense of publication might perhaps be much reduced, as well as the utility in the way of that or the preceding year, that the property derived from succession, rights of property derived from succession, rights of property and obligations — rights of property derived from succession, rights of property and obligations of various sorts derived from condition in life.

Use to the legislator:—Indications of the state of population, increasing, stationary, or declining; — thence, in case of check or decline, general or local, indication of the extent of the causes and the remedies; indications of the amount of profit and loss by war, — loss real in every case — net profit, seldom more than ideal (wealth taken into the account,) from the most successful war.

In every line of management, private or public, a necessary guardian to good economy is good book-keeping.

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fraud on the part of the intended contributor; 2. Check to peculation and negligence on the part of the sub-collectors.

Uses to individuals at large: — 1. Prevention of fraud by forgery — whether in the way of fabrication or alteration; 2. In the case of contracts of conveyance, viz. of specific articles of immovable property inter vivos, prevention of fraud, viz. of fraud commissible by the repeated sale of the same article to different purchasers.

Uses to the legislator: — Various, according to the nature of the contract. Examples: — 1. For the purpose of finance, see above, uses to the collector of the revenue; 2. In the case of contracts circulating as money, and constituting a species of paper money, view of the quantity of it, in comparison with the quantity of metallic money; thence of its influence on the aggregate prices of goods, and on public, or say rather general, credit; i.e. view of the actual depreciation of money, and the danger of general bankruptcy. 3. View of the state of the nation in respect of improvement — progressive, stationary, or declining — in the several lines of action which constitute the subject of the several classes of contracts, and the number of contracts of each sort entered into within a given period of time, compared with the several preceding periods of the same length.

Mode of publication, — abridged, digested, and tabular, as above. In the case of such contracts as are considered as proper to be kept secret, the publication may extend to all points but the particular ones in respect of which the secrecy is required; and aggregate quantities may be given at any rate.