

[p. 75]

7 The improvements in agriculture and manufactures seem likewise to have been of very great antiquity in the provinces of Bengal in the East Indies, and in some of the eastern provinces of China; though the great extent of this antiquity is not authenticated by any histories of whose authority we, in this part of the world, are well assured. In Bengal, the Ganges and several other great rivers form a great number of navigable canals in the same manner as the Nile does in Egypt. In the Eastern provinces of China too, several great rivers form, by their different branches, a multitude of canals, and by communicating with one another afford an inland navigation much more extensive than that either of the Nile or the Ganges, or perhaps than both of them put together<sup>15</sup>. It is remarkable that neither the antient Egyptians, nor the Indians, nor the Chinese, encouraged foreign commerce, but seem all to have derived their great opulence from this inland navigation.

[p. 86]

20 Though at distant places, there is no regular proportion between the real and the money price of commodities, yet the merchant who carries goods from the one to the other has nothing to consider but their money price, or the difference between the quantity of silver for which he buys them, and that for which he is likely to sell them. Half an ounce of silver at Canton in China may command a greater quantity both of labour and of the necessaries and conveniencies of life, than an ounce at London. A commodity, therefore, which sells for half an ounce of silver at Canton may there be really dearer, of more real importance to the man who possesses it there, than a commodity which sells for an ounce at London is to the man who possesses it at London. If a London merchant, however, can buy at Canton for half an ounce of silver, a commodity which he can afterwards sell at London for an ounce, he gains a hundred per cent. by the bargain, just as much as if an ounce of silver was at London exactly of the same value as at Canton. It is of no importance to him that half an ounce of silver at Canton would have given him the command of more labour and of a greater quantity of the necessaries and conveniencies of life than an ounce can do at London. An ounce at London will always give him the command of double the quantity of all these which half an ounce could have done there, and this is precisely what he wants.

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<sup>15</sup> Smith comments on the inland navigation of China and Indostan at I.xi.g.28, and links the concern of these governments with canal and road improvement to their reliance on land-taxes at V.ii.d.5. He mentions that China was not eminent for foreign trade at II.v.22 and IV.iii.c.11, and comments on the limitations thereby imposed on her economic growth at I.ix.15, IV.ix.40,41. However, it is stated that at least some trade was carried on by foreigners at III.i.7 and IV.ix.45.

## CHAPTER VIII Of The Wages Of Labour

[p. 110-111]

24 Though the wealth of a country should be very great, yet if it has been long stationary, we must not expect to find the wages of labour very high in it. The funds destined for the payment of wages, the revenue and stock of its inhabitants, may be of the greatest extent, but if they have continued for several centuries of the same, or very nearly of the same extent, the number of labourers employed every year could easily supply, and even more than supply, the number wanted the following year. There could seldom be any scarcity of hands, nor could the masters be obliged to bid against one another in order to get them. The hands, on the contrary, would, in this case, naturally multiply beyond their employment. There would be a constant scarcity of employment, and the labourers would be obliged to bid against one another in order to get it. If in such a country the wages of labour had ever been more than sufficient to maintain the labourer, and to enable him to bring up a family, the competition of the labourers and the interest of the masters would soon reduce them to this lowest rate which is consistent with common humanity. China has been long one of the richest, that is, one of the most fertile, best cultivated, most industrious, and most populous countries in the world. It seems, however, to have been long stationary. Marco Polo, who visited it more than five hundred years ago<sup>16</sup>, describes its cultivation, industry, and populousness, almost in the same terms in which they are described by travellers in the present times. It had perhaps, even long before his time, acquired that full complement of riches which the nature of its laws and institutions permits it to acquire<sup>17</sup>. The accounts of all travellers, inconsistent in many other respects, agree in the low wages of labour, and in the difficulty which a labourer finds in bringing up a family in China. If by digging the ground a whole day he can get what will purchase a small quantity of rice in the evening, he is contented. The condition of artificers is, if possible, still worse. Instead of waiting indolently in their work - houses, for the calls of their customers, as in Europe, they are continually running about the streets with the tools of their respective trades, offering their service, and as it were begging employment<sup>18</sup>. The poverty of the lower ranks of people in China far surpasses that of the most beggarly nations in Europe. In the neighbourhood of Canton many hundred, it is commonly said, many thousand families have no habitation on the land, but live constantly in little fishing boats upon the rivers and canals. The subsistence which they find there is so scanty that they are eager to fish up the nastiest garbage thrown overboard from any European ship. Any

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<sup>16</sup> [18] In 1275. Marco Polo is also mentioned below, IV.vii.a.8.

<sup>17</sup> [19] See below, I.ix.15.

<sup>18</sup> Les artisans courent les villes du matin au soir pour chercher pratique.' (F. Quesnay, *Oeuvres économiques et philosophiques*, ed. A. Oncken (Paris, 1888), 581.)

carion, the carcase of a dead dog or cat, for example, though half putrid and stinking, is as welcome to them as the most wholesome food to the people of other countries. Marriage is encouraged in China, not by the profitableness of children, but by the liberty of destroying them. In all great towns several are every night exposed in the street, or drowned like puppies in the water. The performance of this horrid office is even said to be the avowed business by which some people earn their subsistence<sup>19</sup>.

25 China, however, though it may perhaps stand still, does not seem to go backwards. Its towns are no - where deserted by their inhabitants. The lands, which had once been cultivated, are no - where neglected. The same or very nearly the same annual labour must therefore continue to be performed, and the funds destined for maintaining it must not, consequently, be sensibly diminished. The lowest class of labourers, therefore, notwithstanding their scanty subsistence, must some way or another make shift to continue their race so far as to keep up their usual numbers.

[p. 116]

40 The liberal reward of labour, by enabling them to provide better for their children, and consequently to bring up a greater number, naturally tends to widen and extend those limits. It deserves to be remarked too, that it necessarily does this as nearly as possible in the proportion, which the demand for labour requires. If this demand is continually increasing, the reward of labour must necessarily encourage in such a manner the marriage and multiplication of labourers, as may enable them to supply that continually increasing demand by a continually increasing population. If

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<sup>19</sup> The authority is probably J. B. Du Halde, *Description géographique, historique, chronologique, politique, et physique de l'Empire de la Chine et de la Tartarie Chinoise* (Paris, 1735), ii.73–4. See also Cantillon, *Essai*, 88–90, ed. Higgs 67–9. TMS V.i.2.15 refers to the barbarous custom of exposing children and observes that the practice was followed by civilized nations such as the Greeks, and condoned by philosophers such as Plato and Aristotle. Smith added: 'We find, at this day, that this practice prevails among all savage nations; and in that rudest and lowest state of society it is undoubtedly more pardonable than in any other.' He makes the same points in LJ (A) iii.80–1 and also refers to the practice in China where women were said to go from house to house collecting children to be thrown into the river: 'as we would send a parcell of puppies or kittens to be drowned. The fathers [i.e. of the Church] make a great merit of their conduct on this occasion. They converted to Christianity two of these women, and took their promise that they should bring them to be baptised before they drowned them. And in this they glory as having saved a vast number of souls.' In LJ (A) iii.79 Smith mentioned the exposure of children in Rome, and Athens, and that it was also 'practised in most early nations' and in many countries where polygamy took place. He also pointed out in LJ (B) 146, ed. Cannan 104, that 'Even in the times of exposition, when an infant was some time kept it was thought cruel to put him to death.' The Anderson Notes contain the comment that exposure 'took place among the Greeks and Romans, but if the child lived several weeks the father had no right to expose it' (28). In his essay 'Of the Populousness of Ancient Nations' Hume refers to the modern Chinese practice of exposing children and makes the point that in ancient times it was so common that it was 'not spoken of by any author of those times with the horror it deserves, or scarcely even with disapprobation' (*Essays Moral, Political and Literary*, ed. Green and Grose, i. 396). See also Montesquieu, *Esprit*, VIII.xxi.13, XXIII.xvi.1 and xxii

the reward should at any time be less than what was requisite for this purpose, the deficiency of hands would soon raise it; and if it should at any time be more, their excessive multiplication would soon lower it to this necessary rate. The market would be so much under – stocked with labour in the one case, and so much over – stocked in the other, as would soon force back its price to that proper rate which the circumstances of the society required. It is in this manner that the demand for men, like that for any other commodity, necessarily regulates the production of men; quickens it when it goes on too slowly, and stops it when it advances too fast. It is this demand, which regulates and determines the state of propagation in all the different countries of the world, in North America, in Europe, and in China; which renders it rapidly progressive in the first, slow and gradual in the second, and altogether stationary in the last.

#### CHAPTER IX Of The Profits Of Stock

[pp. 126-127]

15 But perhaps no country has ever yet arrived at this degree of opulence. China seems to have been long stationary, and had probably long ago acquired that full complement of riches which is consistent with the nature of its laws and institutions<sup>20</sup>.<sup>32</sup> But this complement may be much inferior to what, with other laws and institutions, the nature of its soil, climate, and situation might admit of. A country which neglects or despises foreign commerce, and which admits the vessels of foreign nations into one or two of its ports only, cannot transact the same quantity of business which it might do with different laws and institutions<sup>21</sup>.<sup>33</sup> In a country too, where, though the rich or the owners of large capitals enjoy a good deal of security, the poor or the owners of small capitals enjoy scarce any, but are liable, under the pretence of justice, to be pillaged and plundered at any time by the inferior mandarines, the quantity of stock employed in all the different branches of business transacted within it, can never be equal to what the nature and extent of that business might admit. In every different branch, the oppression of the poor must establish the monopoly of the rich, who, by engrossing the whole trade to themselves, will be able to make very large profits. Twelve per cent. accordingly is said to be the common interest of money

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<sup>20</sup> [32] See above, I.viii.24. Smith comments on Chinas neglect of foreign commerce, for example, at I.iii.7, II.v.22, III.i.7, and IV.iii.c.11, arguing at IV.ix.40 and 41 that any relaxation of the laws governing her trade would give a considerable stimulus to growth.

<sup>21</sup> [33] Montesquieu attributed the lack of trade to the character of the Chinese, whose precarious subsistence inspired them with such ‘an excessive desire of gain, that no trading nation can confide in them. This acknowledged infidelity has secured them the possession of the trade to Japan.’ *Esprit*, XIX.x.3. In XIX.xx.1 the Chinese are described as the ‘greatest cheats upon earth.

in China, and the ordinary profits of stock must be sufficient to afford this large interest<sup>22</sup>.<sup>34</sup>

[pp. 149-150]

24 Not only the art of the farmer, the general direction of the operations of husbandry, but many inferior branches of country labour require much more skill and experience than the greater part of mechanick trades. The man who works upon brass and iron, works with instruments and upon materials of which the temper is always the same, or very nearly the same. But the man who ploughs the ground with a team of horses or oxen, works with instruments of which the health, strength, and temper are very different upon different occasions. The condition of the materials which he works upon too is as variable as that of the instruments which he works with, and both require to be managed with much judgment and discretion. The common ploughman, though generally regarded as the pattern of stupidity and ignorance, is seldom defective in this judgment and discretion. He is less accustomed, indeed, to social intercourse than the mechanick who lives in a town. His voice and language are more uncouth and more difficult to be understood by those who are not used to them. His understanding, however, being accustomed to consider a greater variety of objects, is generally much superior to that of the other, whose whole attention from morning till night is commonly occupied in performing one or two very simple operations<sup>23</sup>.<sup>28</sup> How much the lower ranks of people in the country are really superior to those of the town, is well known to every man whom either business or curiosity has led to converse much with both. In China and Indostan accordingly both the rank and the wages of country labourers are said to be superior to those of the greater part of artificers and manufacturers. They would probably be so every where, if corporation laws and the corporation spirit did not prevent it.

[pp. 169-170]

32 The sugar colonies possessed by the European nations in the West Indies, may be compared to those precious vineyards. Their whole produce falls short of the effectual demand of Europe, and can be disposed of to those who are willing to give more than what is sufficient to pay the whole rent, profit and wages necessary for preparing and bringing it to market, according to the rate at which they are commonly

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<sup>22</sup> [34] Cantillon held that in China the large number of small undertakers 'keep up the rate of Interest in the highest class at 30 per cent, while it hardly exceeds 5 per cent in our Europe. At Athens in the time of Solon interest was at 18 per cent. In the Roman Republic it was most commonly 12 per cent, but has been known to be 48, 20, 8, 6 and the lowest 4 per cent.' (*Essai*, 281-2, ed. Higgs 213.)

<sup>23</sup> Cf. LJ (B) 328, ed. Cannan 255: 'When the mind is employed about a variety of objects, it is somehow expanded and enlarged, and on this account a country artist is generally acknowledged to have a range of thoughts much above a city one.' See below, V.i.f.50

paid by any other produce<sup>24</sup>.<sup>30</sup> In Cochin - china the finest white sugar commonly sells for three piasters the quintal, about thirteen shillings and sixpence of our money, as we are told by\* Mr. Poivre<sup>25</sup>, a very careful observer of the agriculture of that country. What is there called the quintal weighs from a hundred and fifty to two hundred Paris pounds, or a hundred and seventy - five Paris pounds at a medium, which reduces the price of the hundred weight English to about eight shillings sterling, not a fourth part of what is commonly paid for the brown or muskavada sugars imported from our colonies, and not a sixth part of what is paid for the finest white sugar<sup>26</sup>.<sup>31</sup> The greater part of the cultivated lands in Cochin - china are employed in producing corn and rice, the food of the great body of the people. The respective prices of corn, rice, and sugar, are there probably in the natural proportion, or in that which naturally takes place in the different crops of the greater part of cultivated land, and which recompences the landlord and farmer, as nearly as can be computed, according to what is usually the original expence of improvement and the annual expence of cultivation. But in our sugar colonies the price of sugar bears no such proportion to that of the produce of a rice or corn field either in Europe or in America. It is commonly said, that a sugar planter expects that the rum and the molasses should defray the whole expence of his cultivation, and that his sugar should be all clear profit. If this be true, for I pretend not to affirm it, it is as if a corn farmer expected to defray the expence of his cultivation with the chaff and the straw, and that the grain should be all clear profit. We see frequently societies of merchants in London and other trading towns, purchase waste lands in our sugar colonies, which they expect to improve and cultivate with profit by means of factors and agents; notwithstanding the great distance and the uncertain returns, from the defective administration of justice in those countries. Nobody will attempt to improve and cultivate in the same manner the most fertile lands of Scotland, Ireland, or the corn provinces of North America, though from the more exact administration of justice in these countries, more regular returns might be expected.

[pp. 191-192]

34 The price of gold and silver, when the accidental discovery of more abundant mines does not keep it down, as it naturally rises with the wealth of every country, so, whatever be the state of the mines, it is at all times naturally higher in a rich than

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<sup>24</sup> [30] See below, III.ii.10, regarding the high profits of sugar plantations, and also IV.vii.b.31.

<sup>25</sup> *Voyages dun Philosophe*.f [ ‘The white sugar of the best quality is generally sold at the port of Faifo, in exchange for other merchandize, at the rate of three piastres (about fourteen shillings) the Cochin-china quintal, which weighs from one hundred and fifty to two hundred pounds French.’ Translated as P. Poivre, *Travels of a Philosopher, or, Observations on the Manners and Arts of Various Nations in Africa and Asia* (Glasgow, 1790), 121-2.]

<sup>26</sup> In Letter 258 addressed to Sir John Sinclair, dated 11 April 1786, Smith stated that when he lived in Glasgow ‘a hoghead of Muscovado Sugar’ was valued at 30 to 36 shillings per cwt. and that his usual purchase was ‘breakfast sugar’ at 8-9d. per lb.

in a poor country. Gold and silver, like all other commodities, naturally seek the market where the best price is given for them, and the best price is commonly given for every thing in the country which can best afford it. Labour, it must be remembered, is the ultimate price which is paid for every thing<sup>27,36</sup> and in countries where labour is equally well rewarded, the money price of labour will be in proportion to that of the subsistence of the labourer. But gold and silver will naturally exchange for a greater quantity of subsistence in a rich than in a poor country, in a country which abounds with subsistence, than in one which is but indifferently supplied with it. If the two countries are at a great distance, the difference may be very great; because though the metals naturally fly from the worse to the better market, yet it may be difficult to transport them in such quantities as to bring their price nearly to a level in both. If the countries are near, the difference will be smaller, and may sometimes be scarce perceptible; because in this case the transportation will be easy. China is a much richer country than any part of Europe<sup>28,37</sup> and the difference between the price of subsistence in China and in Europe is very great. Rice in China is much cheaper than wheat is any where in Europe. England is a much richer country than Scotland; but the difference between the money - price of corn in those two countries is much smaller, and is but just perceptible. In proportion to the quantity or measure, Scotch corn generally appears to be a good deal cheaper than English; but in proportion to its quality, it is certainly somewhat dearer. Scotland receives almost every year very large supplies from England, and every commodity must commonly be somewhat dearer in the country to which it is brought than in that from which it comes. English corn, therefore, must be dearer in Scotland than in England, and yet in proportion to its quality, or to the quantity and goodness of the flour or meal which can be made from it, it cannot commonly be sold higher there than the Scotch corn which comes to market in competition with it<sup>29,38</sup>

35 The difference between the money price of labour in China and in Europe, is still greater than that between the money price of subsistence; because the real recompence of labour is higher in Europe, than in China, the greater part of Europe being in an improving state, while China seems to be standing still. The money price of labour is lower in Scotland than in England because the real recompence of labour is much lower; Scotland, though advancing to greater wealth, [advances](#) much more slowly than England<sup>30,39</sup>[The frequency of emigration from Scotland, and the rarity of it from England, sufficiently prove that the demand for labour is very different in the two countries.](#) The proportion between the real recompence of labour in different countries, it must be remembered, is naturally regulated, not by their actual wealth or poverty, but by their advancing, stationary, or declining condition<sup>31,40</sup>

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[pp. 201-202]

27 Thirdly, The East Indies is another market for the produce of the silver mines of America, and a market which, from the time of the first discovery of those mines, has been continually taking off a greater and a greater quantity of silver. Since that time, the direct trade between America and the East Indies, which is carried on by means of the Acapulco ships<sup>32,40</sup> has been continually augmenting, and the indirect intercourse by the way of Europe has been augmenting in a still greater proportion. During the sixteenth century, the Portuguese were the only European nation who carried on any regular trade to the East Indies. In the last years of that century the Dutch began to encroach upon this monopoly, and in a few years expelled them from their principal settlements in India. During the greater part of the last century those two nations divided the most considerable part of the East India trade between them; the trade of the Dutch continually augmenting in a still greater proportion than that of the Portuguese declined. The English and French carried on some trade with India in the last century, but it has been greatly augmented in the course of the present. The East India trade of the Swedes and Danes began in the course of the present century. Even the Muscovites now trade regularly with China by a sort of caravans which go over land through Siberia and Tartary to Pekin. The East India trade of all these nations, if we except that of the French, which the last war had well nigh annihilated, has been almost continually augmenting. The increasing consumption of East India goods in Europe is, it seems, so great, as to afford a gradual increase of employment to them all. Tea, for example, was a drug very little used in Europe before the middle of the last century. At present the value of the tea annually imported by the English East India Company, for the use of their own countrymen, amounts to more than a million and a half a year; and even this is not enough; a great deal more being constantly smuggled into the country from the ports of Holland, from Gottenburg in Sweden, and from the coast of France too, as long as the French East India Company was in

Online Library of Liberty: Glasgow Edition of the Works and Correspondence Vol. 2a An Inquiry Into the Nature and Causes of the Wealth of Nations, Vol. 1 PLL v5 (generated January 22, 2010) 201 <http://oll.libertyfund.org/title/220> prosperity. The consumption of the porcelain of China, of the spiceries of the Moluccas, of the piece goods of Bengal, and of innumerable other articles, has increased very nearly in a like proportion. The tonnage accordingly of all the European shipping employed in the East India trade, at any one time during

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<sup>32</sup> [40] One ship, and after 1720 two ships, were to sail from Acapulco to the Philippines. Details of the trade, particularly of what could be carried are in G. de Uztariz, *The Theory and Practice of Commerce*, translated by John Kippax (London, 1751), i.206-8.

the last century, was not, perhaps, much greater than that of the English East India Company before the late reduction of their shipping<sup>33</sup>.<sup>41</sup>

[pp. 202-203]

28But in the East Indies, particularly in China and Indostan, the value of the precious metals, when the Europeans first began to trade to those countries, was much higher than in Europe; and it still continues to be so. In rice countries, which generally yield two, sometimes three crops in the year, each of them more plentiful than any common crop of corn, the abundance of food must be much greater than in any corn country of equal extent.<sup>42</sup> Such countries are accordingly much more populous. In them too the rich, having a greater super - abundance of food to dispose of beyond what they themselves can consume, have the means of purchasing a much greater quantity of the labour of other people. The retinue of a grandee in China or Indostan accordingly is, by all accounts, much more numerous and splendid than that of the richest subjects in Europe. The same super - abundance of food, of which they have the disposal, enables them to give a greater quantity of it for all those singular and rare productions which nature furnishes but in very small quantities; such as the precious metals and the precious stones, the great objects of the competition of the rich.<sup>43</sup> Though the mines, therefore, which supplied the Indian market had been as abundant as those which supplied the European, such commodities would naturally exchange for a greater quantity of food in India than in Europe. But the mines which supplied the Indian market with the precious metals seem to have been a good deal less abundant, and those which supplied it with the precious stones a good deal more so, than the mines which supplied the European. The precious metals, therefore, would naturally exchange [in India](#) for somewhat a greater quantity of the precious stones, and for a much greater quantity of food [a](#) than in Europe.<sup>44</sup> The money price of diamonds, the greatest of all superfluities, would be somewhat lower, and that of food, the first of all necessaries, a great deal lower in the one country than in the other. But the real price of labour, the real quantity of the necessaries of life which is given to the labourer, it has already been observed,<sup>45</sup> is lower both in China and Indostan, the two great markets of India, than it is through the greater part of Europe. The wages of the labourer will there purchase a smaller quantity of food; and as the money price of food is much lower in India than in Europe, the money price of labour is there lower upon a double account; upon account both of the small quantity of food which it will purchase, and of the low price of that food. But in countries of equal art and industry, the money price of the greater part of manufactures will be in proportion to the money price of labour; and in manufacturing art and industry, China and

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<sup>33</sup> [41] 12 George III, c.54 (1772) prohibited the East India Company from building ships at home until its total tonnage in service was below 45,000 tons and from employing ships constructed after March 1772. The objective was to conserve supplies of timber.

Indostan, though inferior, seem not to be much inferior to any part of Europe. The money price of the greater part of manufactures, therefore, will naturally be much lower in those great empires than it is any - where in Europe. Through the greater part of Europe too the expence of land - carriage increases very much both the real and nominal price of most manufactures. It costs more labour, and therefore more money, to bring first the materials, and afterwards the compleat manufacture to market. In China and Indostan the extent and variety of inland navigations<sup>46</sup> save the greater part of this labour, and consequently of this money, and thereby reduce still lower both the real and the nominal price of the greater part of their manufactures. Upon all these accounts, the precious metals are a commodity which it always has been, and still continues to be, extremely advantageous to carry from Europe to India. There is scarce any commodity which brings a better price there; or which, in proportion to the quantity of labour and commodities which it costs in Europe, will purchase or command a greater quantity of labour and commodities in India. It is more advantageous too to carry silver thither than gold; because in China, and the greater part of the other markets of India, the proportion between fine silver and fine gold is but as ten<sup>b</sup>, or at most as twelve,<sup>b</sup> to one; whereas in Europe it is as fourteen or fifteen to one<sup>34</sup>.<sup>47</sup> In China, and the greater part of the other markets of India, ten<sup>c</sup>, or at most twelve, ounces of silver will purchase an ounce of gold: in Europe it requires from fourteen to fifteen ounces. In the cargoes, therefore, of the greater part of European ships which sail to India, silver has generally been one of the most valuable articles. It is the most valuable article in the Acapulco ships which sail to Manilla. The silver of the new continent seems in this manner to be **one of the principal commodities** by which the commerce between the two extremities of the old one is carried on, and it is by means of it, **in a great measure**, that those distant parts of the world are connected with one another.

## Part II Of The Produce Of Land Which Sometimes Does, And Sometimes Does Not, Afford Rent

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<sup>34</sup> [47] 'In Japan where there are a good many silver mines the ratio of gold to silver is today 1 to 8: in China 1 to 10: in the other countries of the Indies on this side 1 to 11, 1 to 12, 1 to 13, and 1 to 14, as we get nearer to the West and to Europe.' (Cantillon, *Essai*, 365, ed. Higgs 275.) 'In Japan, the proportion of gold to silver, is as one to eight; in China, as one to ten; in other parts of India, as one to eleven, twelve, thirteen or fourteen, as we advance further west. The like variations are to be met in with Europe . . . When Columbus penetrated into America, the proportion was less than one to twelve. The quantity of these metals which was then brought from Mexico and Peru, not only made them more common, but still increased the value of gold above silver, as there were greater plenty of the latter in those parts. Spain, that was of course the best judge of the proportion, settled it at one to fifteen in the coin of the kingdom; and this system, with some slight variations, was adopted throughout Europe.' (G. T. F. Raynal, *Histoire philosophique et politique des établissements et du commerce des Européens dans les deux Indes* (Amsterdam, 1775), iii.381, translated by J. Justamond, *A Philosophical and Political History of the Settlements and Trade of the Europeans in the East and West Indies* (Edinburgh, 1777), ii.423-4.)

[p. 206]

2The great quantities of silver carried annually from Europe to India, have, in some of the English settlements, gradually reduced the value of that metal in proportion to gold. In the mint of Calcutta, an ounce of fine gold is supposed to be worth fifteen ounces of fine silver, in the same manner as in Europe. It is in the mint perhaps rated too high for the value which it bears in the market of Bengal. In China, the proportion of gold to silver still continues as one to ten, [or one to twelve](#) . In Japan, it is said to be as one to eight.

[pp. 223-225]

18 The quantity of the precious metals which is to be found in any country is not limited by any thing in its local situation, such as the fertility or barrenness of its own mines. Those metals frequently abound in countries which possess no mines. Their quantity in every particular country seems to depend upon two different circumstances; first, upon its power of purchasing, upon the state of its industry, upon the annual produce of its land and labour, in consequence of which it can afford to employ a greater or a smaller quantity of labour and subsistence in bringing or purchasing such superfluities as gold and silver, either from its own mines or from those of other countries; and, secondly, upon the fertility or barrenness of the mines which may happen at any particular time to supply the commercial world with those metals. The quantity of those metals in the countries most remote from the mines, must be more or less affected by this fertility or barrenness, on account of the easy and cheap transportation of those metals, of their small bulk and great value. Their quantity in China and Indostan must have been more or less affected by the abundance of the mines of America.

## Conclusion Of The Digression Concerning The Variations In The Value Of Silver

1The greater part of the writers who have collected the money prices of things in antient times, seem to have considered the low money price of corn, and of goods in general, or, in other words, the high value of gold and silver, as a proof, not only of the scarcity of those metals, but of the poverty and barbarism of the country at the time when it took place. This notion is connected with the system of political oecconomy which represents national wealth as consisting in the abundance, and national poverty in the scarcity of gold and silver; a system which I shall endeavour to explain and examine at great length in the fourth book of this enquiry. I shall only observe at present, that the high value of the precious metals can be no proof of the poverty or barbarism of any particular country at the time when it took place. It is a

proof only of the barrenness of the mines which happened at that time to supply the commercial world. A poor country, as it cannot afford to buy more, so it can as little afford to pay dearer for gold and silver than a rich one; and the value of those metals, therefore, is not likely to be higher in the former than in the latter. In China, a country much richer than any part of Europe,<sup>1</sup> the value of the precious metals is much higher than in any part of Europe. As the wealth of Europe, indeed, has increased greatly since the discovery of the mines of America, so the value of gold and silver has gradually diminished. This diminution of their value, however, has not been owing to the increase of the real wealth of Europe, of the annual produce of its land and labour, but to the accidental discovery of more abundant mines than any that were known before. The increase of the quantity of gold and silver in Europe, and the increase of its manufactures and agriculture, are two events which, though they have happened nearly about the same time, yet have arisen from very different causes, and have scarce any natural connection with one another. The one has arisen from a mere accident, in which neither prudence nor policy either had or could have any share: The other from the fall of the feudal system, and from the establishment of a government which afforded to industry, the only encouragement which it requires, some tolerable security that it shall enjoy the fruits of its own labour.<sup>2</sup> Poland, where the feudal system still continues to take place, is at this day as beggarly a country as it was before the discovery of America.<sup>3</sup> The money price of corn, however, has risen; the real value of the precious metals has fallen in Poland, in the same manner as in other parts of Europe. Their quantity, therefore, must have increased there as in other places, and nearly in the same proportion to the annual produce of its land and labour. This increase of the quantity of those metals, however, has not, it seems, increased that annual produce, has neither improved the manufactures and agriculture of the country, nor mended the circumstances of its inhabitants. Spain and Portugal, the countries which possess the mines, are, after Poland, perhaps, the two most beggarly countries in Europe. The value of the precious metals, however, must be lower in Spain and Portugal than in any other part of Europe; as they come from those countries to all other parts of Europe, loaded, not only with a freight and an insurance, but with the expence of smuggling, their exportation being either prohibited, or subjected to a duty. In proportion to the annual produce of the land and labour, therefore, their quantity must be greater in those countries than in any other part of Europe: Those countries, however, are poorer than the greater part of Europe. Though the feudal system has been abolished in Spain and Portugal, it has not been succeeded by a much better.<sup>4</sup>

[p. 302]

<sup>22</sup>The course of human prosperity, indeed, seems scarce ever to have been of so long continuance<sup>16</sup> as to enable any great country to acquire capital sufficient for all those three purposes; unless, perhaps, we give credit to the wonderful accounts of the

wealth and cultivation of China, of those of antient Egypt, and of the antient state of Indostan<sup>35</sup>.<sup>17</sup> Even those three countries, the wealthiest, according to all accounts, that ever were in the world, are chiefly renowned for their superiority in agriculture and manufactures. They do not appear to have been eminent for foreign trade. The antient Egyptians had a superstitious antipathy to the sea<sup>36</sup>;<sup>18</sup> a superstition nearly of the same kind prevails among the Indians;<sup>19</sup> and the Chinese have never excelled in foreign commerce.<sup>20</sup> The greater part of the surplus produce of all those three countries seems to have been always exported by foreigners, who gave in exchange for it something else for which they found a demand there, frequently gold and silver.

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<sup>35</sup> [17] See above, I.ix.15, and below, V.i.d.17, where Smith comments on the ‘wonderful’ accounts brought back from China and Indostan by ‘weak and wondering travellers; frequently by stupid and lying missionaries’.

<sup>36</sup> [18] Montesquieu also refers to the fact that the Egyptians ‘by their religion and their manners were averse to all communication with strangers. He added that ‘Their country was the Japan of those times; it possessed everything within itself.’ (Esprit, XXI.vi.13.)