

cultivated and improved to any considerable degree.<sup>13</sup> Upper Egypt extends itself nowhere above a few miles from the Nile, and in Lower Egypt that great river breaks itself into many different canals, which, with the assistance of a little art, seem to have afforded a communication by water-carriage, not only between all the great towns, but between all the considerable villages, and even to many farm-houses in the country; nearly in the same manner as the Rhine and the Maese do in Holland at present. The extent and easiness of this inland navigation was probably one of the principal causes of the early improvement of Egypt.<sup>14</sup>

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 [32] seem all to have derived their great opulence from this inland navigation.

8 All the inland parts of Africa, and all that part of Asia which lies any

'- break themselves into many r

<sup>13</sup> In LJ (A) iv.60-2 and LJ (B) 31, ed. Cannan 22 the early economic development of Greece is attributed to its natural advantages including ease of communication. Smith added that 'Most of the European countries have most part of the same advantages. They are divided by rivers and branches of the sea, and are naturally fit for the cultivation of the soil and other arts.' The development of the arts and sciences in classical Greece was attributed to its early economic advance in LJ (A) iv.60, Astronomy, III.4 and, LRBL ii.117-9, ed. Lothian 132-3.

<sup>14</sup> This paragraph is evidently based on FB, which goes on, however, to conclude with the statement that 'Agriculture and manufactures too seem to have been of very great antiquity in some of the maritime provinces of China & in the province of Bengal in the East Indies. All these were countries very much of the same nature with Egypt, cut by innumerable canals which afford them an immense inland navigation.' LJ (A) iii.47 also remarks with regard to China, Egypt, and Bengal that 'These countries are all remarkably fruitful. The banks of the Nile and the Ganges are overflowed by . . . rivers and yield immense crops, 3 or 4 in a year. This as there must be plenty of food and subsistence for man must . . . promote population, as the number of men is proportion'd to the quantity of subsistence.'

<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.

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## CHAPTER VIII

### *Of the Wages of Labour*

- 1 THE produce of labour constitutes the natural recompence or wages of labour.
- 2 In that original state of things, which precedes both the appropriation of land and the accumulation of stock,<sup>1</sup> the whole produce of labour belongs to the labourer<sup>2</sup>. He has neither landlord nor master to share with him.
- 3 Had this state continued, the wages of labour would have augmented with all those improve-[97]ments in its productive powers, to which the division of labour gives occasion. All things would gradually have become cheaper. They would have been produced by a smaller quantity of labour; and as the commodities produced by equal quantities of labour would naturally in this state of things be exchanged for one another, they would have been purchased likewise with the produce of a smaller quantity.
- 4 But though all things would have become cheaper in reality, in appearance many things might have become dearer than before, or have been exchanged for a greater quantity of other goods. Let us suppose, for example, that in the greater part of employments the productive powers of labour had been improved to tenfold, or that a day's labour could produce ten times the quantity of work which it had done originally; but that in a particular employment they had been improved only to double, or that a day's labour could produce only twice the quantity of work which it had done before. In exchanging the produce of a day's labour in the greater part of employments, for that of a day's labour in this particular one, ten times the original quantity of work in them would purchase only twice the original quantity in it. Any particular quantity in it, therefore, a pound weight, for example, would appear to be five times dearer than before. In reality, however, it would be twice as cheap. Though it required five times the quantity of other goods to [98] purchase it, it would require only half the quantity of labour either to purchase or to produce it. The acquisition, therefore, would be twice as easy as before.
- 5 But this original state of things, in which the labourer enjoyed the whole produce of his own labour, could not last beyond the first introduction of the appropriation of land and the accumulation of stock. It was at an end, therefore, long before the most considerable improvements were made in the productive powers of labour, and it would be to no purpose to trace

<sup>1</sup> The same words are used, but in a different order, at I.vi.1.

<sup>2</sup> The same words are used above, I.vi.4.

“farther<sup>a</sup> what might have been its effects upon the recompence or wages of labour.

- 6 As soon as land becomes private property, the landlord demands a share of <sup>b</sup>almost all the<sup>b</sup> produce <sup>c</sup>which<sup>c</sup> the labourer can either raise, or collect from it. His rent makes the first deduction from the produce of the labour which is employed upon land.
- 7 It seldom happens that the person who tills the ground has wherewithal to maintain himself till he reaps the harvest. His maintenance is generally advanced to him from the stock of a master, the farmer who employs him, and who would have no interest to employ him, unless he was to share in the produce of his labour, or unless his stock was to be replaced to him with a profit. This profit makes a second deduction from the produce of the labour which is employed upon land.
- 8 The produce of almost all other labour is liable to the like deduction of profit. In all arts [99] and manufactures the greater part of the workmen stand in need of a master to advance them the materials of their work, and their wages and maintenance till it be completed. He shares in the produce of their labour, or in the value which it adds to the materials upon which it is bestowed; and in this share consists his profit.<sup>3</sup>
- 9 It sometimes happens, indeed, that a single independent workman has stock sufficient both to purchase the materials of his work, and to maintain himself till it be completed. He is both master and workman, and enjoys the whole produce of his own labour, or the whole value which it adds to the materials upon which it is bestowed. It includes what are usually two distinct revenues, belonging to two distinct persons, the profits of stock, and the wages of labour.<sup>4</sup>
- 10 Such cases, however, are not very frequent, and in every part of Europe, twenty workmen serve under a master for one that is independent; and the wages of labour are every where understood to be, what they usually are, when the labourer is one person, and the owner of the stock which employs him another.
- 11 What are the common wages of labour depends every where upon the contract usually made between those two parties, whose interests are by no means the same. The workmen desire to get as much, the masters to give as little as possible. The former are disposed to combine in order to raise, the latter in order to lower the wages of labour.
- 12 [100] It is not, however, difficult to foresee which of the two parties must, upon all ordinary occasions, have the advantage in the dispute, and force the other into a compliance with their terms. The masters, being fewer in

<sup>a-a</sup> further I, 4-6

<sup>b-b</sup> whatever I

<sup>c-c</sup> 2-6

<sup>3</sup> See above, I.vi.5.

<sup>4</sup> Smith comments on the need to distinguish between types of return at I.vi.19.

number, <sup>d</sup>can combine much more easily; and the law, besides, authorises, or at least does not prohibit their combinations, <sup>d</sup> while it prohibits those of the workmen.<sup>5</sup> We have no acts of parliament against combining to lower the price of work; but many against combining to raise it. In all such disputes the masters can hold out much longer. A landlord, a farmer, a master manufacturer, or merchant, though they did not employ a single workman, could generally live a year or two upon the stocks which they have already acquired. Many workmen could not subsist a week, few could subsist a month, and scarce any a year without employment. In the long-run the workman may be as necessary to his master as his master is to him; but the necessity is not so immediate.

- 13 We rarely hear, it has been said, of the combinations of masters; though frequently of those of workmen. But whoever imagines, upon this account, that masters rarely combine, is as ignorant of the world as of the subject. Masters are always and every where in a sort of tacit, but constant and uniform combination, not to raise the wages of labour above their actual rate. To violate this combination is every where a most unpopular action, and a sort of reproach to a master among his neighbours and equals. We [101] seldom, indeed, hear of this combination, because it is the usual, and one may say, the natural state of things which nobody ever hears of.<sup>6</sup> Masters too sometimes enter into particular combinations to sink the wages of labour even below this rate. These are always conducted with the utmost silence and secrecy, till the moment of execution, and when the workmen yield, as they sometimes do, without resistance, though severely felt by them, they are never heard of by other people. Such combinations, however, are frequently resisted by a contrary defensive combination of the workmen; who sometimes too, without any provocation of this kind, combine of their own accord to raise the price of their labour. Their usual pretences are, sometimes the high price of provisions;<sup>7</sup> sometimes the great profit which their masters make by their work. But whether their combinations be offensive or defensive, they are always abundantly heard of. In order to bring the point to a speedy decision, they have always recourse to the loudest clamour, and sometimes to the most shocking violence and outrage. They

<sup>d-d</sup> cannot only combine more easily, but the law authorizes their combinations, or at least does not prohibit them, I

<sup>5</sup> Smith comments on the role of government at I.x.c.34 and mentions statutes affecting wages at I.x.c.61. 7 George I, st.1, c.13 (1720) regulated journeymen tailors; 12 George I, c.34 (1725) regulated certain workmen in the woollen manufactures; 12 George I, c.35 (1725) regulated brickmakers; and 22 George II, c.27 (1748) extended the provisions to a wide range of industries.

<sup>6</sup> See below, I.x.c.61.

<sup>7</sup> Smith comments on the influence of the price of provisions on wages below, I.viii.46-57.

are desperate, and act with the folly and extravagance of desperate men, who must <sup>e</sup>either starve, or frighten their masters into an immediate compliance with their demands. The masters upon these occasions are just as clamorous upon the other side, and never cease to call aloud for the assistance of the civil magistrate, and the rigorous execution of those laws which have been enacted with so much severity against the combinations of servants, labourers, [102] and journeymen. The workmen, accordingly, very seldom derive any advantage from the violence of those tumultuous combinations, which, partly from the interposition of the civil magistrate, partly from the superior steadiness of the masters, partly from the necessity which the greater part of the workmen are under of submitting for the sake of present subsistence, generally end in nothing, but the punishment or ruin of the ringleaders.<sup>8</sup>

But though in disputes with their workmen, masters must generally have the advantage, there is however a certain rate below which it seems impossible to reduce, for any considerable time, the ordinary wages even of the lowest species of labour.

- 15 A man must always live by his work, and his wages must at least be sufficient to maintain him. They must even upon most occasions be somewhat more; otherwise it would be impossible <sup>f</sup>for him<sup>f</sup> to bring up a family, and the race of such workmen could not last beyond the first generation. Mr. Cantillon seems, upon this account, to suppose that the lowest species of common labourers must every where earn at least double their own maintenance, in order that one with another they may be enabled to bring up two children; the labour of the wife, on account of her necessary attendance on the children, being supposed no more than sufficient to provide for herself. But one-half the children born, it is computed, die before the age of manhood.<sup>9</sup> The poorest labourers, therefore, ac-[103]cording to this account, must, one with another, attempt to rear at least four children, in order that two may have an equal chance of living to that age. But the necessary maintenance of four children, it is supposed, may be nearly equal to that of one man. The labour of an able-bodied slave, the same author adds, is computed to be worth double his maintenance; and that of the meanest labourer, he thinks, cannot be worth less than that of an able-bodied slave. Thus far at least seems certain, that, in order to bring up a family, the labour of the husband and wife together must, even in the lowest species of common labour, be able to earn something more than what is precisely necessary

<sup>e-e</sup> 2-6

<sup>f-f</sup> 2-6

<sup>8</sup> It is noted in the index under the article 'Labourers' that they 'are seldom successful in their outrageous combinations'. The same point is made under the article 'Wages'.

<sup>9</sup> 'According to the calculations and observations of the celebrated Dr. Halley' (Cantillon, *Essai*, 42-3, ed. Higgs 33). Examples of child mortality are given at I.viii.38.

for their own maintenance;<sup>10</sup> but in what proportion, whether in that above-mentioned, or in any other, I shall not take upon me to determine.<sup>11</sup>

- 16 There are certain circumstances, however, which sometimes give the labourers an advantage, and enable them to raise their wages considerably above this rate; evidently the lowest which is consistent with common humanity.
- 17 When in any country the demand for those who live by wages; labourers, journeymen, servants of every kind, is continually increasing; when every year furnishes employment for a greater number than had been employed the year before, the workmen have no occasion to combine in order to raise their wages. The scarcity of hands occasions a competition among masters, who bid against one another, in order to get <sup>o</sup>workmen<sup>g</sup>, and thus voluntarily break [104] through the natural combination of masters not to raise wages.
- 18 The demand for those who live by wages, it is evident, cannot increase but in proportion to the increase of the funds which are destined for the payment of wages. These funds are of two kinds; first, the revenue which is over and above what is necessary for the maintenance; and, secondly, the stock which is over and above what is necessary for the employment of their masters.
- 19 When the landlord, annuitant, or monied man, has a greater revenue than what he judges sufficient to maintain his own family, he employs either the whole or a part of the surplus in maintaining one or more menial servants. Increase this surplus, and he will naturally increase the number of those servants.
- 20 When an independent workman, such as a weaver or shoe-maker, has got more stock than what is sufficient to purchase the materials of his own work, and to maintain himself till he can dispose of it, he naturally employs one or more journeymen with the surplus, in order to make a profit by their work. Increase this surplus, and he will naturally increase the number of his journeymen.
- 21 The demand for those who live by wages, therefore, necessarily increases with the increase of the revenue and stock of every country, and

<sup>g-g</sup> them 1

<sup>10</sup> Cf. Harris, *Essay*, 1.9-10: 'It may be reasonably allowed, that a labouring man ought to earn at least, twice as much as will maintain himself in ordinary food and cloathing; that he may be enabled to breed up children, pay rent for a small dwelling, find himself in necessary utensils, &c. So much at least the labourer must be allowed, that the community may be perpetuated.'

<sup>11</sup> Cantillon holds that the problem 'does not admit of exact calculation, and exactitude is not very necessary; it suffices to be near enough to the truth' (*Essai*, 44, ed. Higgs 35). It is noteworthy, in this connection, that in speaking of the subsistence wage, Smith made allowance for customary expense and for 'those things which the established rules of decency have rendered necessary to the lowest rank of people'. See, for example, V.ii.k.3 and 15.

cannot possibly increase without it. The increase of revenue and stock is the increase of national wealth. The demand for those who live [105] by wages, therefore, naturally increases with the increase of national wealth, and cannot possibly increase without it.

22 It is not the actual greatness of national wealth, but its continual increase, which occasions a rise in the wages of labour. It is not, accordingly, in the richest countries, but in the most thriving, or in those which are growing rich the fastest, that the wages of labour are highest. England is certainly, in the present times, a much richer country than any part of North America. The wages of labour, however, are much higher in North America than in any part of England.<sup>12</sup> In the province of New York, common labourers earn\* three shillings and sixpence currency, equal to two shillings sterling, a day; ship carpenters, ten shillings and sixpence currency, with a pint of rum worth sixpence sterling, equal in all to six shillings and sixpence sterling; house carpenters and bricklayers, eight shillings currency, equal to four shillings and sixpence sterling; journeymen taylors, five shillings currency, equal to about two shillings and ten pence sterling. These prices are all above the London price; and wages are said to be as high in the other colonies as in New York. The price of provisions is every where in North America much lower than in England. A dearth has never been known there. In the worst seasons, they have always had a sufficiency [106] for themselves, though less for exportation. If the money price of labour, therefore, be higher than it is any where in the mother country, its real price, the real command of the necessaries and conveniencies of life which it conveys to the labourer, must be higher in a still greater proportion.

23 But though North America is not yet so rich as England, it is much more thriving, and advancing with much greater rapidity to the further acquisition of riches.<sup>13</sup> The most decisive mark of the prosperity of any country

\* This was written in 1773, before the commencement of the 'present' disturbances.<sup>h</sup>

h-h 2-6

<sup>h-h</sup> late 4-6

<sup>12</sup> In commenting on Smith's doctrine that the highest wages would be found in those countries which had the highest rates of growth Pownall pointed out that the rate of increase in the price of commodities might outstrip the rate of increase in the 'price' of wages, so that in the 'triumph of prosperity' the lower orders could find themselves in 'a constant state of helpless oppression'. *Letter*, 15-16. He makes a similar point at p. 7, suggesting that commodity prices 'do *foreerun*, and must, during the progress of improvement, *always foreerun*' both wages and rent. Pownall made the additional point at pp. 32-3 that in a country enjoying a rapid rate of improvement, the rate of change in the prices of manufactured goods would tend to outstrip that of corn, thus placing both landlords and wage-labour in a relatively unfavourable position. Pownall argued that 'the landed men and labourers must be in a continual state of oppression and distress: that they are so in fact, the invariable and universal experience of all improving countries.' For a modern examination of a similar problem, see H. J. Habakkuk, *American and British Technology in the Nineteenth Century* (Cambridge, 1962).

<sup>13</sup> See below, II.v.21, where the rapid rate of growth in America is ascribed to the predominance of investment in agriculture, and cf. IV.vii.c.79.

is the increase of the number of its inhabitants. In Great Britain, and most other European countries, they are not supposed to double in less than five hundred years.<sup>14</sup> In the British colonies in North America, it has been found, that they double in twenty or five-and-twenty years.<sup>15</sup> Nor in the present times is this increase principally owing to the continual importation of new inhabitants, but to the great multiplication of the species. Those who live to old age, it is said, frequently see there from fifty to a hundred, and sometimes many more, descendants from their own body. Labour is there so well rewarded that a numerous family of children, instead of being a burthen is a source of opulence and prosperity to the parents. The labour of each child, before it can leave their house, is computed to be worth a hundred pounds clear gain to them. A young widow with four or five young children, who, among the middling or inferior ranks of people in Europe, would have so little chance for a [107] second husband, is there frequently courted as a sort of fortune. The value of children is the greatest of all encouragements to marriage. We cannot, therefore, wonder that the people in North America should generally marry very young. Notwithstanding the great increase occasioned by such early marriages, there is a continual complaint of the scarcity of hands in North America.<sup>16</sup> The demand for labourers, the funds destined for maintaining them, increase, it seems, still faster than they can find labourers to employ.<sup>17</sup>

<sup>14</sup> Sir William Petty calculated '360 Years for the time of doubling (including some Allowance for Wars, Plagues, and Famine, the Effects thereof, though they be Terrible at the Times and Places where they happen, yet in a period of 360 Years, is no great Matter in the whole Nation.)' (*Another Essay in Political Arithmetick concerning the Growth of the City of London* (London, 1683), 15, ed. C. H. Hull, ii.463.) Cf. Gregory King: 'That, Anno 1260, or about 200 years after the Norman Conquest, the kingdom had 2,750,000 people, or half the present number; so that the people of England have doubled in about 435 years last past; That in probability the next doubling of the people of England will be in about 600 years to come.' (*Natural and Political Observations and Conclusions upon the State and Condition of England, 1688*, in G. Chalmers, *Comparative Strength of Great Britain to 1803* (London, 1804), 41; quoted in C. D'avenant, *Political and Commercial Works*, ed. C. Whitworth (London, 1771), ii.176.)

<sup>15</sup> The same figures are cited below, III.iv.19. It is stated at IV.iii.c.12 that the population of France was 24, and that of America, 3 millions. The same figure for America is cited at V.iii.76 where it is also stated that Britain had less than 8 and Ireland more than 2 million inhabitants. Richard Price also remarked, on the authority of Dr. Heberden, that: 'in Madeira, the inhabitants double their own number in 84 years. But this . . . is a very slow increase, compared with that which takes place among our colonies in AMERICA. In the back settlements, where the inhabitants apply themselves entirely to agriculture, and luxury is not known, they double their own number in 15 years; and all thro' the northern colonies, in 25 years.' (*Observations on Reversionary Payments* (London, 1772), 203.) Evidently Smith did not admire Price. Letter 251 addressed to George Chalmers, dated 22 December 1785 reads: 'Price's speculations cannot fail to sink into the neglect that they always deserved. I have always considered him as a factious citizen, a most superficial Philosopher and by no means an able calculator.'

<sup>16</sup> The profitability of children is mentioned at IV.vii.b.2.

<sup>17</sup> It is pointed out in LJ (B) 329-30, ed. Cannan 256, that in Scotland there is relatively little demand for the labour of the very young, owing to prevailing economic conditions:

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 [108] 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>18</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>19</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>20</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 [109] 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

'This however is not the case in the commercial parts of England. A boy of 6 or 7 years of age at Birmingham can gain his 3 pence or sixpence a day, and parents find it to be their interest to set them soon to work.' See below, V.i.f.53.

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

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

<sup>20</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.)

overboard from any European ship. Any carrion, 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>21</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.

26 But it would be otherwise in a country where the funds destined for the maintenance of labour were sensibly decaying. Every year the demand for servants and labourers would, in all the different classes of employments, be less than it had been the year before. Many who had been bred in the superior classes, not being able to find employment in their own business, would be glad to seek it in the lowest. The lowest class being not only overstocked with its own workmen, but with the overflowings of all the other classes, the competition for employment would be so great in it, as

<sup>21</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.

than before, and less stock being employed in supplying the market than before, they can sell them dearer. Their goods cost them less, and they get more for them. Their profits, therefore, being augmented at both ends, can well afford a large interest. The great fortunes so suddenly and so easily acquired in Bengal and the other British settlements in the East Indies, may satisfy us that, as the wages of labour are very low, so the profits of stock are very high in those ruined countries. The interest of money is proportionably so. In Bengal, money is frequently lent to the farmers at forty, fifty, and sixty per cent. and the succeeding crop is mortgaged for the payment. As the profits which can afford such an interest must eat up almost the whole rent of the landlord, so such enormous usury must in its turn eat up the greater part of those profits. Before the fall of the Roman republick, a usury of the same kind seems to have been common in the provinces, under the ruinous administration of their proconsuls. The virtuous Brutus lent [144] money in Cyprus at <sup>d</sup>eight-and-forty<sup>d</sup> per cent. as we learn from the letters of Cicero.<sup>31</sup>

14 In a country which had acquired that full complement of riches which the nature of its soil and climate, and its situation with respect to other countries allowed it to acquire; which could, therefore, advance no further, and which was not going backwards, both the wages of labour and the profits of stock would probably be very low. In a country fully peopled in proportion to what either its territory could maintain or its stock employ, the competition for employment would necessarily be so great as to reduce the wages of labour to what was barely sufficient to keep up the number of labourers, and, the country being already fully peopled, that number could never be augmented. In a country fully stocked in proportion to all the business it had to transact, as great a quantity of stock would be employed in every particular branch as the nature and extent of the trade would admit. The competition, therefore, would everywhere be as great, and consequently the ordinary profit as low as possible.

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>32</sup> But this complement may be much inferior

<sup>d-d</sup> five and forty 1

<sup>31</sup> 'If Brutus thinks that I ought to have allowed 48 per cent, when throughout my province I have recognized only 12 per cent, and have fixed this rate in my edict, with the approval of the most grasping users; . . . I shall be sorry that he is angry with me, but I shall be far sorer at discovering that he is not the man I imagined he was.' (Cicero, *Letters to Atticus*, VI, i.5-6, translated by E. O. Winstedt in Loeb Classical Library (1912), i.422-3.)

<sup>32</sup> See above, I.viii.24. Smith comments on China's 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.

to what, with other laws and institutions, the nature of its soil, climate, and situation might admit of. A country which neglects [145] 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>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 in China, and the ordinary profits of stock must be sufficient to afford this large interest.<sup>34</sup>

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- 16 A defect in the law may sometimes raise the rate of interest considerably above what the condition of the country, as to wealth or poverty, would require. When the law does not enforce the performance of contracts,<sup>35</sup> it puts all borrowers nearly upon the same footing with bankrupts or people of doubtful credit in better regulated countries. The uncertainty of recovering his money makes the lender exact the same usurious interest which is usually required from bankrupts. Among the barbarous nations who [146] over-run the western provinces of the Roman empire, the performance of contracts was left for many ages to the faith of the contracting parties. The courts of justice of their kings seldom intermeddled in it. The high rate of interest which took place in those antient times may perhaps be partly accounted for from this cause.
- 17 When the law prohibits interest altogether, it does not prevent it. Many people must borrow, and nobody will lend without such a consideration for the use of their money as is suitable, not only to what can be made by the use of it, but to the difficulty and danger of evading the law. The high rate of interest among all Mahometan nations is accounted for by Mr.

<sup>33</sup> 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'.

<sup>34</sup> 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>35</sup> For a discussion of contract, see LJ (B) 175-80, ed. Cannan 130-4.

from the materials which their own produces. Part of the wool of Spain is manufactured in Great Britain, and some part of that cloth is afterwards sent back to Spain.<sup>12</sup>

- 16 Whether the merchant whose capital exports the surplus produce of any society be a native or a foreigner, is of very little importance. If he is a foreigner, the number of their productive labourers is necessarily less than if he had been a native by one man only; and the value of their annual produce, by the profits of that one man. The sailors or carriers whom he employs may still belong indifferently either to his country, or to their country, or to some third country, in the [55] same manner as if he had been a native. The capital of a foreigner gives a value to their surplus produce equally with that of a native, by exchanging it for something for which there is a demand at home. It as effectually replaces the capital of the person who produces that surplus, and as effectually enables him to continue his business; the service by which the capital of a wholesale merchant chiefly contributes to support the productive labour, and to augment the value of the annual produce of the society to which he belongs.
- 17 It is of more consequence that the capital of the manufacturer should reside within the country. It necessarily puts into motion a greater quantity of productive labour, and adds a greater value to the annual produce of the land and labour of the society. It may, however, be very useful to the country, though it should not reside within it. The capitals of the British manufacturers who work up the flax and hemp annually imported from the coasts of the Baltic, are surely very useful to the countries which produce them. Those materials are a part of the surplus produce of those countries which, unless it was annually exchanged for something which is in demand there, would be of no value, and would soon cease to be produced. The merchants who export it, replace the capitals of the people who produce it, and thereby encourage them to continue the production; and the British manufacturers replace the capitals of those merchants.
- 18 [56] A particular country, in the same manner as a particular person, may frequently not have capital sufficient both to improve and cultivate all its lands, to manufacture and prepare their whole rude produce for immediate use and consumption, and to transport the surplus part either of the rude or manufactured produce to those distant markets where it can be exchanged for something for which there is a demand at home. The inhabitants of many different parts of Great Britain have not capital sufficient to improve and cultivate all their lands. The wool of the southern counties of Scotland is, a great part of it, after a long land carriage through very bad roads, manufactured in Yorkshire, for want of a capital to manufacture it at home.

<sup>12</sup> See below, III.iii.19, where it is pointed out that Spanish wool was the first material used in English manufactures of this kind which were fit for export.

There are many little manufacturing towns in Great Britain, of which the inhabitants have not capital sufficient to transport the produce of their own industry to those distant markets where there is demand and consumption for it. If there are any merchants among them, they are properly only the agents of wealthier merchants who reside in some of the greater commercial cities.

- 19 When the capital of any country is not sufficient for all those three purposes, in proportion as a greater share of it is employed in agriculture, the greater will be the quantity of productive labour which it puts into motion within the country; as will likewise be the value which its employment adds to the annual produce of the land and labour of the society. After agriculture, the capital employed in manufactures [57] puts into motion the greatest quantity of productive labour, and adds the greatest value to the annual produce. That which is employed in the trade of exportation, has the least effect of any of the three.
- 20 The country, indeed, which has not capital sufficient for all those three purposes, has not arrived at that degree of opulence for which it seems naturally destined. To attempt, however, prematurely and with an insufficient capital, to do all the three, is certainly not the shortest way for a society, no more than it would be for an individual, to acquire a sufficient one. The capital of all the individuals of a nation, has its limits in the same manner as that of a single individual, and is capable of executing only certain purposes. The capital of all the individuals of a nation is increased in the same manner as that of a single individual, by their continually accumulating and adding to it whatever they save out of their revenue. It is likely to increase the fastest, therefore, when it is employed in the way that affords the greatest revenue to all the inhabitants of the country, as they will thus be enabled to make the greatest savings. But the revenue of all the inhabitants of the country is necessarily in proportion to the value of the annual produce of their land and labour.
- 21 It has been the principal cause of the rapid progress of our American colonies towards wealth and greatness, that almost their whole capitals have hitherto been employed in agriculture.<sup>13</sup> They have no manufactures, those household and [58] coarser manufactures excepted which necessarily accompany the progress of agriculture, and which are the work of the women and children in every private family. The greater part both of the exportation and coasting trade of America, is carried on by the capitals of

<sup>13</sup> See above, I.ix.11 and below, III.iv.19 and IV.vii.b.2. It is stated at IV.vii.b.44 that America was still at a stage of development where capital was best employed in agriculture and at IV.vii.c.51 that agriculture was the 'proper business of all new colonies'. Smith remarked at IV.vii.b.17, however, that the British colonies were less well endowed than the Spanish or Portuguese with regard to land. He also remarks on the rapid progress of the American colonies at I.viii.23.

merchants who reside in Great Britain.<sup>14</sup> Even the stores and warehouses from which goods are retailed in some provinces, particularly in Virginia and Maryland, belong many of them to merchants who reside in the mother country, and afford one of the few instances of the retail trade of a society being carried on by the capitals of those who are not resident members of it. Were the Americans, either by combination or by any other sort of violence, to stop the importation of European manufactures,<sup>15</sup> and, by thus giving a monopoly to such of their own countrymen as could manufacture the like goods, divert any considerable part of their capital into this employment, they would retard instead of accelerating the further increase in the value of their annual produce, and would obstruct instead of promoting the progress of their country towards real wealth and greatness. This would be still more the case, were they to attempt, in the same manner, to monopolize to themselves their whole exportation trade.

22 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 ac-[59]counts of the wealth and cultivation of China, of those of antient Egypt, and of the antient state of Indostan.<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>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.

23 It is thus that the same capital will in any country put into motion a greater or smaller quantity of productive labour, and add a greater or smaller value to the annual produce of its land and labour, according to

<sup>14</sup> See below, IV.vii.b.56 and IV.vii.c.38. Smith considers the effect of the colony trade on the level of domestic profits at IV.vii.c.19 and comments on the favourable effects from a colonial point of view which had arisen from the use of foreign (British) capital.

<sup>15</sup> See below, IV.vii.c.43,44, where Smith comments on the expected rupture with the colonies and the current exclusion of British goods from the American market.

<sup>16</sup> It is stated at III.iv.20 that 200 years is a 'period as long as the course of human prosperity usually endures'.

<sup>17</sup> 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>18</sup> 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.)

<sup>19</sup> See below, IV.ix.45.

<sup>20</sup> See above, I.iii.7, and below, III.i.7, IV.iii.c.11, IV.ix.40,41.

expenditure of raising and bringing it to market, but afford too the ordinary profits of agriculture to the farmer.<sup>3</sup> The proprietors and cultivators of the country, therefore, which lies in the neighbourhood of the town, over and above the ordinary profits of agriculture, gain, in the price of what they sell, the whole value of the carriage of the like produce that is brought from more distant parts, and they save, besides, the whole value of this carriage in the price of what they buy. Compare the cultivation of the lands in the neighbourhood of any considerable town, with that of those which lie at some distance [75] from it, and you will easily satisfy yourself how much the country is benefited by the commerce of the town. Among all the absurd speculations that have been propagated concerning the balance of trade,<sup>4</sup> it has never been pretended that either the country loses by its commerce with the town, or the town by that with the country which maintains it.

- 2 As subsistence is, in the nature of things, prior to conveniency and luxury, so the industry which procures the former, must necessarily be prior to that which ministers to the latter. The cultivation and improvement of the country, therefore, which affords subsistence, must, necessarily, be prior to the increase of the town, which furnishes only the means of conveniency and luxury. It is the surplus produce of the country only, or what is over and above the maintenance of the cultivators, that constitutes the subsistence of the town, which can therefore increase only with the increase of this surplus produce. The town, indeed, may not always derive its whole subsistence from the country in its neighbourhood, or even from the territory to which it belongs, but from very distant countries; and this, though it forms no exception from the general rule, has occasioned considerable variations in the progress of opulence in different ages and nations.
- 3 That order of things which necessity imposes in general, though not in every particular country, is, in every particular country, promoted by the natural inclinations of man. If human insti-[76]tutions had never thwarted those natural inclinations, the towns could no-where have increased beyond what the improvement and cultivation of the territory in which they were situated could support; till such time, at least, as the whole of that territory was compleatly cultivated and improved. Upon equal, or nearly equal profits, most men will chuse to employ their capitals rather in the improvement and cultivation of land, than either in manufactures or in foreign trade. The man who employs his capital in land, has it more under his view and command, and his fortune is much less liable to accidents than that of the trader, who is obliged frequently to commit it, not only

<sup>3</sup> See above, I.xi.b.4, regarding the costs of transport.

<sup>4</sup> It is stated at IV.iii.c.2 that 'nothing . . . can be more absurd' than this whole doctrine of the balance of trade. Cf. IV.i.8.

to the winds and the waves, but to the more uncertain elements of human folly and injustice, by giving great credits in distant countries to men, with whose character and situation he can seldom be thoroughly acquainted. The capital of the landlord, on the contrary, which is fixed in the improvement of his land, seems to be as well secured as the nature of human affairs can admit of. The beauty of the country besides, the pleasures of a country life, the tranquillity of mind which it promises, and wherever the injustice of human laws does not disturb it, the independency which it really affords, have charms that more or less attract every body; and as to cultivate the ground was the original destination of man, so in every stage of his existence he seems to retain a predilection for this primitive employment.<sup>5</sup>

- 4 [77] Without the assistance of some artificers, indeed, the cultivation of land cannot be carried on, but with great inconveniency and continual interruption. Smiths, carpenters, wheel-wrights, and plough-wrights, masons, and bricklayers, tanners, shoemakers, and taylors, are people, whose service the farmer has frequent occasion for. Such artificers too stand, occasionally, in need of the assistance of one another; and as their residence is not, like that of the farmer, necessarily tied down to a precise spot, they naturally settle in the neighbourhood of one another, and thus form a small town or village. The butcher, the brewer, and the baker, soon join them, together with many other artificers and retailers, necessary or useful for supplying their occasional wants, and who contribute still further to augment the town. The inhabitants of the town and those of the country are mutually the servants of one another. The town is a continual fair or market, to which the inhabitants of the country resort, in order to exchange their rude for manufactured produce. It is this commerce which supplies the inhabitants of the town both with the materials of their work, and the means of their subsistence. The quantity of the finished work which they sell to the inhabitants of the country, necessarily regulates the quantity of the materials and provisions which they buy. Neither their employment nor subsistence, therefore, can augment, but in proportion to the augmentation of the demand from the country for finished work; and this demand can augment [78] only in proportion to the extension of improvement and cultivation. Had human institutions, therefore, never disturbed the natural course of things, the progressive wealth and increase of the towns would, in every political society, be consequential, and in proportion to the improvement and cultivation of the territory or country.

- 5 In our North American colonies, where uncultivated land is still to be had upon easy terms, no manufactures for distant sale have ever yet been established in any of their towns.<sup>6</sup> When an artificer has acquired a little

<sup>5</sup> See above, II.iv.17.

<sup>6</sup> It is stated at IV.vii.43-44 that the lack of manufactures for distant sale in America

more stock than is necessary for carrying on his own business in supplying the neighbouring country, he does not, in North America, attempt to establish with it a manufacture for more distant sale, but employs it in the purchase and improvement of uncultivated land.<sup>7</sup> From artificer he becomes planter, and neither the large wages nor the easy subsistence which that country affords to artificers, can bribe him rather to work for other people than for himself. He feels that an artificer is the servant of his customers, from whom he derives his subsistence;<sup>8</sup> but that a planter who cultivates his own land, and derives his necessary subsistence from the labour of his own family, is really a master, and independent of all the world.

6 In countries, on the contrary, where there is either no uncultivated land, or none that can be had upon easy terms, every artificer who has acquired more stock than he can employ in the occasional jobs of the neighbourhood, endeavours to [79] prepare work for more distant sale. The smith erects some sort of iron, the weaver some sort of linen or woollen manufactory. Those different manufactures come, in process of time, to be gradually subdivided, and thereby improved and refined in a great variety of ways, which may easily be conceived, and which it is therefore unnecessary to explain any further.

7 In seeking for employment to a capital, manufactures are, upon equal or nearly equal profits, naturally preferred to foreign commerce, for the same reason that agriculture is naturally preferred to manufactures. As the capital of the landlord or farmer is more secure than that of the manufacturer, so the capital of the manufacturer, being at all times more within his view and command, is more secure than that of the foreign merchant. In every period, indeed, of every society, the surplus part both of the rude and manufactured produce, or that for which there is no demand at home, must be sent abroad in order to be exchanged for something for which there is some demand at home. But whether the capital, which carries this surplus produce abroad, be a foreign or a domestick one, is of very little importance. If the society has not acquired sufficient capital both to cultivate all its lands, and to manufacture in the completest manner the whole of "its" rude produce, there is even a considerable advantage that "that rude produce" should be exported by a foreign capital, in order that the whole stock of the society may be employed in more useful purposes. **The [80] wealth of antient Egypt, that of China and Indostan, sufficiently demonstrate that a nation may attain a very high degree of opulence,**

<sup>a-a</sup> their *r*      <sup>b-b</sup> it *r*

was the consequence of mercantile policy with regard to the colonies, although it is also pointed out that their state of improvement was such as to preclude them.

<sup>7</sup> See IV.vii.b.2 and 19. Cf. I.ix.11.

<sup>8</sup> See below, III.iv.11 where Smith describes the nature of this kind of dependence.

though the greater part of its exportation trade be carried on by foreigners.<sup>9</sup> The progress of our North American and West Indian colonies would have been much less rapid, had no capital but what belonged to themselves been employed in exporting their surplus produce.<sup>10</sup>

8 According to the natural course of things, therefore, the greater part of the capital of every growing society is, first, directed to agriculture, afterwards to manufactures, and last of all to foreign commerce. This order of things is so very natural, that in every society that had any territory, it has always, I believe, been in some degree observed. Some of their lands must have been cultivated before any considerable towns could be established, and some sort of coarse industry of the manufacturing kind must have been carried on in those towns, before they could well think of employing themselves in foreign commerce.

9 But though this natural order of things must have taken place in some degree in every such society, it has, in all the modern states of Europe, been, in many respects, entirely inverted. The foreign commerce of some of their cities has introduced all their finer manufactures, or such as were fit for distant sale; and manufactures and foreign commerce together, have given birth to the principal improvements of agriculture.<sup>11</sup> The manners and customs which the nature of [81] their original government introduced, and which remained after that government was greatly altered, necessarily forced them into this unnatural and retrograde order.

<sup>9</sup> See, for example, I.iii.7, II.v.22 and IV.ix.40.

<sup>10</sup> See above, II.v.21, and below, IV.vii.b.56, IV.vii.c.38, and V.iii.83.

<sup>11</sup> This argument is a feature of III.iii.

manifest, that it seems ridiculous to take any pains to prove it; nor could it ever have been called in question, had not the interested sophistry of merchants and manufacturers confounded the common sense of mankind. Their interest is, in this respect, directly opposite to that of the great body of the people.<sup>9</sup> As it is the interest of the freemen [245] of a corporation to hinder the rest of the inhabitants from employing any workmen but themselves, so it is the interest of the merchants and manufacturers of every country to secure to themselves the monopoly of the home market. Hence in Great Britain, and in most other European countries, the extraordinary duties upon almost all goods imported by alien merchants.<sup>10</sup> Hence the high duties and prohibitions upon all those foreign manufactures which can come into competition with our own. Hence too the extraordinary restraints upon the importation of almost all sorts of goods from those countries with which the balance of trade is supposed to be disadvantageous; that is, from those against whom national animosity happens to be most violently inflamed.

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II The wealth of a neighbouring nation, however, though dangerous in war and politicks, is certainly advantageous in trade. In a state of hostility it may enable our enemies to maintain fleets and armies superior to our own; but in a state of peace and commerce it must likewise enable them to exchange with us to a greater value, and to afford a better market, either for the immediate produce of our own industry, or for whatever is purchased with that produce. As a rich man is likely to be a better customer to the industrious people in his neighbourhood, than a poor, so is likewise a rich nation. A rich man, indeed, who is himself a manufacturer, is a very dangerous neighbour to all those who deal in the same way. All the rest of the neigh-[246]bourhood, however, by far the greatest number, profit by the good market which his expence affords them. They even profit by his under-selling the poorer workmen who deal in the same way with him. The manufacturers of a rich nation, in the same manner, may no doubt be very dangerous rivals to those of their neighbours. This very competition, however, is advantageous to the great body of the people, who profit greatly besides by the good market which the great expence of such a nation affords them in every other way. Private people who want to make a fortune, never think of retiring to the remote and poor provinces of the country, but resort either to the capital or to some of the great commercial towns. They know, that, where little wealth circulates, there is little to be got, but that where a great deal is in motion, some share of it may fall to them. The same maxims which would in this manner direct the common sense of one, or ten, or twenty individuals, should regulate the judgment of one, or ten, or twenty millions, and should make a whole nation regard

<sup>9</sup> The same point is made at I.xi.p.10.

<sup>10</sup> The alien duties are frequently mentioned, e.g. at IV.ii.30, IV.iv.3, and V.ii.k.21.

the riches of its neighbours, as a probable cause and occasion for itself to acquire riches. A nation that would enrich itself by foreign trade is certainly most likely to do so when its neighbours are all rich, industrious, and commercial nations. A great nation surrounded on all sides by wandering savages and poor barbarians might, no doubt, acquire riches by the cultivation of its own lands, and by its own interior commerce, but not by foreign trade. It seems to have been [247] in this manner that the antient Egyptians and the modern Chinese acquired their great wealth. The antient Egyptians, it is said, neglected foreign commerce, and the modern Chinese, it is known, hold it in the utmost contempt, and scarce deign to afford it the decent protection of the laws. The modern maxims of foreign commerce, by aiming at the impoverishment of all our neighbours, so far as they are capable of producing their intended effect, tend to render that very commerce insignificant and contemptible.<sup>11</sup>

- 12 <sup>h</sup>It is in consequence of these maxims that the commerce between France and England has in both countries been subjected to so many discouragements and restraints. If those two countries, however, were to consider their real interest, without either mercantile jealousy or national animosity, the commerce of France might be more advantageous to Great Britain than that of any other country, and for the same reason that of Great Britain to France. France is the nearest neighbour to Great Britain. In the trade between the southern coast of England and the northern and north-western coasts of France, the returns might be expected, in the same manner as in the inland trade, four, five, or six times in the year. The capital, therefore, employed in this trade, could in each of the two countries keep in motion four, five, or six times the quantity of industry, and afford employment and subsistence to four, five, or six times the number of people, which an equal capital could do in the [248] greater part of the other branches of foreign trade. Between the parts of France and Great Britain most remote from one another, the returns might be expected, at least, once in the year, and even this trade would so far be at least equally advantageous as the greater part of the other branches of our foreign European trade. It would be, at least, three times more advantageous, than the boasted trade with our North American colonies, in which the returns were seldom made in less than three years, frequently not in less than four or five years.<sup>12</sup> France, besides, is supposed to contain twenty-four millions of inhabitants.<sup>13</sup> Our North American colonies were never supposed to contain

<sup>h-h</sup> [to end of § 13] *om.* 1-2 text 2A-6

<sup>11</sup> The attitude of the Chinese and ancient Egyptians to foreign trade is mentioned for example, at I.iii.7, I.ix.15, II.v.22, III.i.7, IV.ix.40 and 41.

<sup>12</sup> See below, IV.vii.c.35.

<sup>13</sup> See below, V.ii.k.78, where the population of France is stated to be 23 or 24 millions, and that of Britain, less than 8. Rickman estimated the population of England and Wales at less than 8 millions in the 1770s; Webster estimated the population of Scotland at 14

Oeconomy,<sup>26</sup> or of the nature and causes of the wealth of nations, but of every other branch of the system of civil government, all follow implicitly, and without any sensible variation, the doctrine of Mr. Quesnai.<sup>27</sup> There is upon this account little variety in the greater part of their works. The most distinct and best connected account of this doctrine is to be found in a little book written by Mr. Mercier de la Riviere,<sup>28</sup> sometime Intendant of Martinico, intitled, *The natural and essential Order of Political Societies*. The admiration of this whole sect for their master, who was himself a man of the greatest modesty and simplicity, is not inferior to that of any of the antient philosophers for the founders of their respective systems. "There have been, since the world began," says a very diligent and respectable author, the Marquis de Mirabeau, "three great inventions which have principally given stability to political societies, independent of many other in-[30]ventions which have enriched and adorned them. The first, is the invention of writing, which alone gives human nature the power of transmitting, without alteration, its laws, its contracts, its annals, and its discoveries. The second, is the invention of money, which binds together all the relations between civilized societies. The third, is the Oeconomical Table, the result of the other two, which completes them both by perfecting their object; the great discovery of our age, but of which our posterity will reap the benefit."<sup>29</sup>

39 As the political oeconomy of the nations of modern Europe, has been more favourable to manufactures and foreign trade, the industry of the towns, than to agriculture, the industry of the country; so that of other nations has followed a different plan, and has been more favourable to agriculture than to manufactures and foreign trade.

40 **The policy of China favours agriculture more than all other employments.**<sup>30</sup> In China, the condition of a labourer is said to be as much superior to that of an artificer; as in most parts of Europe, that of an artificer is to that of a labourer.<sup>31</sup> In China, the great ambition of every man is to

<sup>26</sup> The term 'political economy' is used, for example, at IV.i, II.v.31, IV.i.35. The physiocrats are described at V.ii.c.7. as a sect who call themselves 'the oeconomists'.

<sup>27</sup> For comment on this point, see R. L. Meek, *The Economics of Physiocracy*, 27.

<sup>28</sup> Mercier de la Riviere, *L'ordre naturel et essentiel des sociétés politiques* (1767). This book was in Smith's library, which also included works by Dupont de Nemours, Forbonnais, Le Trosne, Mirabeau, Morellet, and Quesnay. In addition to the *Ephémérides* Smith owned copies of the *Journal de l'Agriculture, du Commerce et de Finances* for 1765-7, which was edited by Dupont from September 1765 to October 1766.

<sup>29</sup> *Philosophie rurale ou économie générale et politique de l'agriculture, pour servir de suite à l'Ami des Hommes* (Amsterdam, 1766), i.52-3.

<sup>30</sup> 'The whole attention, in general, of the Chinese government, is directed towards agriculture.' (P. Poivre, *Voyages d'un philosophe* (1768), translated as *Travels of a Philosopher, or, Observations on the Manners and Arts of Various Nations in Africa and Asia* (Glasgow, 1790), 169.)

<sup>31</sup> 'L'Agriculture y est sort estimée, et les Labourers, dont la profession est regardée comme la plus nécessaire à un Etat, y tiennent un rang considérable; on leur accorde de

get possession of some little bit of land, either in property or in lease; and leases are there said to be granted upon very moderate terms, and to be sufficiently secured to the lessees.<sup>32</sup> The Chinese have little respect for foreign trade.<sup>33</sup> Your beggarly commerce! was the language in which the Mandarins of Pekin used to talk to Mr. [31] "De Lange", the Russian envoy, concerning it\*. Except with Japan, the Chinese carry on, themselves, and in their own bottoms, little or no foreign trade; and it is only into one or two ports of their kingdom that they even admit the ships of foreign nations. Foreign trade, therefore, is, in China, every way confined within a much narrower circle than that to which it would naturally extend itself, if more freedom was allowed to it, either in their own ships, or in those of foreign nations.

- 4<sup>1</sup> **Manufactures**, as in a small bulk they frequently contain a great value, and can upon that account be transported at less expence from one country to another than most <sup>2</sup>parts<sup>2</sup> of rude produce, are, in almost all countries, **the principal support of foreign trade**.<sup>34</sup> In countries, besides, less extensive and less favourably circumstanced for interior commerce than China, they generally require the support of foreign trade. Without an extensive foreign market, they could not well flourish, either in countries so moderately extensive as to afford but a narrow home market; or in countries where the communication between one province and another was so difficult, as to render it impossible for the goods of any particular place to enjoy the whole of that home market which the country could afford. The perfection of manufacturing industry, it must be remembered, depends altogether upon the division of labour; and the degree to which the di-[32]vision of labour can be introduced into any manufacture, is necessarily regulated, it has already been shown, by the extent of the market.<sup>35</sup> But **the great extent of**

\* See the Journal of Mr. De Lange in Bell's Travels, vol. ii. p. 258. 276. and 293. °

[The mandarins told De Lange, when he asked for a free passage for the caravan by the old road of Kerlinde: 'That they expected to have been freed from their importuning the council about their beggarly commerce, after they had been told so often, that the council would not embarrass themselves any more about affairs that were only beneficial to the Russes; and that, of course, they had only to return by the way they came.' (J. Bell, *Travels from St. Petersburg in Russia to diverse parts of Asia* (Glasgow, 1763), ii.293; See also ii.258 and 276.)]

<sup>n-n</sup> Langlet I

<sup>o-o</sup> 2-6

<sup>p-p</sup> sorts I

grands privileges, et on les préfère aux Marchands et aux Artisans.' (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.64.)

<sup>32</sup> 'The lands are as free as the people; no feudal services, and no fines of alienation; . . . none of that destructive possession, hatched in the delirium of the feudal system, under these auspices arise millions of processes . . .' (P. Poivre, *Voyages d'un philosophe*, translated as *Travels of a Philosopher*, 170-1.)

<sup>33</sup> Smith comments on the wealth of China, despite the lack of foreign trade, at IV.iii.c. 11, II.v.22; cf. III.i.7.

<sup>34</sup> See above, IV.i.29 and III.iv.20.

<sup>35</sup> Above, I.iii.

the empire of China, the vast multitude of its inhabitants, the variety of climate, and consequently of productions in its different provinces, and the easy communication by means of water carriage between the greater part of them, render the home market of that country of so great extent, as to be alone sufficient to support very great manufactures, and to admit of very considerable subdivisions of labour.<sup>36</sup> The home market of China is, perhaps, in extent, not much inferior to the market of all the different countries of Europe put together.<sup>37</sup> A more extensive foreign trade, however, which to this great home market added the foreign market of all the rest of the world; especially if any considerable part of this trade was carried on in Chinese ships; could scarce fail to increase very much the manufactures of China, and to improve very much the productive powers of its manufacturing industry.<sup>38</sup> By a more extensive navigation, the Chinese would naturally learn the art of using and constructing themselves all the different machines made use of in other countries, as well as <sup>a</sup> the other improvements of art and industry which are practised in all the different parts of the world. Upon their present plan they have little opportunity of improving themselves by the example of any other nation; except that of the Japanese.

- 42 The policy of ancient Egypt too, and that of the Gentoo government of Indostan, seem to have [33] favoured agriculture more than all other employments.<sup>39</sup>
- 43 Both in ancient Egypt and <sup>r</sup> Indostan, the whole body of the people was divided into different casts or tribes, each of which was confined, from father to son, to a particular employment or class of employments. The son of a priest was necessarily a priest; the son of a soldier, a soldier; the son of a labourer, a labourer; the son of a weaver, a weaver; the son of a taylor, a taylor; &c. In both countries, the cast of the priests held the highest rank, and that of the soldiers the next; and in both countries, the cast of the farmers and labourers was superior to the casts of merchants and manufacturers.<sup>40</sup>
- 44 The government of both countries was particularly attentive to the interest of agriculture. The works constructed by the ancient sovereigns of Egypt for the proper distribution of the waters of the Nile were famous in antiquity; and the ruined remains of some of them are still the admiration of travellers. Those of the same kind which were constructed by the antient sovereigns of Indostan, for the proper distribution of the waters of the

<sup>a</sup> all *r*            <sup>r</sup> in *r*

<sup>36</sup> See above, I.iii.7, where it is stated that China's opulence was derived from an inland navigation.

<sup>37</sup> 'L'historien dit que le commerce qui se fait dans l'intérieur de la Chine est si grand, que celui de l'Europe ne peut pas lui être comparé.' F. Quesnay, *Oeuvres économiques et philosophiques*, ed. A. Oncken (Paris, 1888), 603.)

<sup>38</sup> See above, I.ix.15.

<sup>39</sup> See II.v.22 and IV.iii.c.11.

<sup>40</sup> See above, I.vii.31.

Ganges as well as of many other rivers, though they have been less celebrated, seem to have been equally great. Both countries, accordingly, though subject occasionally to dearths, have been famous for their great fertility. Though both were extremely populous, yet, in years of moderate plenty, they were both able to export great quantities of grain to their neighbours.

- 45 [34] The antient Egyptians had a superstitious aversion to the sea; and as the Gentoo religion does not permit its followers to light a fire, nor consequently to dress any victuals upon the water, it in effect prohibits them from all distant sea voyages. Both the Egyptians and Indians must have depended almost altogether upon the navigation of other nations for the exportation of their surplus produce; and this dependency, as it must have confined the market, so it must have discouraged the increase of this surplus produce.<sup>41</sup> It must have discouraged too the increase of the manufactured produce more than that of the rude produce. Manufactures require a much more extensive market than the most important parts of the rude produce of the land. A single shoemaker will make more than three hundred pairs of shoes in the year; and his own family will not perhaps wear out six pairs. Unless therefore he has the custom of at least fifty such families as his own, he cannot dispose of the whole produce of his own labour.<sup>42</sup> The most numerous class of artificers will seldom, in a large country, make more than one in fifty or one in a hundred of a whole number of families contained in it. But in such large countries as France and England, the number of people employed in agriculture has by some authors been computed at a half, by others at a third, and by no author that I know of, at less than a fifth of the whole inhabitants of the country. But as the produce of the agriculture of both France and England is, the far greater part of it, con-  
[35]sumed at home, each person employed in it must, according to these computations, require little more than the custom of one, two, or, at most, <sup>3</sup>of<sup>s</sup> four such families as his own, in order to dispose of the whole produce of his own labour. Agriculture, therefore, can support itself under the discouragement of a confined market, much better than manufactures. In both antient Egypt and Indostan, indeed, the confinement of the foreign market was in some measure compensated by the conveniency of many inland navigations, which opened, in the most advantageous manner, the whole extent of the home market to every part of the produce of every different district of those countries. The great extent of Indostan too rendered the home market of that country very great, and sufficient to support a great variety of manufactures. But the small extent of antient Egypt, which was never equal to England, must at all times have rendered

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<sup>3</sup> om. 1

<sup>41</sup> See above, II.v.22.

<sup>42</sup> See above, I.iii.2.

the home market of that country too narrow for supporting any great variety of manufactures. Bengal, accordingly, the province of Indostan, which commonly exports the greatest quantity of rice, has always been more remarkable for the exportation of a great variety of manufactures, than for that of its grain. Antient Egypt, on the contrary, though it exported some manufactures, fine linen in particular, as well as some other goods, was always most distinguished for its great exportation of grain. It was long the granary of the Roman empire.

- 46 [36] The sovereigns of China, of antient Egypt, and of the different kingdoms into which Indostan has at different times been divided, have always derived the whole, or by far the most considerable part, of their revenue from some sort of land-tax or land-rent. This land-tax or land-rent, like the tithe in Europe, consisted in a certain proportion, a fifth, it is said, of the produce of the land, which was either delivered in kind, or paid in money, according to a certain valuation, and which therefore varied from year to year according to all the variations of the produce. It was natural, therefore, that the sovereigns of those countries should be particularly attentive to the interests of agriculture, upon the prosperity or declension of which immediately depended the yearly increase or diminution of their own revenue.<sup>43</sup>
- 47 The policy of the antient republics of Greece, and that of Rome, though it honoured agriculture more than manufactures or foreign trade, yet seems rather to have discouraged the latter employments, than to have given any direct or intentional encouragement to the former. In several of the antient states of Greece, foreign trade was prohibited altogether; and in several others the employments of artificers and manufacturers were considered as hurtful to the strength and agility of the human body, as rendering it incapable of those habits which their military and gymnastic exercises endeavoured to form in it, and as thereby disqualifying it more [37] or less 'for' undergoing the fatigues and encountering the dangers of war.<sup>44</sup> Such occupations were considered as fit only for slaves, and the free citizens of the state were prohibited from exercising them.<sup>45</sup> Even in those states

<sup>t-4</sup> from 1

<sup>43</sup> See below, V.ii.d.5.

<sup>44</sup> See below, V.i.f. 39-45, where Greek education is described.

<sup>45</sup> LJ (B) 39, ed. Cannan 27 states that 'At Rome and Athens the arts were carried on by slaves, and the Lacedemonians went so far as not to allow any freemen to be brought up to mechanic employments, because they imagined that they hurt the body.' LJ (A) iv.82 also comments on this belief, in stating that the Greeks considered, 'and I believe, with justice, that every sort of constant labour hurt the shape and rendered him less fit for military exercises, which made the chief view of all lawgivers at that time. (We can know a taylor by his gait.)' Montesquieu also noted that the Romans regarded 'commerce and the arts as the occupations of slaves: they did not practice them.' (*Considerations*, 98-9.) A similar point is made with regard to the Greeks in *Esprit*, IV.viii. Cf. Cicero, *De Officiis*, I.xliii. While confirming that most trades were sordid and mean, Cicero argued however

where no such prohibition took place, as in Rome and Athens, the great body of the people were in effect excluded from all the trades which are now commonly exercised by the lower sort of the inhabitants of towns. Such trades were, at Athens and Rome, all occupied by the slaves of the rich, who exercised them for the benefit of their masters, whose wealth, power, and protection, made it almost impossible for a poor freeman to find a market for his work, when it came into competition with that of the slaves of the rich.<sup>46</sup> Slaves, however, are very seldom inventive; and all the most important improvements, either in machinery, or in "the" arrangement and distribution of work which facilitate and abridge labour, have been the discoveries of freemen.<sup>47</sup> Should a slave propose any improvement of this kind, his master would be very apt to consider the proposal as the suggestion of laziness, and "a desire to save his own labour at the master's expence."<sup>48</sup> The poor slave, instead of reward, would probably meet with much abuse, perhaps with some punishment. In the manufactures carried on by slaves, therefore, more labour must generally have been employed to execute the same quantity of work, than in those carried on by freemen.<sup>49</sup> The work of the former must, upon that account, generally have been dearer [38] than that of the latter.<sup>50</sup> The Hungarian mines, it is remarked by Mr. Montesquieu,<sup>51</sup> though not "richer", have always been wrought with less expence, and therefore with more profit, than the Turkish mines in their neighbourhood. The Turkish mines are wrought by slaves; and the arms of those slaves are the only machines which the Turks have ever thought of employing. The Hungarian mines are wrought by freemen, who employ a "great" deal of machinery, by which they facilitate and abridge their own labour.<sup>52</sup> From the very little that is known about the price of manufactures in the times of the Greeks and Romans, it would

<sup>46-4</sup> that I

<sup>v</sup> of I, 4e-5

<sup>10-10</sup> more rich I

<sup>x-x</sup> good I

that 'of all the occupations by which gain is secured, none is better than agriculture, none more profitable, none more delightful, none more becoming to a freeman.' Translated by W. Miller in Loeb Classical Library (1921), 155.

<sup>46</sup> A very similar expression is used above, IV.vii.a.3. <sup>47</sup> See above, I.i.8 and note 17.

<sup>48</sup> See LJ (A) vi. 41-2, and above, I.i.8. In LJ (B) 217, ed. Cannan 167, some improvements in milling are ascribed to the slave. However, it is noted in LJ (B) 299 ed. Cannan 231, that slaves cannot work as well as free men because 'they have no motive to labour but the dread of punishment, and can never invent any machine for facilitating their business'. Smith also noted that any suggestion from the slave with regard to facilitating his work was likely to be regarded as laziness.

<sup>49</sup> Montesquieu held that as 'A general rule: A nation in slavery labours more to preserve than to acquire; a free nation more to acquire than to preserve.' (*Esprit*, XX.iv.9.)

<sup>50</sup> See above, III.ii.9 and I.viii.41.

<sup>51</sup> 'The Turkish mines in the Bannat of Temeswaer, though richer than those of Hungary, did not yield so much; because the working of them depended entirely on the strength of their slaves.' (Montesquieu, *Esprit*, XV.viii.3.)

<sup>52</sup> The same point is made in LJ (B) 299-300, ed. Cannan 231, with regard to the use of labour in Turkish and Hungarian mines.

appear that those of the finer sort were excessively dear. Silk sold for its weight in gold. It was not, indeed, in those times a European manufacture; and as it was all brought from the East Indies, the distance of the carriage may in some measure account for the greatness of the price. The price, however, which a lady, it is said, would sometimes pay for a piece of very fine linen, seems to have been equally extravagant; and as linen was always either <sup>2</sup>/<sub>2</sub> European, or, at farthest, an Egyptian manufacture, this high price can be accounted for only by the great expence of the labour which must have been employed about it, and the expence of this labour again could arise from nothing but the awkwardness of the machinery which it made use of. The price of fine woollens too, though not quite so extravagant, seems however to have been much above that of the present times. Some cloths, we are told by [39] Pliny, dyed in a particular manner, cost a hundred denarii, or three pounds six shillings and eight pence the pound weight\*.<sup>53</sup> Others dyed in another manner cost a thousand denarii the pound weight, or thirty-three <sup>a</sup>pound<sup>a</sup> six shillings and eight pence. The Roman pound, it must be remembered, contained only twelve of our avoirdupois ounces.<sup>54</sup> This high price, indeed, seems to have been principally owing to the dye. But had not the cloths themselves been much dearer than any which are made in the present times, so very expensive a dye would not probably have been bestowed upon them. The disproportion would have been too great between the value of the accessory and that of the principal. The price mentioned by the same † author of some Triclinaria, a sort of woollen pillows or cushions made use of to lean upon as they reclined upon their couches at table, passes all credibility; some of them being said to have cost more than thirty thousand, others more than three hundred thousand pounds. This high price too is not said to have arisen from the dye. In the dress of the people of fashion of both sexes, there seems to have been much less variety, it is observed by Doctor Arbuthnot,<sup>55</sup>

\* Plin. l.ix.c.39<sup>2</sup> [‘Cornelius Nepos, who died in the principate of the late lamented Augustus, says: “In my young days the violent purple dye was the vogue, a pound of which sold at 100 denarii; and not much later the red purple of Taranto. This was followed by the double-dyed Tyrian purple, which it was impossible to buy for 1000 denarii per pound.”’ (Pliny, *Natural History*, IX.lxiii, translated by H. Rackham in Loeb Classical Library (1950), iii.255.)]

† Plin. l.viii.c.48<sup>8</sup> [‘Metellus Scipio counts it among the charges against Capito that Babylonian coverlets [tricliniaria] were already then sold for 800,000 sesterces, which lately cost the Emperor Nero 4,000,000.’ (Ibid. VIII.lxxiv, trans. Rackham, iii.137–9)].

<sup>v-v</sup> an 4-6

<sup>z-z</sup> 2-6

<sup>a-a</sup> pounds, 1, 4-6

<sup>b-b</sup> 2-6

<sup>53</sup> See above, I.xi.k.1.

<sup>54</sup> See above, I.iv.10.

<sup>55</sup> C. Arbuthnot, *Tables of Ancient Coins, Weights and Measures* (London, 1727), 140–8. Arbuthnot also quoted (142) the same example of extravagance concerning triclinaria as Smith: ‘It seems they were extravagant in their Triclinaria, which one may translate Quilts or Carpets. Capito was reproached by Metellus, that he had paid for Babylonian Triclinaria £6,458 6s. 8d. This is nothing to the price paid by Nero mentioned afterwards viz. £32,291 13s. 4d.’

in antient than in modern times; and the very little variety which we find in that of the antient statues confirms his observation. He infers from this, that their dress must upon the whole have been cheaper than ours: but the conclusion does not seem to follow. When the expence of fashionable dress is [40] very great, the variety must be very small. But when, by the improvements in the productive powers of manufacturing art and industry, the expence of any one dress comes to be very moderate, the variety will naturally be very great. The rich not being able to distinguish themselves by the expence of any one dress, will naturally endeavour to do so by the multitude and variety of their dresses.<sup>56</sup>

48 The greatest and most important branch of the commerce of every nation, it has already been observed,<sup>57</sup> is that which is carried on between the inhabitants of the town and those of the country. The inhabitants of the town draw from the country the rude produce which constitutes both the materials of their work and the fund of their subsistence; and they pay for this rude produce by sending back to the country a certain portion of it manufactured and prepared for immediate use. The trade which is carried on between <sup>c</sup>these two different sets of people, consists ultimately in a certain quantity of rude produce exchanged for a certain quantity of manufactured produce. **The dearer the latter, therefore, the cheaper the former;** and whatever tends in any country to raise the price of manufactured produce, tends to lower that of the rude produce of the land, and thereby to discourage agriculture. The smaller the quantity of manufactured produce which any given quantity of rude produce, or, what comes to the same thing, which the price of any given quantity of rude produce is capable of purchasing, the smaller the <sup>d</sup>exchangeable value of that given quantity [41] of rude produce; the smaller the encouragement which either the landlord has to increase its quantity by improving, or the farmer by cultivating the land. **Whatever, besides, tends to diminish in any country the number of artificers and manufacturers, tends to diminish the home market, the most important of all markets for the rude produce of the land, and thereby still further to discourage agriculture.**

49 **Those systems, therefore, which preferring agriculture to all other employments, in order to promote it, impose restraints upon manufactures and foreign trade, act contrary to the very end which they propose, and indirectly discourage that very species of industry which they mean to promote. They are so far, perhaps, more inconsistent than even the mercantile system.** That system, by encouraging manufactures and foreign trade more than agriculture, turns a certain portion of the capital of the society from supporting a more advantageous, to support a less advan-

<sup>c-c</sup> those *r*                      <sup>d-d</sup> real *r*

<sup>56</sup> See above, I.xi.c.31.

<sup>57</sup> See above, III.i.1.

tageous species of industry. But still it really and in the end encourages that species of industry which it means to promote. Those agricultural systems, on the contrary, really and in the end discourage their own favourite species of industry.

50 It is thus that every system which endeavours, either, by extraordinary encouragements, to draw towards a particular species of industry a greater share of the capital of the society than what would naturally go to it; or, by extraordinary restraints, to force from a particular species of industry some [42] share of the capital which would otherwise be employed in it; is in reality subversive of the great purpose which it means to promote. It retards, instead of accelerating, the progress of the society towards real wealth and greatness; and diminishes, instead of increasing, the real value of the annual produce of its land and labour.<sup>58</sup>

51 All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord.<sup>59</sup> Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men. The sovereign is completely discharged from a duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society.<sup>60</sup> According to the system of natural liberty, the sovereign has only three duties to attend to; three duties of great importance, indeed, but plain and intelligible to common understandings: first, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing [43] an exact administration of justice;<sup>61</sup> and, thirdly, the duty of erecting and maintaining certain

<sup>58</sup> See IV.ii.2 and note for an elaboration of this doctrine.

<sup>59</sup> See above, IV.vii.c.44.

<sup>60</sup> See also above, IV.ii.10, and below, V.ii.c.18; cf. IV.vii.b.44 where Smith comments with reference to the colonies, that regulation of their activities constitutes a 'manifest violation of the most sacred rights of mankind'. Dugald Stewart (IV.25) quoted from one of Smith's (now lost) manuscripts, to the effect that 'Little else is requisite to carry a state to the highest degree of opulence, from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice.'

<sup>61</sup> Smith especially emphasized the need for an exact administration of justice in the TMS II.ii.3.4, in arguing that if beneficence is an ornament to society, justice must be regarded as 'the main pillar that upholds the whole edifice' so that if it was removed, the 'immense fabric of human society' must 'in a moment crumble into atoms'. It was in this context that Smith also said that: 'Society may subsist among different men, as among different merchants, from a sense of its utility, without any mutual love or affection; and

publick works and certain publick institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expence to any individual or small number of individuals, though it may frequently do much more than repay it to a great society.<sup>62</sup>

- 52 The proper performance of those several duties of the sovereign necessarily supposes a certain expence; and this expence again necessarily requires a certain revenue to support it. In the following book, therefore, I shall endeavour to explain; first, what are the necessary expences of the sovereign or common-wealth; and which of those expences ought to be defrayed by the general contribution of the whole society; and which of them, by that of some particular part only, or of some particular members of the society: secondly, what are the different methods in which the whole society may be made to contribute towards defraying the expences incumbent on the whole society, and what are the principal advantages and inconveniencies of each of those methods: and, thirdly, what are the reasons and causes which have induced almost all modern governments to mortgage some part of this revenue, or to contract debts, and what have been the effects of those debts upon the real wealth, the annual produce of the land and labour of the society. The following book, therefore, will naturally be divided into three chapters.

though no man in it should owe any obligation, or be bound in gratitude to any other, it may still be upheld by a mercenary exchange of good offices according to an agreed valuation.' (II.ii.3.2.)

<sup>62</sup> A similar expression is used below, V. i. c. 1.